



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

For the Fourth Quarter ended 31 December 2019

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

Key Financial Highlights (in RM'000)	12 months ended		Variance %
	2019	31 December 2018	
Revenue	5,458,250	5,498,074	-0.7
Profit before taxation (PBT)	2,462,885	2,334,588	+5.5
Profit for the year	1,984,052	1,890,873	+4.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,502,721	3,611,780	-3.0
Earnings per share (EPS) (sen)	97.80	90.61	+7.9
Declared dividends per share (sen)	82.00	72.00	+13.9

- PETRONAS Gas Berhad** revenue remained resilient at **RM5,458.3 million** for the financial year ended 31 December 2019 compared to 2018. Lower revenue from Gas Transportation and LNG regasification terminal Pengerang as a result of lower tariffs under Incentive-based Regulation (IBR) was offset by higher revenue from Gas Processing and Utilities segments arising from improved reservation charge under the 2nd term Gas Processing Agreement and higher selling prices respectively.
- PBT stood at RM2,462.9 million, higher by 5.5% or RM128.3 million** mainly driven by higher share of profit from joint ventures, unrealised foreign exchange gains from translation of USD denominated lease liabilities and higher interest income from fund investments. These were offset by lower gross profit contribution from Gas Transportation, Regasification and Utilities segments.
- Profit for the year was RM1,984.1 million, higher by 4.9% or RM93.2 million** in tandem with higher PBT.
- EBITDA was lower by 3.0% or RM109.0 million at RM3,502.8 million** in tandem with lower gross profit.
- EPS increased by 7.9%**, reflecting higher profit attributable to shareholders of the Company.
- The Board of Directors has approved a fourth interim dividend** of 22 sen per ordinary share amounting to RM435.3 million **and a special interim dividend** of 10 sen per ordinary share amounting to RM197.9 million in respect of the financial year ended 31 December 2019.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group for the fourth quarter ended 31 December 2019 that should be read in conjunction with the accompanying explanatory notes on pages 5 to 25.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM'000</i>	Note	As at 31 December 2019	As at 31 December 2018 <i>Restated</i>
ASSETS			
Property, plant and equipment		13,246,513	12,487,577
Prepaid lease payment		-	4,158
Investment in joint ventures		547,361	410,673
Investment in associate		137,771	136,729
Deferred tax assets		273,814	315,861
Long term receivables		263,569	282,276
TOTAL NON-CURRENT ASSETS		14,469,028	13,637,274
Trade and other inventories		78,153	66,657
Trade and other receivables	26	954,875	942,176
Tax recoverable		59,769	13,466
Cash and cash equivalents		4,021,696	3,616,028
TOTAL CURRENT ASSETS		5,114,493	4,638,327
TOTAL ASSETS		19,583,521	18,275,601
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		10,080,158	9,658,269
Total equity attributable to the shareholders of the Company		13,245,362	12,823,473
Non-controlling interests		319,813	376,535
TOTAL EQUITY		13,565,175	13,200,008
LIABILITIES			
Borrowings	28	3,792,264	3,232,761
Deferred tax liabilities		1,233,482	1,180,181
Deferred income		3,072	4,017
TOTAL NON-CURRENT LIABILITIES		5,028,818	4,416,959
Trade and other payables		882,876	564,481
Borrowings	28	106,652	94,153
TOTAL CURRENT LIABILITIES		989,528	658,634
TOTAL LIABILITIES		6,018,346	5,075,593
TOTAL EQUITY AND LIABILITIES		19,583,521	18,275,601
Net assets per share attributable to the shareholders of the Company (RM)		6.6939	6.4807

The unaudited interim consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim consolidated financial statements.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended 31 December		12 months ended 31 December	
		2019	2018 <i>Restated</i>	2019	2018 <i>Restated</i>
<i>In RM'000</i>					
Revenue		1,372,379	1,387,209	5,458,250	5,498,074
Cost of revenue		(798,222)	(794,160)	(3,071,201)	(2,962,141)
Gross profit		574,157	593,049	2,387,049	2,535,933
Administration expenses		(26,080)	(25,444)	(94,825)	(90,051)
Other expenses		(429)	(19,164)	-	(21,360)
Other income		80,817	49,998	263,621	146,107
Operating profit	33	628,465	598,439	2,555,845	2,570,629
Financing costs		(55,443)	(45,075)	(229,684)	(169,387)
Share of profit/(loss) after tax of equity- accounted joint ventures and associate		15,249	(123,346)	136,724	(66,654)
Profit before taxation		588,271	430,018	2,462,885	2,334,588
Tax expense	22	(95,338)	(104,928)	(478,833)	(443,715)
PROFIT FOR THE PERIOD/YEAR		492,933	325,090	1,984,052	1,890,873
Other comprehensive income/(expenses)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net movement from exchange differences		(25,366)	(219)	(16,082)	28,787
Cash flow hedge:					
- Changes in fair value of derivatives		(586)	(13,738)	(27,112)	(9,834)
- Transfer to profit or loss		-	-	(36,458)	-
Share of cash flow hedge of an equity- accounted joint venture		(3,510)	315	(447)	3,137
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		463,471	311,448	1,903,953	1,912,963
Profit attributable to:					
Shareholders of the Company		485,273	300,596	1,935,258	1,792,951
Non-controlling interests		7,660	24,494	48,794	97,922
PROFIT FOR THE PERIOD/YEAR		492,933	325,090	1,984,052	1,890,873
Total comprehensive income attributable to:					
Shareholders of the Company		463,444	287,236	1,860,411	1,805,171
Non-controlling interests		27	24,212	43,542	107,792
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		463,471	311,448	1,903,953	1,912,963
Basic and diluted earnings per ordinary share (sen)		24.52	15.19	97.80	90.61

