



Our Reference : CS-LD-PGB-letter-001-17-LIN

Date: 13 April 2017

Minority Shareholder Watchdog Group  
Tingkat 11, Bangunan KWSP  
No. 3, Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

Attention:- Puan Lya Rahman  
General Manager, Corporate Services

Dear Puan Lya,

**THIRTY-FOURTH (34<sup>TH</sup>) ANNUAL GENERAL MEETING ("AGM") OF PETRONAS GAS BERHAD ("PGB" or "the Company") TO BE HELD ON 17 APRIL 2017**

In reference to your letter dated 10 April 2017 on the above, please find below our response to your questions:

**Strategic & Financial Matters**

- 1. The current economic downturn has dampened demand for fuel and also gas. However, there are indications that the global economy is picking up and the other positive factor is the continuously expanding population. Environmental concerns are, also positive for the gas industry given that it is the cleanest fossil fuel.**

**Against this backdrop of dynamics, please enlighten shareholder on the following:**

- (i) What is the key catalyst/driver that can significantly boost demand for gas?**

Malaysia gas demands are primarily from power sector, contributing about 60%, while the remaining 40% are from non-power sector, comprising petrochemicals, large and small industries.

One of key driver to boost gas demand in Malaysia is by promoting gas as the fuel of choice given it is the cleanest fossil fuel. Malaysia recently has provided its commitment to reduce Green House Gases (GHG) emission intensity per Gross Domestic Product (GDP) by 45% in 2030 from its level in 2005 as part of its ratification of the Paris Agreement in November 2016.

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Gas, as opposed to coal, when used in power generation or when burned as fuel emitted about 50% less carbon dioxide and very negligible sulfur dioxide, mercury and other particulate matters. Hence, this offers an efficient solution on the country's commitment towards the Paris Agreement as well as improving the air quality.

In addition, fuel conversions by the non-power sectors namely, large and small industries - LPG, diesel or oil as well as by the transport sector – LNG for long haul trucking and usage of co-generation unit can also contribute towards increasing gas demand and reducing the nation's carbon footprint.

- (ii) **Although the environmental concerns are positive for gas as it the cleanest fossil fuel. However, it also faces threats from alternative forms of energy such as solar & hydro-power. How serious is this threat and what is the time frame the Company is envisaging?**

We believe fossil fuel will continue to be the main source of fuel for energy, complemented by renewables.

Gas being the cleanest, efficient fossil fuel and readily accessible, would provide competitive and reliable source of energy.

2. **Under the Gas Supply (Amendment) Act 2016 (GSA), gas tariff and terms of services will be regulated and determined by the Energy Commission. This marks a departure from practice to date, where both transmission and regasification tariffs have been agreed between PETRONAS and PGB, taking into account PGBs investments in the infrastructure required to supply gas to PETRONAS' customers.**

**What would be the impact and implications to PGB's revenue and other aspects of its operations, if any, following the new amendment?**

The following are key areas that will be affected by the amendment of the GSA:

- PGB to allow parties other than PETRONAS to use our regasification terminal (RGT) and pipeline.
- Energy Commissions (EC) regulatory scope will extend to also cover the economic aspect of our Regasification and Gas Transportation businesses.
- Hence, moving forward PGB revenues from these two businesses shall be based on agreed return over investment and/or asset values base.

We are currently working closely with EC to ensure that we shall not be adversely affected by the implementation of GSA.

**3. In August 2016, PGB entered into a Shareholders Agreement with Linde Malaysia Sdn Bhd (Linde) to set up Pengerang Gas Solution Sdn Bhd (PGSSB) which will undertake the development of the Air Separation Unit (ASU) project.**

**(i) Could the Board provide an update on the status of the development?**

The project is currently progressing well as per plan, at 27% as at March 2017.

**(ii) What sort of contribution is the set-up expected to generate for the Group?**

The project is expected to contribute positively to PGB's bottom line i.e. 1% – 2 %.

**4. It was disclosed in Note 13 on page 72 of the Annual Report that interest-bearing balances (including fund investments) amounting to RM1,762,975,000 (2015 : RM1,229,442,000) for the Group and RM1,606,521,000 (2015 : RM1,116,399,000) for the Company.**

**Could the Board provide more details on these fund investments and what was the average rate of return?**

The Group's and the Company's cash are held in the In-House Account (IHA) managed by PETRONAS Integrated Financial Shared Services (IFSSC) to enable more efficient cash management including better investment strategy on the pool basis resulting to higher rate of return on investment which is also tax exempt.

The fund are typically being invested on pool basis in money market and other fixed income deposits namely, Treasury Bills and Malaysian Government Securities.

The average rate of return on our investment for the last 2 years is typically about 50 to 70 bps above overnight policy rate (OPR) set by the Bank Negara.

For FY2016, the average rate of return from investment is 3.6% i.e. 60 bps above OPR.

## Corporate Governance and Sustainability Matters

1. On page 72 of the Annual Report, under item 2, Managing Natural Resources, we noted that waste generated (tonnes) has increased from 1,360 in 2015 to 4,269 in 2016 and waste recycled (tonnes) were 10.0% and 3.2% respectively. Asset value was RM9,317 million in 2015 and RM8,773 million in 2016.

(i) Please explain all these indicators and what measures were taken to improve these indicators?

(ii) What would be the target for FY 2017?

