



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

For the Second Quarter ended 30 June 2019

INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2019



Key Financial Highlights (in RM'000)	6 months ended		Variance %
	2019	30 June 2018	
Revenue	2,747,810	2,709,026	+1.4
Profit before taxation (PBT)	1,321,320	1,269,823	+4.1
Profit for the period	1,045,607	1,042,428	+0.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,796,323	1,823,760	-1.5
Earnings per share (EPS) (sen)	51.47	50.16	+2.6
Declared dividends per share (sen)	32.00	32.00	0.0

- PETRONAS Gas Berhad** recorded revenue of **RM2,747.8 million, an increase of 1.4% or RM38.8 million** compared to the corresponding period last year. Higher revenue was attributable to Utilities and Gas Processing segments arising from higher prices following upward fuel gas price revision and improved reservation charge under the 2nd term Gas Processing Agreement respectively, offsetting the impact of lower tariffs under Incentive-based Regulation (IBR), for the Gas Transportation segment.
- PBT stood at RM1,321.3 million, an increase of 4.1% or RM51.5 million** on unrealised foreign exchange gain on translation of USD denominated lease liabilities and higher share of profit from a joint venture company following the completion of the Group's Air Separation Unit project in Pengerang, Johor, amidst lower gross profit from Gas Transportation and Regasification segments attributable to lower tariff under IBR.
- Profit for the period was comparable at RM1,045.6 million** as higher PBT was negated by higher tax expense attributable to expiry of tax incentive for Utilities segment. Furthermore, tax expense was lower in corresponding period as it included a deferred tax revision to reflect the tax incentive accorded to the Group's LNG regasification terminal in Pengerang, Johor.
- EBITDA was lower by 1.5% or RM27.4 million at RM1,796.3 million** in line with lower gross profit.
- EPS improved by 2.6%**, reflecting higher profit attributable to shareholders of the Company.
- The Board of Directors has approved a second interim dividend** of 16 sen per ordinary share amounting to RM316.6 million in respect of the financial year ending 31 December 2019.

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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 second quarter ended 30 June 2019 that should be read in conjunction with the accompanying explanatory notes on pages 5 to 23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM'000</i>	Note	As at 30 June 2019	As at 31 December 2018
ASSETS			
Property, plant and equipment		12,927,765	12,487,577
Prepaid lease payment		-	4,158
Investment in joint ventures		664,861	559,056
Investment in associate		141,993	136,729
Deferred tax assets		273,520	315,861
Long term receivables		282,030	282,276
TOTAL NON-CURRENT ASSETS		14,290,169	13,785,657
Trade and other inventories		71,621	66,657
Trade and other receivables	25	797,172	942,176
Tax recoverable		-	13,466
Cash and cash equivalents		4,015,922	3,616,028
TOTAL CURRENT ASSETS		4,884,715	4,638,327
TOTAL ASSETS		19,174,884	18,423,984
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		10,001,541	9,806,652
Total equity attributable to the shareholders of the Company		13,166,745	12,971,856
Non-controlling interests		302,100	376,535
TOTAL EQUITY		13,468,845	13,348,391
LIABILITIES			
Borrowings	27	3,882,976	3,232,761
Deferred tax liabilities		1,178,451	1,180,181
Deferred income		3,544	4,017
TOTAL NON-CURRENT LIABILITIES		5,064,971	4,416,959
Trade and other payables		470,892	564,481
Borrowings	27	104,516	94,153
Tax payable		65,660	-
TOTAL CURRENT LIABILITIES		641,068	658,634
TOTAL LIABILITIES		5,706,039	5,075,593
TOTAL EQUITY AND LIABILITIES		19,174,884	18,423,984
Net assets per share attributable to the shareholders of the Company (RM)		6.6541	6.5556

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.