The unaudited interim consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim consolidated financial statements.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company								
	Non-distributable					Distributable		Non-controlling interests	Total
	Share capital	Hedging reserve	Foreign currency translation reserve	Other reserves	Retained profits	Total			
Quarter ended 31 December 2018									
- As previously reported	3,165,204	108,500	7,045	21,400	9,212,872	12,514,702	247,444	12,762,146	
- Impact of prior year adjustment (Note 17)					(131,075)	(131,075)	-	(131,075)	
At 1 January 2018, restated	3,165,204	108,500	7,045	21,400	9,081,478	12,383,627	247,444	12,631,071	
Net movement from exchange differences	-	-	18,917	-	-	18,917	9,870	28,787	
Cash flow hedge	-	(9,834)	-	-	-	(9,834)	-	(9,834)	
Share of cash flow hedge of an equity-accounted joint venture	-	3,137	-	-	-	3,137	-	3,137	
Profit for the year, restated	-	-	-	-	1,792,951	1,792,951	97,922	1,890,873	
Total comprehensive income for the year, restated	-	(6,697)	18,917	-	1,792,951	1,805,171	107,792	1,912,963	
Issuance of shares to non-controlling interest	-	-	-	-	-	-	21,299	21,299	
Redemption of redeemable preference share in subsidiary	-	-	-	35,690	(35,690)	-	-	-	
Interim dividend declared and paid in respect of previous year	-	-	-	-	(375,959)	(375,959)	-	(375,959)	
Interim dividend declared and paid in respect of current year	-	-	-	-	(989,366)	(989,366)	-	(989,366)	
Total transactions with shareholders of the Company	-	-	-	35,690	(1,401,015)	(1,365,325)	21,299	(1,344,026)	
Balance at 31 December 2018, restated	3,165,204	101,803	25,962	57,090	9,473,414	12,823,473	376,535	13,200,008	
Quarter ended 31 December 2019									
Balance at 1 January 2019	3,165,204	101,803	25,962	57,090	9,473,414	12,823,473	376,535	13,200,008	
Effect on the adoption of MFRS 16	-	-	-	-	(13,835)	(13,835)	(7,254)	(21,089)	
At 1 January 2019, restated	3,165,204	101,803	25,962	57,090	9,459,579	12,809,638	369,281	13,178,919	
Net movement from exchange differences	-	-	(10,830)	-	-	(10,830)	(5,252)	(16,082)	
Cash flow hedge	-	(63,570)	-	-	-	(63,570)	-	(63,570)	
Share of cash flow hedge of an equity-accounted joint venture	-	(447)	-	-	-	(447)	-	(447)	
Profit for the year	-	-	-	-	1,935,258	1,935,258	48,794	1,984,052	
Total comprehensive income for the year	-	(64,016)	(10,830)	-	1,935,258	1,860,411	43,542	1,903,953	
Redemption of redeemable preference share in subsidiary	-	-	-	354,111	(354,111)	-	(73,320)	(73,320)	
Interim dividend declared and paid in respect of previous year	-	-	-	-	(435,321)	(435,321)	-	(435,321)	
Interim dividend declared and paid in respect of current year	-	-	-	-	(989,366)	(989,366)	(19,690)	(1,009,056)	
Total transactions with shareholders of the Company	-	-	-	354,111	(1,778,798)	(1,424,687)	(93,010)	(1,517,697)	
Balance at 31 December 2019	3,165,204	37,787	15,132	411,201	9,616,039	13,245,362	319,813	13,565,175	

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		12 months ended	
	Note	2019	31 December 2018
			<i>Restated</i>
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		2,462,885	2,334,588
<i>Adjustments for:</i>			
Depreciation and amortisation	33	1,137,578	1,136,899
Financing costs		229,684	169,387
Interest income	33	(154,244)	(112,637)
Share of profit/(loss) after tax of equity-accounted joint ventures and associate		(136,724)	66,654
Unrealised gain on foreign exchange	33	(49,080)	(1,508)
Other non-cash items		(737)	21,595
Operating profit before changes in working capital		3,489,362	3,614,978
Change in trade and other receivables		14,580	(82,065)
Change in trade inventories		(12,860)	(6,009)
Change in trade and other payables		141,754	58,420
Cash generated from operations		3,632,836	3,585,324
Interest income from fund and other investments		154,244	112,637
Taxation paid		(429,788)	(386,732)
Net cash generated from operating activities		3,357,292	3,311,229
CASH FLOW FROM INVESTING ACTIVITIES			
Dividends received from associate and joint ventures		28,471	52,151
Investment in joint venture		(31,031)	(39,185)
Loans and advances to joint venture		(7,226)	(93,976)
Purchase of property, plant and equipment		(1,094,383)	(916,521)
Government grant received		-	150,000
Proceeds from disposal of property, plant and equipment		6,509	392
Net cash used in investing activities		(1,097,660)	(847,139)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(1,424,687)	(1,365,325)
Dividends paid to non-controlling interest		(19,690)	-
Drawdown of term loan	28	7,226	225,255
Drawdown of loan from corporate shareholder of a subsidiary	28	-	49,715
Repayment of loan to corporate shareholder of a subsidiary	28	(52,938)	(72,854)
Financing costs paid		(229,535)	(175,015)
Repayment of lease liabilities	28	(56,579)	(29,727)
Proceeds from shares issued to non-controlling interest		-	21,299
Payment on redemption of preference shares to non-controlling interest		(73,320)	-
Net cash used in financing activities		(1,849,523)	(1,346,652)
Net increase in cash and cash equivalents		410,109	1,117,438
Net foreign exchange difference		(4,441)	(1,767)
Cash and cash equivalents at beginning of the year		3,616,028	2,500,357
Cash and cash equivalents at end of the year		4,021,696	3,616,028

The unaudited interim consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim consolidated financial statements.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of IAS 34, *Interim Financial Reporting*, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

They should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries and the Group's interest in an associate and its joint ventures as at and for the year ended 31 December 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for the year ended 31 December 2019 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the year ended 31 December 2018 except as described below.

As of 1 January 2019, the Group has adopted the following new MFRS, amendments to MFRSs and IC interpretation (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2019.

MFRS 16 Leases

Amendments to MFRS 3 *Business Combinations (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 11 *Joint Arrangements (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 112 *Income Taxes (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 123 *Borrowing Costs (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The effects of initial application of MFRS 16 to the financial statements of the Group are as follows:

MFRS 16 Leases

MFRS 16 replaces existing leases guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar to current standard which continue to be classified as finance or operating leases.