PGB generated higher waste in 2016 mainly due to waste generated from spent chemicals and catalyst which normally replaced during plant turnaround (TA).

Depending on type of material, some of the waste is recyclable and some is non-recyclable.

In 2017, to improve waste recycle percentage, PGB has embarked into an initiative to treat the major waste component to a safe level prior to discharging to monsoon drain.

PGB creates sustainable value creation by developing its land to build asset and infrastructure. Asset value refers to land, building, plant and pipeline. The asset will be depreciated over its useful life.

We improve our asset value through continuous enhancement of our assets through scheduled repair & maintenance as well as revamp & rejuvenation activities and development of new projects arising from growth opportunities within our core competencies.

2. Section 334(3) of the Companies Act 2016 stated that in the case of a poll, the instrument appointing a proxy shall be deposited at the registered office of the Company not less than 24 hours before the times appointed for the taking of the poll. However, we noted that the Noted to the Notice of AGM issued by the Company required the instrument appointing a proxy to be deposited at the Registered Office of the Company not less than 48 hours before the time set for the meeting.

**Could the Board explain the discrepancy and were the proxy instruments lodged less than 48 hours but not less than 24 hours before the time set for the meeting taken as valid?**

Section 334(3) of the Companies Act 2016 ("CA 2016") is the enactment of Regulation 61 of Table A of the Companies Act 1965 which regulates the time period for lodgment of proxy. Article 79 of PGB's Constitution (the Articles of Association of PGB) provides for a similar rule.

The abovementioned rules provides that for a proxy to be valid, the proxy form must be deposited not less than 48 hours before the time for holding the meeting or adjourned

meeting. It further provides that in the case of a poll, the proxy form must be deposited not less than 24 hours before the time appointed for the taking of the poll.

*The time for holding the meeting or adjourned meeting refers to the time as set out in the notice of meeting of when the meeting shall be held, and time appointed for taking of the poll refers to the time to be fixed by the Chairman of the meeting for the purpose of taking the poll. One cannot take the time for the holding of the meeting to be the time appointed for the taking of the poll as they are two different time periods for two different events, of which neither are replaceable nor inter-changeable.*

When the notice of the meeting is given, it will not contain any specific time appointed for the taking of the poll since the time appointed for taking of the poll will only be decided by the Chairman of the meeting during the time when the resolutions are to be put to vote at the meeting, after due dealing with the business of the meeting.

Section 332(2) of CA 2016 sets out the rule relating to when the poll shall be taken i.e. the poll, if is duly demanded, shall be taken:

- forthwith; or
- after an interval or adjournment; or
- otherwise as the Chairman directs.

The decision as to when the poll will be conducted rests with the Chairman of meeting and it is his/her responsibility to fix the time and place if the poll is not taken forthwith.

If the poll is taken forthwith after the discussion of the business, the members and proxies present shall cast the votes and the meeting is concluded after the poll and the result are declared.

However, where the Chairman of the meeting decides to hold a poll at a later time or date, that time fixed for the purpose of taking the poll does not constitute an adjournment of meeting, but is regarded as "mere enlargement" or "a continuation" of the meeting (Shaw v Tati Concessions Ltd [1913] 1 Ch. 292).

The rules requiring proxies to be lodged before the time for holding the meeting or adjourned meeting do not apply to an "enlargement" or "a continuation" for members who wish to change proxies to cast the poll vote at the time appointed for the taking of the poll.

Hence, the words "or deposited... not less than 24 hours before the times appointed for the taking of the poll" per Section 334(4) CA 2016 abrogates the principle as set by the case of Shaw v Tati Concessions Ltd. by further providing that in the case of a poll (i.e. in the case where the Chairman has decided to hold the poll at a later time or date), further proxies may be deposited by members not less than 24 hours before the time for taking of the poll.

Having applied the above, we are of the opinion that:

1. The rule relating to the time period for lodgment of valid proxy forms for attendance of the meeting shall be the rule stating that the proxy form shall be deposited not less than 48 hours before the time for holding the meeting or adjourned meeting.
2. The rule regarding "in the case of a poll" is applicable only where *the poll is taken on a later time or date as decided by the Chairman of the meeting*. Where members may wish to lodge further proxy or where members need to change proxy (for example where the originally appointed proxy cannot attend the poll at the appointed time or date), Members will then be able to deposit the proxy form *not less than 24 hours before the time appointed (by the Chairman) for taking of the poll*.

For your information, we are publishing these answers in our corporate website ([www.petronasgas.com](http://www.petronasgas.com)) for our shareholders' and public viewing. The answers will also be made available and displayed on the LED display screen located at the foyer area, Conference Hall 2, Level 3, Kuala Lumpur Convention Centre, on the day of the AGM on Monday, 17 April 2017. For the benefit of minority shareholders, we seek MSWG's assistance to also publish the above response in MSWG's website prior to the AGM.

Thank you.

Yours faithfully  
for **PETRONAS GAS BERHAD**



**INTAN SHAFINAS (TUTY) HUSSAIN**  
Company Secretary

- c.c.
1. **YBhg Datuk Anuar Taib**  
Chairman  
PETRONAS Gas Berhad
  2. **Encik Yusa' Hassan**  
Managing Director/Chief Executive Officer  
PETRONAS Gas Berhad
  3. **Mr. Yeap Kok Leong**  
Joint Company Secretary  
PETRONAS Gas Berhad