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

	Note	3 months ended 30 June		6 months ended 30 June	
		2019	2018	2019	2018
<i>In RM'000</i>					
Revenue		1,380,220	1,358,260	2,747,810	2,709,026
Cost of revenue		(729,731)	(704,105)	(1,498,336)	(1,413,528)
Gross profit		650,489	654,155	1,249,474	1,295,498
Administration expenses		(20,537)	(20,859)	(46,047)	(45,162)
Other expenses		(15,845)	(7,979)	(10,684)	(1,578)
Other income		47,373	32,834	159,812	68,382
Operating profit	32	661,480	658,151	1,352,555	1,317,140
Financing costs		(56,532)	(41,855)	(116,786)	(80,880)
Share of profit after tax of equity-accounted joint ventures and associate		46,341	16,541	85,551	33,563
Profit before taxation		651,289	632,837	1,321,320	1,269,823
Tax expense	21	(136,456)	(95,762)	(275,713)	(227,395)
PROFIT FOR THE PERIOD		514,833	537,075	1,045,607	1,042,428
Other comprehensive income/(expenses)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net movement from exchange differences		7,267	44,857	(3,396)	1,502
Cash flow hedge:					
- Changes in fair value of derivatives		(12,555)	(38,590)	(23,909)	24,042
- Transfer to profit or loss		-	-	(36,458)	-
Share of cash flow hedge of an equity-accounted joint venture		2,681	5,655	4,593	(324)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		512,226	548,997	986,437	1,067,648
Profit attributable to:					
Shareholders of the Company		502,897	509,325	1,018,358	992,550
Non-controlling interests		11,936	27,750	27,249	49,878
PROFIT FOR THE PERIOD		514,833	537,075	1,045,607	1,042,428
Total comprehensive income attributable to:					
Shareholders of the Company		495,413	505,547	960,642	1,017,244
Non-controlling interests		16,813	43,450	25,795	50,404
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		512,226	548,997	986,437	1,067,648
Basic and diluted earnings per ordinary share (sen)		25.42	25.74	51.47	50.16

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							Non-controlling interests	Total
	Non-distributable					Distributable			
	Share capital	Hedging reserve	Foreign currency translation reserve	Other reserves	Retained profits	Total			
<i>In RM'000</i>									
Quarter ended 30 June 2018									
At 1 January 2018, restated	3,165,204	108,500	7,045	21,400	9,212,553	12,514,702	247,444	12,762,146	
Net movement from exchange differences	-	-	976	-	-	976	526	1,502	
Cash flow hedge	-	24,042	-	-	-	24,042	-	24,042	
Share of cash flow hedge of an equity-accounted joint venture	-	(324)	-	-	-	(324)	-	(324)	
Profit for the period	-	-	-	-	992,550	992,550	49,878	1,042,428	
Total comprehensive income/ (expenses) for the period	-	23,718	976	-	992,550	1,017,244	50,404	1,067,648	
Issuance of shares to non-controlling interest	-	-	-	-	-	-	10,988	10,988	
Redemption of redeemable preference share in subsidiary	-	-	-	9,230	(9,230)	-	-	-	
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	-	-	-	-	(316,597)	(316,597)	-	(316,597)	
Total transactions with shareholders of the Company	-	-	-	9,230	(701,786)	(692,556)	10,988	(681,568)	
Balance at 30 June 2018	3,165,204	132,218	8,021	30,630	9,503,317	12,839,390	308,836	13,148,226	
Quarter ended 30 June 2019									
Balance at 1 January 2019	3,165,204	101,803	25,962	57,090	9,621,797	12,971,856	376,535	13,348,391	
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	9,607,962	12,958,021	369,281	13,327,302	
Net movement from exchange differences	-	-	(1,942)	-	-	(1,942)	(1,454)	(3,396)	
Cash flow hedge	-	(60,367)	-	-	-	(60,367)	-	(60,367)	
Share of cash flow hedge of an equity-accounted joint venture	-	4,593	-	-	-	4,593	-	4,593	
Profit for the period	-	-	-	-	1,018,358	1,018,358	27,249	1,045,607	
Total comprehensive income/ (expenses) for the period	-	(55,774)	(1,942)	-	1,018,358	960,642	25,795	986,437	
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	-	-	-	-	(316,597)	(316,597)	(19,656)	(336,253)	
Total transactions with shareholders of the Company	-	-	-	354,111	(1,106,029)	(751,918)	(92,976)	(844,894)	
Balance at 30 June 2019	3,165,204	46,029	24,020	411,201	9,520,291	13,166,745	302,100	13,468,845	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