Right-of-use assets and prepaid lease payments are included under property, plant and equipment in the statement of financial position. The corresponding liability is included as borrowings in the statement of financial position.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MFRS 16 Leases (continued)

As allowed by the transitional provision of MFRS 16, the Group have elected for a modified retrospective approach, hence there is no requirement for restatement of comparatives. The cumulative adjustments resulting from the adoption of MFRS 16 have been recognised in the statement of financial position at 1 January 2019 as follows:

Impact of adoption of MFRS 16 to opening balance at 1 January 2019	<u>RM'000</u>
Asset and Liabilities	
Increase in right-of-use assets	678,740
Decrease in prepaid lease payment	(4,158)
Increase in finance lease liability	(695,671)
Equity	
Decrease in retained earnings	13,835
Decrease in non-controlling interests	7,254

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2018 were not subject to any audit qualification.

4. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not significantly affected by seasonal or cyclical fluctuations of the business/ industry.

5. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2018 that may have a material effect on the results of the quarter under review.

7. PROPERTY, PLANT AND EQUIPMENT

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Impact of adoption of MFRS 16 to opening balance of property, plant and equipment	<u>RM'000</u>
Balance at 1 January 2019, as previously stated	12,487,577
Increase in rights-of-use assets	
- Recognition of lease contracts	674,582
- Reclassification from prepaid lease payment	4,158
At 1 January 2019, restated	<u>13,166,317</u>

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the year ended 31 December 2019, other than as disclosed in the interim financial statements.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	12 months ended 31 December	
	2019	2018
Ordinary		
Interim paid:		
2017 - Fourth interim dividend of 19 sen per ordinary share	-	375,959
2018 - First interim dividend of 16 sen per ordinary share	-	316,597
2018 - Second interim dividend of 16 sen per ordinary share	-	316,597
2018 - Third interim dividend of 18 sen per ordinary share	-	356,172
2018 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2019 - First interim dividend of 16 sen per ordinary share	316,597	-
2019 - Second interim dividend of 16 sen per ordinary share	316,597	-
2019 - Third interim dividend of 18 sen per ordinary share	356,172	-
	1,424,687	1,365,325

On 18 February 2020, the Directors of the Company approved a fourth interim dividend of 22 sen per ordinary share amounting to RM435.3 million and a special interim dividend of 10 sen per ordinary share amounting to RM197.9 million, in respect of the financial year ended 31 December 2019.

The dividends are payable on 26 March 2020 to depositors registered in the Records of Depositors at the close of business on 5 March 2020.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.30 pm on 5 March 2020 in respect of ordinary transfers.
- b) Shares brought on the Bursa Malaysia Securities Berhad on a cum entitlement basis accordingly to the rules of the Bursa Malaysia Securities Berhad.

The interim financial statements for the current quarter do not reflect these approved interim dividends. The dividends, will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2020.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the quarter under review.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

11. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short nature of these financial instruments.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The fair value hierarchy in the valuation technique are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are, observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group recognises transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and 3 of the fair value valuation hierarchy during the financial period.

<i>In RM'000</i>	Fair value of financial instruments carried at fair value Level 2	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amounts
31 December 2019				
Financial assets				
<i>Current</i>				
Derivative assets	952	-	952	952
<i>Non-Current</i>				
Long term receivables	-	261,589	261,589	261,589
Derivative assets	1,980	-	1,980	1,980
Total financial assets	2,932	261,589	264,521	264,521
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(54,687)	(54,687)	(54,687)
Derivative liabilities	(1,329)	-	(1,329)	(1,329)
	(1,329)	(54,687)	(56,016)	(56,016)
<i>Non-Current</i>				
Term loan	-	(1,781,242)	(1,781,242)	(1,781,242)
Loan from corporate shareholder of a subsidiary	-	(406,295)	(406,295)	(406,295)
	-	(2,187,537)	(2,187,537)	(2,187,537)
Total financial liabilities	(1,329)	(2,242,224)	(2,243,553)	(2,243,553)

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

11. FAIR VALUE INFORMATION (continued)

<i>In RM'000</i>	Fair value of financial instruments carried at fair value Level 2	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amounts
31 December 2018				
Financial assets				
<i>Current</i>				
Derivative assets	17,175	-	17,175	17,175
<i>Non-Current</i>				
Long term receivables	-	269,913	269,913	269,913
Derivative assets	12,363	-	12,363	12,363
	12,363	269,913	282,276	282,276
Total financial assets	29,538	269,913	299,451	299,451
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(52,965)	(52,965)	(52,965)
Derivative liabilities	(328)	-	(328)	(328)
	(328)	(52,965)	(53,293)	(53,293)
<i>Non-Current</i>				
Term loan	-	(1,793,643)	(1,793,643)	(1,793,643)
Loan from corporate shareholder of a subsidiary	-	(466,042)	(466,042)	(466,042)
	-	(2,259,685)	(2,259,685)	(2,259,685)
Total financial liabilities	(328)	(2,312,650)	(2,312,978)	(2,312,978)

The calculation of fair value for derivative assets and derivative liabilities within financial instruments depends on the type of instruments as follows:

- Fair value of forward exchange contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
- Fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rate and yield curve over the remaining term of the instruments.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

12. SEGMENTAL INFORMATION

The Group has four reporting segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because it requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reporting segments:

- Gas Processing – activities include processing of natural gas from gas fields offshore the East Coast of Peninsular Malaysia into salesgas and other by-products such as ethane, propane and butane.
- Gas Transportation – activities include transportation of processed gas to gas shippers' end customers throughout Malaysia and export to Singapore and provision of operations and maintenance services.
- Regasification – activities include regasification of liquefied natural gas (LNG) into the Peninsular Gas Utilisation pipeline network.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area and provision of operations and maintenance services.

Performance is measured based on segment gross profit, as included in the performance reports to the Board of Directors as the Company believes that such information is the most relevant in evaluating the results of the segments.

The segmental information in respect of the associate and joint ventures are not presented as the contribution of the associate and joint ventures and the carrying amount of investment in the associate and joint ventures have been reflected in the statement of profit or loss and other comprehensive income and statement of financial position of the Group respectively.