		6 months ended	
	Note	2019	30 June 2018
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		1,321,320	1,269,823
<i>Adjustments for:</i>			
Depreciation and amortisation		551,401	552,000
Financing costs		116,786	80,880
Interest income	32	(71,175)	(45,380)
Share of profit after tax equity-accounted joint ventures and associate		(85,551)	(33,563)
Unrealised (gain)/loss on foreign exchange	32	(52,895)	280
Other non-cash items		(220)	3,612
Operating profit before changes in working capital		1,779,666	1,827,652
Change in trade and other receivables		125,705	(42,475)
Change in trade inventories		(4,964)	(3,083)
Change in trade and other payables		(17,909)	(184,814)
Cash generated from operations		1,882,498	1,597,280
Interest income from fund and other investment		71,175	45,380
Taxation paid		(155,977)	(207,324)
Net cash generated from operating activities		1,797,696	1,435,336
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received from associate and joint ventures		10,800	7,600
Investment in a joint venture		(31,031)	(26,203)
Loans and advances to a joint venture		-	(67,543)
Purchase of property, plant and equipment		(347,278)	(156,536)
Proceeds from disposal of property, plant and equipment		56	392
Net cash used in investing activities		(367,453)	(242,290)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(751,918)	(692,556)
Dividends paid to non-controlling interest		(19,656)	-
Drawdown of term loan	27	7,226	135,817
Drawdown of loan from corporate shareholder of a subsidiary	27	-	25,620
Repayment of loan from corporate shareholder of a subsidiary	27	(26,322)	-
Financing costs paid		(116,564)	(86,005)
Repayment of lease liabilities	27	(49,498)	(16,198)
Proceeds from shares issued to non-controlling interest		-	10,988
Payment on redemption of preference shares to non-controlling interest		(73,320)	-
Net cash used in financing activities		(1,030,052)	(622,334)
Net increase in cash and cash equivalents		400,191	570,712
Net foreign exchange difference		(297)	(195)
Cash and cash equivalents at beginning of the period		3,616,028	2,500,357
Cash and cash equivalents at end of the period		4,015,922	3,070,874

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.

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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 period ended 30 June 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 ending 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.

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**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 modified retrospective approach, with no restatement of comparative and the cumulative adjustments resulting from the initial application of MFRS 16 has 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 rights-of-use assets	678,505
Decrease in prepaid lease payment	(4,158)
Increase in finance lease liability	(695,436)
Equity	
Decrease in retained earnings	13,835
Decrease in non-controlling interests	7,254

There is no contract where the Group is a lessor that contains a lease in which the Group needs to reclassify as a finance lease.

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	674,347
- Reclassification from prepaid lease payment	4,158
At 1 January 2019, restated	<u>13,166,082</u>

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

8. DEBT AND EQUITY SECURITIES

There was no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 June 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>	6 months ended	
	2019	30 June 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 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2019 - First interim dividend of 16 sen per ordinary share	316,597	-
	751,918	692,556

On 27 August 2019, the Directors of the Company approved a second interim dividend of 16 sen per ordinary share, amounting to RM316.6 million in respect of the financial year ending 31 December 2019.

The dividends are payable on 27 September 2019 to depositors registered in the Records of Depositors at the close of business on 17 September 2019.

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

- Shares transferred into the Depositor's Securities Account before 4.30 pm on 17 September 2019 in respect of ordinary transfers.
- 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 this approved interim dividend. The dividend, will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2019.

10. CHANGES IN THE COMPOSITION OF THE GROUP

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

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**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
30 June 2019				
Financial assets				
<i>Current</i>				
Derivative assets	923	-	923	923
<i>Non-Current</i>				
Long term receivables	-	276,847	276,847	276,847
Derivative assets	5,183	-	5,183	5,183
Total financial assets	6,106	276,847	282,953	282,953
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(54,073)	(54,073)	(54,073)
Derivative liabilities	(606)	-	(606)	(606)
	(606)	(54,073)	(54,679)	(54,679)
<i>Non-Current</i>				
Term loan	-	(1,799,492)	(1,799,492)	(1,799,492)
Loan from corporate shareholder of a subsidiary	-	(438,094)	(438,094)	(438,094)
	-	(2,237,856)	(2,237,856)	(2,237,856)
Total financial liabilities	(606)	(2,291,929)	(2,292,265)	(2,292,265)

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**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)	(52,293)	(52,293)
<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 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.

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**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 PETRONAS Energy & Gas Trading Sdn. Bhd.'s 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>	6 months ended				
	30 June 2019				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	851,234	582,554	610,175	703,847	2,747,810
Segment results	413,442	415,054	316,214	104,764	1,249,474
Unallocated income					103,081
Operating profit					1,352,555
Financing costs					(116,786)
Share of profit after tax of equity-accounted associate and joint ventures					85,551
Profit before taxation					1,321,320

<i>In RM'000</i>	6 months ended				
	30 June 2018				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	788,981	677,879	610,230	631,936	2,709,026
Segment results	332,489	525,643	351,029	86,337	1,295,498
Unallocated income					21,642
Operating profit					1,317,140
Financing costs					(80,880)
Share of profit after tax of equity-accounted associate and joint ventures					33,563
Profit before taxation					1,269,823

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FOR THE SECOND QUARTER ENDED 30 JUNE 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:

<i>In RM'000</i>	6 months ended	
	2019	30 June 2018
Geographical Locations		
Peninsular Malaysia	2,710,480	2,668,100
Sabah and Sarawak	37,330	40,926
Total	2,747,810	2,709,026
Products and Services		
Gas processing services	851,234	788,981
Gas transportation services	558,633	648,106
Regasification services	610,175	610,230
Utilities		
- Electricity	333,785	283,264
- Steam	214,461	195,907
- Industrial gases	122,708	118,712
- Others*	32,307	33,507
Operations and maintenance services	24,507	30,319
Total	2,747,810	2,709,026

*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

<i>In RM'000</i>	As at	As at
	30 June 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 29.

INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 2019	As at 31 December 2018
Property, plant and equipment		
Approved and contracted for	544,932	259,002
Approved but not contracted for	2,862,440	3,516,365
	<u>3,407,372</u>	<u>3,775,367</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	17,006	21,592
Approved but not contracted for	10,413	54,636
	<u>27,419</u>	<u>76,228</u>
	<u>3,434,791</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 Petroliaam 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 till 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 till 2033
Pengerang LNG (Two) Sdn Bhd	TUA for unloading, storage and regasification of LNG through its regasification terminal in Pengerang, Johor.	2019 till 2042

INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2019



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

17. REVIEW OF GROUP PERFORMANCE

(a) Performance of current quarter against the corresponding quarter

In RM'000	3 months ended		Variance
	2019	30 June 2018	
Revenue	1,380,220	1,358,260	+1.6
Gross profit	650,489	654,155	-0.6
Profit before taxation (PBT)	651,289	632,837	+2.9
Profit for the period	514,833	537,075	-4.1
EBITDA*	898,608	912,413	-1.5

* 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's plants and facilities continued to perform well above 99% reliability. Gas Processing's liquid plant extraction performance continued to exceed targets, contributing towards higher performance incentives compared to corresponding quarter. The Utilities segment achieved favourable sales volume and selling price in line with upward fuel gas price revision.

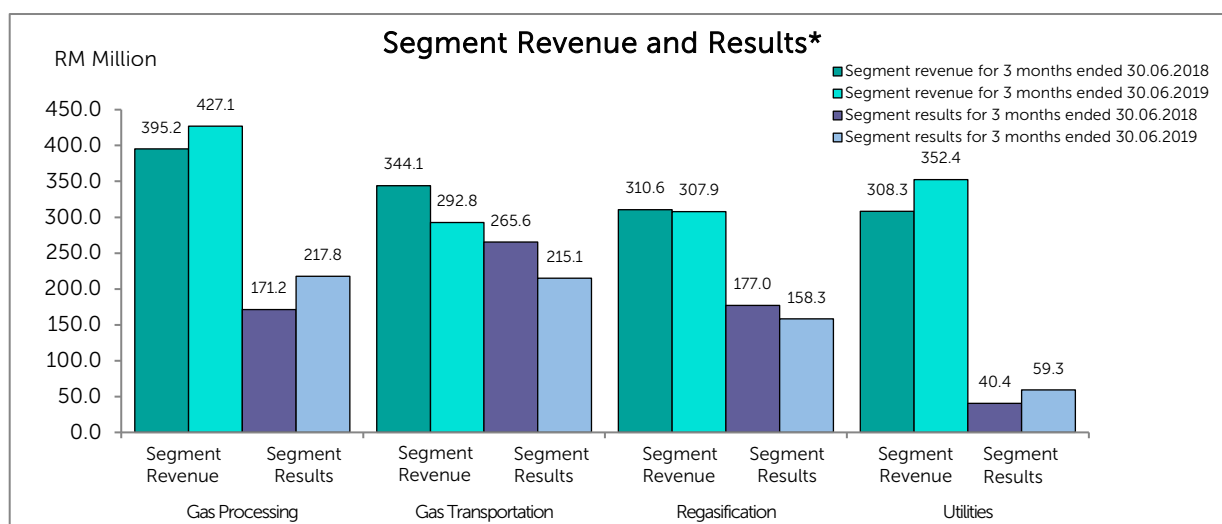
Group revenue was higher by 1.6% or RM22.0 million mainly driven by higher revenue from Utilities and Gas Processing, offset by lower revenue from Gas Transportation and LNG regasification Pengerang under Incentive-based Regulation (IBR). Utilities revenue improved on the back of higher demand from customers and upward fuel gas price revision while Gas Processing revenue rose driven by higher reservation charge under the 2nd term Gas Processing Agreement respectively.