<i>In RM'000</i>	12 months ended				
	31 December 2019				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	1,702,318	1,152,481	1,237,895	1,365,556	5,458,250
Segment results	816,513	799,462	610,993	160,081	2,387,049
Unallocated income					168,796
Operating profit					2,555,845
Financing costs					(229,684)
Share of profit after tax of equity-accounted associate and joint ventures					136,724
Profit before taxation					2,462,885

<i>In RM'000</i>	12 months ended				
	31 December 2018				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	1,571,045	1,360,549	1,245,394	1,321,086	5,498,074
Segment results	639,313	1,017,976	698,030	180,614	2,535,933
Unallocated income					34,696
Operating profit					2,570,629
Financing costs					(169,387)
Share of loss after tax of equity-accounted associate and joint ventures					(66,654)
Profit before taxation					2,334,588

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

12. SEGMENTAL INFORMATION (continued)

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income/(expenses) mainly comprises foreign exchange gain or loss as well as other corporate income and expenses.

The Group's revenue from contracts with customers which also represents reportable segment revenue are further disaggregated as follows:

In RM'000	12 months ended	
	2019	31 December 2018
Geographical Locations		
Peninsular Malaysia	5,410,244	5,421,976
Sabah and Sarawak	48,006	76,098
Total	5,458,250	5,498,074
Products and Services		
Gas processing services	1,702,318	1,571,045
Gas transportation services	1,118,271	1,309,148
Regasification services	1,237,895	1,245,394
Utilities		
- Electricity	652,391	594,630
- Steam	413,321	409,131
- Industrial gases	233,982	246,021
- Others ¹	64,239	69,890
Operations and maintenance services	35,833	52,815
Total	5,458,250	5,498,074

¹ Others relates to water treatment services and sale of other utilities products.

13. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the quarter.

14. CONTINGENCIES

In RM'000	As at	As at
	31 December 2019	31 December 2018
Unsecured		
Counter claim by a third party against a joint venture	137,296	137,296

No provision has been made on the above contingencies (i.e. RM137,296,000 being the 60% of the counter claim) in the financial statements up to the reporting date.

Details of the above counter claim are further disclosed in Note 30.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

15. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of each reporting period not provided for in the interim financial statements are as follows:

<i>In RM'000</i>	As at 31 December 2019	As at 31 December 2018
Property, plant and equipment		
Approved and contracted for	428,549	259,002
Approved but not contracted for	3,141,300	3,516,365
	<u>3,569,849</u>	<u>3,775,367</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	18,760	21,592
Approved but not contracted for	15,405	54,636
	<u>34,165</u>	<u>76,228</u>
	<u>3,604,014</u>	<u>3,851,595</u>

16. RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2018, other than as disclosed below.

In accordance with Suruhanjaya Tenaga's introduction of Third Party Access code pursuant to Gas Supply Act (Amendment) 2016, PETRONAS Gas Berhad and its subsidiaries had on 16 April 2019 entered into the following agreements with PETRONAS Energy & Gas Trading Sdn Bhd (previously entered with Petroliam Nasional Berhad):

Company and Subsidiaries	Agreements	Tenure
PETRONAS Gas Berhad	Gas Transportation Agreement (GTA) for transportation of gas through Peninsular Gas Utilisation pipeline network.	2019 to 2033
Regas Terminal (Sg. Udang) Sdn Bhd	Terminal Use Agreement (TUA) for unloading, storage and regasification of LNG through its regasification terminal in Sg. Udang, Melaka.	2019 to 2033
Pengerang LNG (Two) Sdn Bhd	TUA for unloading, storage and regasification of LNG through its regasification terminal in Pengerang, Johor.	2019 to 2042

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

17. PRIOR YEAR ADJUSTMENT

During the year, a joint venture of the Group recognised a prior year adjustment relating to under recognition of deferred tax liability over the past 5 years. As a result, certain comparative figures have been restated as follows.

1. Consolidated Statement of Financial Position

Group 31.12.2018	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Investment in joint ventures	559,056	(148,383)	410,673
Other non-current assets	13,226,601	-	13,226,601
Current assets	4,638,327	-	4,638,327
Total assets	18,423,984	(148,383)	18,275,601
Share capital	(3,165,204)	-	(3,165,204)
Reserves	(9,806,652)	148,383	(9,658,269)
Non-controlling interests	(376,535)	-	(376,535)
Total equity	(13,348,391)	148,383	(13,200,008)
Total liabilities	(5,075,593)	-	(5,075,593)
Total equity and liabilities	(18,423,984)	148,383	(18,275,601)

2. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group For the year ended 31 December 2018	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Share of losses after tax of joint ventures and associate	(49,346)	(17,308)	(66,654)
Profit before taxation	2,351,896	(17,308)	2,334,588
Profit for the year	1,908,181	(17,308)	1,890,873
Total comprehensive income for the year	1,930,271	(17,308)	1,912,963

3. Consolidated Statement of Cash Flows

Group For the year ended 31 December 2018	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Profit Before Taxation	2,351,896	(17,308)	2,334,588
Share of loss after tax of equity-accounted joint ventures and associate	49,346	17,308	66,654
Other operating activities	909,987	-	909,987
Net cash generated from operating activities	3,311,229	-	3,311,229
Net cash used in investing activities	(847,139)	-	(847,139)
Net cash used in financing activities	(1,346,652)	-	(1,346,652)
Net foreign exchange difference	(1,767)	-	(1,767)
Cash and cash equivalents at beginning of the year	2,500,357	-	2,500,357
Cash and cash equivalents at end of the year	3,616,028	-	3,616,028

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE

(a) Performance of current quarter against the corresponding quarter

In RM'000	3 months ended		Variance
	2019	31 December 2018	
Revenue	1,372,379	1,387,209	-1.1
Gross profit	574,157	593,049	-3.2
Profit before taxation (PBT)	588,271	430,018	+36.8
Profit for the quarter	492,933	325,090	+51.6
EBITDA*	875,179	871,135	+0.5

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items.

The Group maintained its world-class reliability performance across all its plants and facilities during the quarter under review.