Gross profit was comparable, slightly lower by 0.6% or RM3.7 million at RM650.5 million, largely attributable to lower Gas Transportation and Regasification segments results amidst improved results from Gas Processing and Utilities segments.

PBT was higher by 2.9% or RM18.5 million following higher share of profit from a joint venture company following the completion of the Group's Air Separation Unit project in Pengerang, Johor.

Profit for the quarter was lower by 4.1% or RM22.3 million as a result of higher tax expense. A deferred tax revision to reflect the tax incentive granted for the Group's LNG regasification terminal in Pengerang, Johor resulted to lower tax expense in corresponding quarter.

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 SECOND QUARTER ENDED 30 JUNE 2019



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

17. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

The Group's Gas Processing plants achieved 100% reliability, maintaining world class standards. Liquid plant extraction performance consistently exceeded targets throughout the quarter.

Segment revenue registered an increase of 8.1% or RM31.9 million driven by higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019. Segment results were higher by 27.2% or RM46.6 million, with higher revenue and 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 decreased by 14.9% or RM51.3 million in line with lower gas transportation tariff under Incentive-based Regulation (IBR) pursuant to Third Party Access. As announced on 31 December 2018, the new tariff will be applicable from 1 January to 31 December 2019.

Segment results were correspondingly lower by 19.0% or RM50.5 million.

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.

As announced on 31 December 2018, new tariffs are applicable for both RGTSU and RGTP from 1 January to 31 December 2019 under Incentive-based Regulation. Segment revenue was comparable at RM307.9 million against corresponding quarter as decrease in revenue from RGTP was offset by higher revenue from RGTSU.

Segment results were lower by 10.6% or RM18.7 million on higher depreciation upon recognition of jetty facilities as right-of-use assets at RGTP and higher plant operating expenses.

Utilities

Utilities revenue for the quarter rose by 14.3% or RM44.1 million driven by favourable sales volumes on higher customer demand for all products coupled with higher product prices in line with upward revision of fuel gas price on 1 July 2018 and 1 January 2019 respectively.

Spurred by the higher revenue, segment results grew by 46.8% to RM59.3 million.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2019



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

17. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year to date period against the corresponding year to date period

In RM'000	6 months ended		Variance
	2019	30 June 2018	
Revenue	2,747,810	2,709,026	+1.4
Gross profit	1,249,474	1,295,498	-3.6
Profit before taxation (PBT)	1,321,320	1,269,823	+4.1
Profit for the period	1,045,607	1,042,428	+0.3
EBITDA*	1,796,323	1,823,760	-1.5

* 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's plants and facilities continued to perform strongly, at close to 100% reliability during the period.

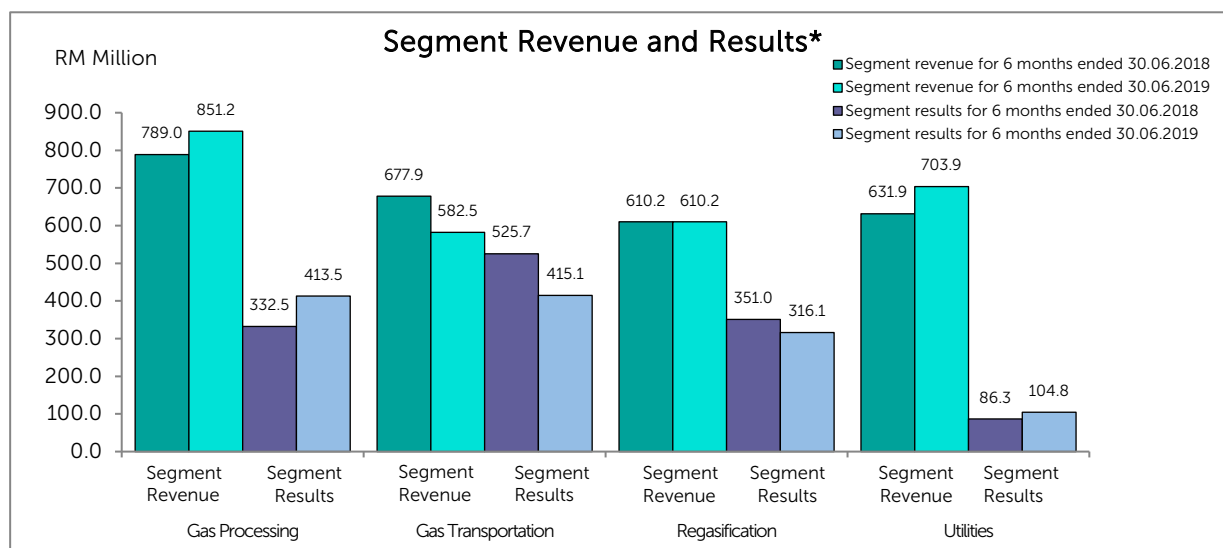
Group revenue stood at RM2,747.8 million for the period, slightly higher by 1.4% or RM38.8 million, as higher revenue from Utilities and Gas Processing offset lower revenue from Gas Transportation under Incentive-based Regulation (IBR). Utilities and Gas Processing revenue rose on the back of upward fuel gas price revision and higher reservation charge under the 2nd term Gas Processing Agreement respectively.

Gross profit was lower by 3.6% or RM46.0 million at RM1,249.5 million, largely attributable to Gas Transportation and Regasification segments results amidst improved results from Gas Processing and Utilities segments.

PBT was higher by 4.1% or RM51.5 million due to higher share of profit from joint ventures and unrealised foreign exchange gain. The higher share of profit was following completion of the Group's Air Separation Unit project in Pengerang during the period. The unrealised foreign exchange gain of RM37.3 million 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.

Profit for the period was comparable at RM1,045.6 million as higher PBT was negated by higher tax expense in current period attributable to expiry of tax incentive for the Group's Utilities segment. In addition, corresponding period tax expense was lower as it included a deferred tax revision to reflect the tax incentive granted for the Group's LNG regasification terminal in Pengerang, Johor.

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



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FOR THE SECOND QUARTER ENDED 30 JUNE 2019



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

17. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

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

Segment revenue grew by 7.9% or RM62.2 million on the back of higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019.

Segment results surged by 24.4% or RM81.0 million against the corresponding period driven by higher revenue and lower depreciation expense.

Gas Transportation

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

Segment revenue decreased by 14.1% or RM95.4 million in line with lower gas transportation tariff effective 1 January to 31 December 2019 under IBR pursuant to Third Party Access.

Segment results was lower by 21.0% or RM110.6 million in line with lower revenue coupled with 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 100% during the period.

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

Segment revenue was comparable at RM610.2 million against corresponding period as decrease in revenue from RGTP was offset by higher revenue from RGTSU.

Segment results declined by 9.9% or RM34.9 million mainly attributable to higher depreciation upon recognition of jetty facilities as right-of-use assets at RGTP.

Utilities

Segment revenue for the period rose by 11.4% or RM72.0 million attributable to higher prices driven by upward revision of fuel gas price on 1 July 2018 and 1 January 2019 respectively, coupled with additional surcharge on national electricity tariff.