The Group recorded comparable revenue of RM1,372.4 million for the quarter ended 31 December 2019. Lower revenue from Gas Transportation segment and Pengerang LNG regasification terminal in line with downward revision of tariffs under Incentive-based Regulation (IBR) was mitigated by higher revenue from Gas Processing segment in line with higher reservation charge under the 2nd term Gas Processing Agreement and from Sungai Udang LNG regasification terminal.

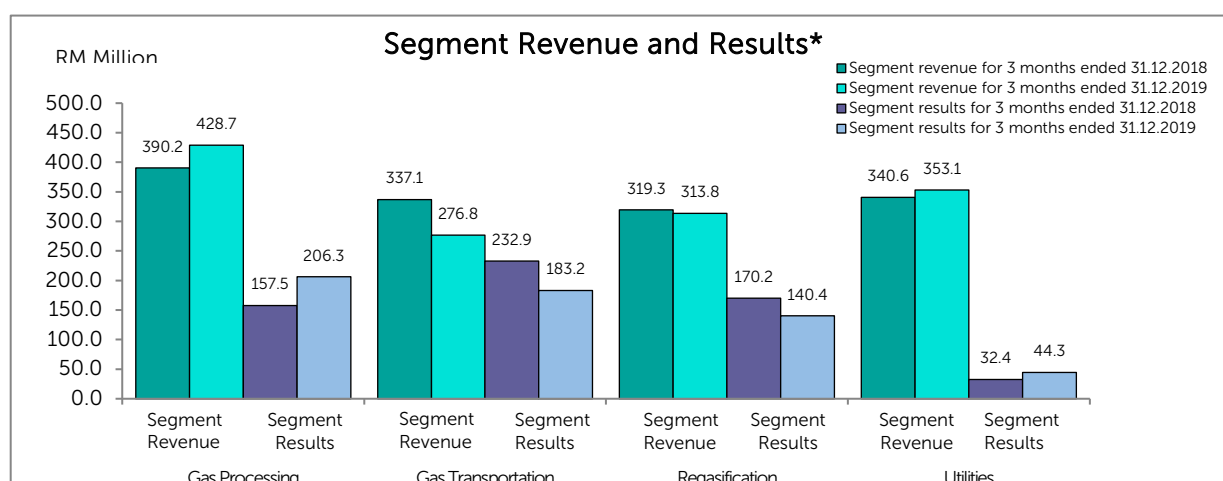
Gross profit was lower by 3.2% or RM18.8 million on the back of lower revenue and higher Utilities cost of sales in line with upward fuel gas price revision in January 2019 and July 2019.

PBT surged to RM588.3 million, higher by 36.8% or RM158.3 million on higher share of profit from joint ventures, unrealised forex exchange gain from translation of USD lease liabilities and higher interest income from fund investments.

Higher share of profit from joint ventures was attributable to positive contribution from Kimanis Power Sdn Bhd, a 60% joint venture of the Group due to de-recognition of deferred tax assets in the corresponding quarter in relation to time utilisation limit on certain tax benefits, supported by higher profit from the Group's Air Separation Unit in Pengerang, Johor which began commercial operation in the first quarter of the year. The unrealised foreign exchange gains mainly arose from translation of USD lease liabilities for floating storage units at the Group's LNG regasification terminal Sungai Udang.

Accordingly, profit for the quarter was higher by 51.6% or RM167.9 million.

The following section provides further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(a) Performance of current quarter against the corresponding quarter (continued)

Gas Processing

The Group's Gas Processing plants achieved close to 99% reliability, maintaining its world class operating performance.

Segment revenue grew by 9.9% or RM38.5 million driven by higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019, supported by higher Performance Based Structure (PBS) revenue. Segment results surged by 31.0% or RM48.8 million as higher revenue was further supported by lower depreciation expense.

Gas Transportation

The Group's pipeline network achieved close to 100% reliability, similar to the corresponding quarter.

Segment revenue declined by 17.9% or RM60.3 million following lower gas transportation tariff for Peninsular Malaysia under Incentive-based Regulation (IBR) as announced on 31 December 2018, effective 1 January 2019 to 31 December 2019.

Segment results were correspondingly lower by 21.3% or RM49.7 million on the back of lower revenue, partially offset by lower operating costs.

Regasification

The Group's LNG regasification terminals in Sg. Udang, Melaka (RGTSU) and Pengerang, Johor (RGTP) sustained their strong reliability performance at close to 100% during the quarter.

Under IBR, new tariffs are applicable for both RGTSU and RGTP effective 1 January to 31 December 2019.

Segment revenue was slightly lower by 1.7% or RM5.5 million against corresponding quarter as lower revenue from RGTP was offset by higher revenue from RGTSU.

Segment results declined by 17.5% or RM29.8 million on higher depreciation expense upon recognition of jetty facilities as right-of-use assets at RGTP under new Malaysian accounting standard followed by higher Pengerang Integrated Complex's information and communication technology costs.

Utilities

Utilities revenue for the quarter was higher by 3.7% or RM12.5 million mainly driven by higher effective price charged to customers following upward fuel gas price revision on 1 January 2019 and 1 July 2019.

Segment results were correspondingly higher by 36.7% or RM11.9 million on the back of higher revenue and lower maintenance costs, partially offset by higher Utilities cost of sales.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year against the corresponding year

In RM'000	12 months ended 31 December		Variance %
	2019	2018	
Revenue	5,458,250	5,498,074	-0.7
Gross profit	2,387,049	2,535,933	-5.9
Profit before taxation (PBT)	2,462,885	2,334,588	+5.5
Profit for the year	1,984,052	1,890,873	+4.9
EBITDA*	3,502,721	3,611,780	-3.0

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items.

The Group's plants and facilities continued to perform close to 100% reliability during the year under review.

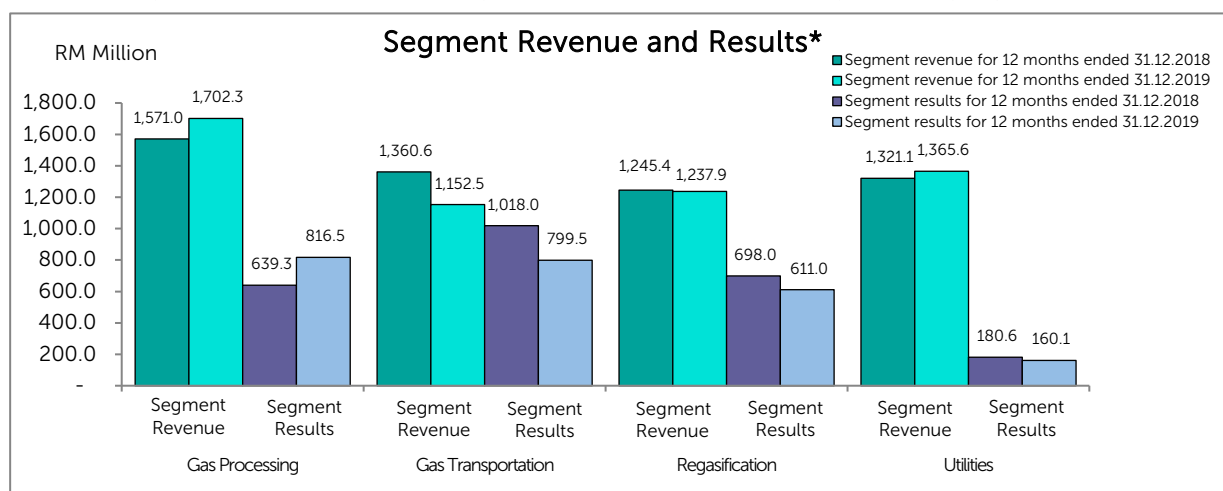
The Group's revenue remained resilient at RM5,458.3 million compared to the corresponding year. Lower revenue from Gas Transportation segment and LNG regasification terminal Pengerang under Incentive-based Regulation (IBR) was offset by higher revenue from Gas Processing and Utilities segments. Gas Processing and Utilities revenue rose on the back of higher reservation charge under the 2nd term Gas Processing Agreement and upward fuel gas price revision respectively.

Gross profit decreased by 5.9% or RM148.8 million to RM2,387.1 million, largely attributable to Gas Transportation, Regasification and Utilities segment results amidst improved results from Gas Processing segment.

Profit for the year increased by 4.9% or RM93.2 million mainly driven by higher share of profit from joint ventures, unrealised foreign exchange gains from translation of USD denominated lease liabilities and higher interest income from fund investment.

Higher share of profit from joint ventures was attributable to improved contribution from Kimanis Power Sdn Bhd (KPSB) and Pengerang Gas Solutions Sdn Bhd (PGSSB). Last year, KPSB de-recognised deferred tax assets due to time utilisation limit on certain tax benefits whilst PGSSB recorded higher profit with commencement of its Air Separation Unit in Pengerang, Johor in the first quarter of 2019. The unrealised foreign exchange gains mainly arose from the discontinuance of hedge accounting on translation of USD lease liabilities for floating storage units at the Group's LNG regasification terminal Sungai Udang.

The following section provides further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year against the corresponding year (continued)

Gas Processing

The Group's Gas Processing plants maintained its world class operating performance, comparable to 2018.

Segment revenue grew by 8.4% or RM131.3 million on the back of higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019 followed by higher Performance Based Structure (PBS) revenue in line with the plant's superior operational performance throughout the year.

Segment results surged by 27.7% or RM177.2 million driven by higher revenue coupled with lower depreciation expense.

Gas Transportation

The Group's pipeline network achieved close to 100% reliability, similar to the corresponding period.

Segment revenue was 15.3% or RM208.1 million lower in line with lower gas transportation tariff for Peninsular Malaysia effective 1 January to 31 December 2019 under Incentive-based Regulation (IBR).

Segment results were correspondingly lower by 21.5% or RM218.5 million on the back of lower revenue and higher operating costs.

Regasification

The Group's LNG regasification terminals in Sg. Udang, Melaka (RGTSU) and Pengerang, Johor (RGTP) sustained their strong reliability performance at close to 100% during the year.

Under IBR, new tariffs are applicable for both RGTSU and RGTP effective 1 January to 31 December 2019.

Segment revenue was comparable to last year at RM1,237.9 million as decrease in revenue from RGTP was offset by higher revenue from RGTSU.

Segment results declined by 12.5% or RM87.0 million mainly attributable to higher depreciation upon recognition of jetty facilities as right-of-use assets at RGTP under new Malaysian accounting standard and higher operating costs.

Utilities

During the year, Utilities segment successfully undertook planned statutory turnaround at one of the Group's Air Separation Unit in Kertih in the third quarter of the year.

Segment revenue for the year rose by 3.4% or RM44.5 million attributable to higher selling prices to customers following upward revision of fuel gas price on 1 January 2019 and 1 July 2019 respectively, coupled with additional surcharge on national electricity tariff. This was offset by lower volumes following the planned statutory turnaround.

Segment results nevertheless declined by 11.4% or RM20.5 million on higher cost of sales following upward revision of fuel gas price.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

19. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

In RM'000	3 months ended		Variance %
	31 December 2019	30 September 2019	
Revenue	1,372,379	1,338,061	+2.6
Gross profit	574,157	563,418	+1.9
Profit before taxation (PBT)	588,271	553,293	+6.3
Profit for the quarter	492,933	445,511	+10.6
EBITDA*	875,179	831,325	+5.3

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items.

The Group sustained its strong performance for plant and facilities reliability across all segments during the quarter.

Against the preceding quarter, the Group recorded higher revenue by 2.6% or RM34.3 million. This was mainly attributable to higher sales volumes from Utilities segment following completion of planned statutory turnaround at its Air Separation Unit in Kertih and higher Performance Based Structure revenue from Gas Processing segment.

Gross profit also increased by 1.9% or RM10.8 million to RM574.2 million on the back of higher revenue, amidst higher Utilities cost of sales and higher repair and maintenance costs.

PBT and profit for the quarter was higher by 6.3% or RM35.0 million and 10.7% or RM47.5 million respectively due to higher gross profit, unrealised foreign exchange gains from translation of USD denominated lease and higher interest income from fund investment.

20. REVIEW OF GROUP FINANCIAL POSITION

In RM'000	As at	As at	Variance %
	31 December 2019	31 December 2018	
Total assets	19,583,521	18,275,601	+7.2
Total equity attributable to the shareholders of the Company	13,245,362	12,823,473	+3.3
Total liabilities	6,018,346	5,075,593	+18.6
Return on equity (%)	14.6	14.0	

The Group's total assets grew by 7.2% or RM1,307.9 million, mainly contributed by higher property plant and equipment balance following adoption of MFRS 16 Leases which resulted in the recognition of right-of-use (ROU) assets and corresponding lease liabilities effective from 1 January 2019 and higher cash and cash equivalents generated from operating activities.

Total equity attributable to shareholders of the Company of RM13.2 billion was higher by 3.3% or RM421.9 million in line with profit recorded during the year, partially offset by dividend payments to shareholders.

Total liabilities increased by 18.6% at RM942.8 million, mainly attributable to recognition of finance lease liabilities for ROU assets.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

21. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	12 months ended		Variance %
	2019	31 December 2018	
Net cash generated from operating activities	3,357,292	3,311,229	+1.4
Net cash used in investing activities	(1,097,660)	(847,139)	+29.6
Net cash used in financing activities	(1,849,523)	(1,346,652)	+37.3
Net increase in cash and cash equivalents	410,109	1,117,438	-63.3

Net cash generated from operating activities was higher by 1.4% or RM46.1 million mainly contributed by higher interest income from fund investments offset by lower revenue from Gas Transportation and Regasification segment and higher tax paid.

Net cash used in investing activities increased by 29.6% or RM250.5 million largely attributable to higher capital expenditure mainly for statutory plant turnaround activities followed by RM150.0 million Malaysian Government grant received in corresponding year to develop the LNG regasification terminal in Pengerang, Johor.

Net cash used in financing activities was higher by 37.3% or RM502.9 million mainly due to lower term loan drawdown, higher dividends paid to the shareholders of the Company, redemption of preference shares by a subsidiary and higher finance cost paid in line with higher term loan balance.

22. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended		12 months ended	
	2019	31 December 2018	2019	31 December 2018
Current tax expenses				
Malaysia				
- current period	79,023	80,321	386,735	375,273
- (over)/under provision in prior period/years	-	(3,790)	(3,251)	4,833
	79,023	76,531	383,484	380,106
Deferred tax expenses				
- origination and reversal of temporary differences	16,315	28,397	98,795	61,772
- (over)/under provision in prior period/years	-	-	(3,446)	1,837
Total deferred tax expenses	16,315	28,397	95,349	63,609
Total tax expenses	95,338	104,928	478,833	443,715

The effective tax rate (ETR) for the quarter and twelve months' period ended 31 December 2019 was lower than the statutory tax rate of 24% mainly due to tax incentives granted for LNG regasification terminal in Pengerang, Johor.

ETR for the year was higher against the corresponding period mainly due to the expiry of tax incentive for the Group's Utilities segment in 2018.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

23. COMMENTARY ON PROSPECTS

As announced by the Group on 20 December 2019, the Energy Commission has approved the Incentive-based Regulation tariffs for the Regulatory Period 1 for the Gas Transportation and Regasification services which will commence from 1 January 2020 to 31 December 2022.

While the new tariffs are expected to affect the Group's Transportation and Regasification business segment revenues, both segments are anticipated to continue contributing positively to Group's earnings.

The Group's Gas Processing segment is expected to remain stable on the back of its strong and sustainable income stream under the 2nd Term of the 20-year Gas Processing Agreement effective from 2019 until 2023.

24. PROFIT FORECAST

There was no profit forecast published by the Group as at the date of this report.

25. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced but not completed as at the date of this report.

26. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	As at 31 December 2019	As at 31 December 2018
Trade receivables		
- Third party	27,828	27,270
- Related companies	624,653	571,455
- Joint ventures	354	1,722
- Related parties	33,915	31,034
	686,750	631,481
Other receivables	268,210	310,860
Less: Impairment losses	(85)	(165)
Trade and other receivables	954,875	942,176

Average credit term for trade receivables granted to related parties and third parties is 30 days.

The ageing of trade receivables as at reporting date are as follows:

<i>In RM'000</i>	As at 31 December 2019	As at 31 December 2018
Current	693,203	638,532
Past due 1 to 30 days	(140)	(11,894)
Past due 31 to 60 days	373	2,867
Past due 61 to 90 days	(8,623)	2,014
Past due more than 90 days	1,937	(38)
Trade receivables	686,750	631,481

With respect to the Group's trade receivables, there are no indications as at reporting date that the debtors will not meet their payment obligations.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

26. TRADE AND OTHER RECEIVABLES (continued)

Significant related party trade receivables

Related parties	Nature of transactions
a. Holding company Petroleum Nasional Berhad	Provision of gas processing services.
b. Related companies PETRONAS Energy & Trading Sdn Bhd	Provision of gas transportation services and LNG regasification services.
PETRONAS Chemical Derivatives Sdn Bhd	Sales of industrial utilities.
PETRONAS Chemical MTBE Sdn Bhd	Sales of industrial utilities.
PETRONAS Chemical Ammonia Sdn Bhd	Sales of industrial utilities.

27. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY

The Group operates predominantly in Malaysia and transact mainly in Ringgit Malaysia. Nevertheless, the Group is exposed to varying levels of foreign exchange risk when it enters into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date.

The Group's foreign currency management policy is to minimise economic and significant transactional exposure arising from currency movements. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise their exposure to the foreign currency movements.

28. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 31 December 2019	As at 31 December 2018
Non-Current		
<i>Secured</i>		
Lease liabilities	1,604,727	973,076
<i>Unsecured</i>		
Term loan	1,781,242	1,793,643
Loan from corporate shareholder of a subsidiary	406,295	466,042
	3,792,264	3,232,761
Current		
<i>Secured</i>		
Lease liabilities	51,965	41,188
<i>Unsecured</i>		
Loan from corporate shareholder of a subsidiary	54,687	52,965
	106,652	94,153
	3,898,916	3,326,914
<i>In RM'000</i>		
By Currency		
RM	5,903	-
USD	3,893,013	3,326,914
Closing exchange rate (RM/USD)	4.0995	4.1445

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

28. BORROWINGS (continued)

In RM'000	Total	Less than	Between	More than
		1 year	1-5 years	5 years
Secured				
Lease liabilities	1,656,692	51,965	312,371	1,292,356
Unsecured				
Term loan	1,781,242	-	1,781,242	-
Loan from corporate shareholder of a subsidiary	460,982	54,687	238,040	168,255
	3,898,916	106,652	2,331,653	1,460,611

¹ Lease liabilities bears interest at rates between 7.2% to 9.1% (2018: 9.1%) per annum.

² The unsecured term loan bears interest at floating rates ranging from 2.1% to 2.8% (2018: 2.5% to 3.3%) per annum and are due for full payment in February 2021. The Company had entered into a series of Interest Rate Swaps in August 2017 to hedge against variable interest rate exposure arising from the unsecured term loan. As a result of this hedging arrangement, the unsecured term loan has a net fixed interest rate of 1.685% per annum.

³ Loan from corporate shareholder of a subsidiary bears fixed interest at a rate of 6.5% per annum and are repayable in tranches at their various due dates from 2019 to 2028.

Reconciliation of liabilities arising from financing activities:

In RM'000	At 1 January 2019	Effect of adoption of MFRS 16	At 1 January 2019 Restated	Net changes from financing cash flows	Others*	At 31 December 2019
Lease liabilities	1,014,264	695,671	1,709,935	(56,579)	3,336	1,656,692
Term loan	1,793,643	-	1,793,643	7,226	(19,627)	1,781,242
Loan from corporate shareholder of a subsidiary	519,007	-	519,007	(52,938)	(5,087)	460,982
	3,326,914	695,671	4,022,585	(102,291)	(21,378)	3,898,916

* Others mainly relate to foreign exchange movement and new lease liabilities during the year.

Lease liabilities mainly represents future obligation to make lease payments for the right to use the Group's floating storage unit in Sg. Udang, Melaka and jetty facilities in Pengerang, Johor.

Drawdown of term loan and loan from a corporate shareholder of a subsidiary was to finance the Group's LNG regasification terminal and air separation unit plant in Pengerang, Johor.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

29. DERIVATIVES

Outstanding derivatives as at the date of the statement of financial position are as follows:

	Notional/Contract Value		Fair Value	
	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
Lease liability <i>(designated as hedging instrument)</i>				
- More than 3 years	-*	245,748	-*	1,014,264
Interest rate swap				
- 1 year to 3 years	322,003	322,003	1,980	29,093
Forward exchange contract				
- Less than 1 year	13	18,666	(377)	117

* The Group's cash flow hedge accounting was discontinued as future storage fee under the Melaka regasification tariff denominated in USD, designated as the hedge item will no longer occur following the conversion to RM effective 1 January 2019. A cumulative gain of RM36,458,000 on the hedging instrument as at 1 January 2019 has been reclassified from equity to profit or loss.

There were no changes to the requirements and nature of the outstanding derivatives as disclosed since the last audited financial statements for the year ended 31 December 2018, other than as disclosed above.

30. MATERIAL LITIGATION

Arbitration by Kimanis Power Sdn Bhd ("KPSB"), a 60% joint venture company of the Group against Sabah Electricity Sdn Bhd ("SESB")

KPSB has issued a Notice of Arbitration on 24 March 2017 to SESB in connection to disputes on Power Purchase Agreement entered into between the parties.

Subsequent to the issuance of the Notice of Arbitration, KPSB had on 12 September 2017 filed its Statement of Claim for an estimated sum of RM83,381,000 plus interests. SESB has since filed its Statement of Defence and Counterclaim on 2 November 2017 amounting to a sum of RM228,826,000 plus interests.

Both Parties have agreed to amicably resolve all outstanding disputes by entering into a Global Settlement Agreement dated 12 February 2020 and mutually withdrawing from the Arbitration Proceedings.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

31. EARNINGS PER SHARE

Basic earnings per share (EPS) is derived based on the net profit attributable to shareholders of the Company and the number of ordinary shares outstanding during the period.

	3 months ended 31 December		12 months ended 31 December	
	2019	2018 <i>Restated</i>	2019	2018 <i>Restated</i>
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	485,273	300,596	1,935,258	1,792,951
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	24.52	15.19	97.80	90.61

As at the date of the statement of financial position, the Company has not issued any dilutive potential ordinary shares and hence, the diluted EPS is the same as the basic EPS.

32. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

33. OPERATING PROFIT FOR THE PERIOD

<i>In RM'000</i>	3 months ended 31 December		12 months ended 31 December	
	2019	2018	2019	2018
Operating profit includes the following charges:				
Amortisation of prepaid lease payment	-	17	-	66
Depreciation of property, plant and equipment*	293,395	288,025	1,137,578	1,136,833
Property, plant and equipment written off	36	400	513	422
Loss on realised foreign exchange	-	1,876	-	4,048
Receivables written off	-	421	-	421
Impairment loss				
- property, plant and equipment	-	16,889	-	16,889
- expected credit loss	-	-	-	133
and crediting:				
Gain on realised foreign exchange	7,845	-	1,122	-
Gain on unrealised foreign exchange	10,928	6,526	49,080	1,508
Gain on disposal of property, plant and equipment	2,335	-	2,576	392
Interest income from fund investments	46,681	32,236	154,244	112,637
Impairment write back				
- receivables	-	353	-	353
- expected credit loss	41	13	38	-

* Includes depreciation on right-of-use (ROU) assets and amortisation of prepaid lease payments.

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

Interim Financial Report

For The Fourth Quarter Ended 31 December 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

34. DIVIDENDS

As disclosed in Note 9.

35. EXCHANGE RATE

USD/MYR	31.12.2019	Individual quarter ended		Cumulative quarter ended		
		30.09.2019	31.12.2018	31.12.2019	30.09.2019	31.12.2018
Average rate	4.1683	4.1657	4.1721	4.1423	3.9888	4.0347
Closing rate	4.0995	4.1870	4.1445	4.0995	4.1445	4.1445

36. AUTHORISED FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 February 2020.

BY ORDER OF THE BOARD

Syuhaida Ab Rashid (MACS 01582)
 Yeap Kok Leong (MAICSA 0862549)
Company Secretaries
 Kuala Lumpur
 18 February 2020