Segment results was higher by 21.4% or RM18.5 million as higher revenue was offset by higher cost of sales due to upward revision of fuel gas price.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2019



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

18. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

In RM'000	3 months ended		Variance %
	30 June 2019	31 March 2019	
Revenue	1,380,220	1,367,590	+0.9
Gross profit	650,489	598,985	+8.6
Profit before taxation (PBT)	651,289	670,031	-2.8
Profit for the quarter	514,833	530,774	-3.0
EBITDA*	898,608	897,732	+0.1

* 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 compared to the preceding quarter. The Group's revenue was slightly higher by 0.9% or RM12.6 million with all segments recording higher revenue.

Gross profit improved by 8.6% or RM51.5 million to RM650.5 million contributed by lower operating costs supported by higher revenue.

PBT for the quarter declined by 2.8% or RM18.7 million mainly attributable to unrealised foreign exchange gain of RM52.5 million in the preceding quarter as a result of discontinuance of hedge accounting on USD lease liabilities for floating storage units at the Group's LNG regasification terminal Sungai Udang effective 1 January 2019.

Profit for the quarter was lower in tandem with lower PBT.

19. REVIEW OF GROUP FINANCIAL POSITION

In RM'000	As at	As at	Variance %
	30 June 2019	31 December 2018	
Total assets	19,174,884	18,423,984	+4.1
Total equity attributable to the shareholders of the Company	13,166,745	12,971,856	+1.5
Total liabilities	5,706,039	5,075,593	+12.4
Return on equity (%)*	13.9	14.0	

* ROE is based on rolling PAT attributable to shareholders from 1 July 2018 to 30 June 2019.

The Group's increase in total asset by 4.1% or RM750.9 million was mainly contributed by higher property plant and equipment balance following adoption of MFRS 16 Leases, resulted in the recognition of right-of-use (ROU) assets and corresponding lease liabilities, effective from 1 January 2019.

Total equity of RM13.2 billion was slightly higher by 1.5% or RM194.9 million attributable to profit recorded during the period partially offset by dividend payments to shareholders.

Total liabilities increased by 12.4% at RM630.4 million, mainly attributable to recognition of finance lease liabilities for the ROU assets being recognised.

INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****20. REVIEW OF GROUP CASH FLOWS**

<i>In RM'000</i>	6 months ended		Variance %
	2019	30 June 2018	
Net cash generated from operating activities	1,797,696	1,435,336	+25.2
Net cash used in investing activities	(367,453)	(242,290)	+51.7
Net cash used in financing activities	(1,030,052)	(622,334)	+65.5
Net increase in cash and cash equivalents	400,191	570,712	+29.9

Net cash generated from operating activities was higher by 25.2% or RM362.4 million mainly contributed by higher collection from Utilities and Gas Processing customers.

Net cash used in investing activities was higher by 51.7% or RM125.2 million mainly due to higher spending on capital expenditure, mainly for statutory plant turnaround activities.

Net cash used in financing activities was higher by 65.5% or RM407.7 million mainly due to higher dividends paid to the shareholders of the companies, redemption of preference shares by a subsidiary and higher finance cost paid in line with higher term loan balance.

21. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended		6 months ended	
	2019	30 June 2018	2019	30 June 2018
Current tax expenses				
Malaysia				
- current period	120,641	103,733	235,103	205,160
Deferred tax expenses				
- origination and reversal of temporary differences	15,815	(7,971)	40,610	22,235
Total tax expenses	136,456	95,762	275,713	227,395

The effective tax rate (ETR) for the quarter and six months' period ended 30 June 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 quarter was higher against the corresponding quarter mainly due to deferred tax revision to reflect the tax incentive granted for LNG regasification terminal in Pengerang, Johor (RGTP) made in the corresponding quarter.

ETR for the period was similarly higher against the corresponding period mainly due to the expiry of tax incentive for the Group's Utilities segment in 2018 coupled with the aforementioned deferred tax revision.

22. COMMENTARY ON PROSPECTS

As announced on 31 December 2018, the Energy Commission has approved the tariffs for the Gas Transportation and Regasification services for Pilot Regulatory Period in 2019. While the tariffs are expected to affect the Group's Transportation and Regasification business segment revenues in 2019, both segments are anticipated to continue contributing positively to the Group's earnings.

The Group's Gas Processing segment is expected to deliver improved earnings pursuant to the higher fixed reservation charge under the 2nd Term of the 20-year Gas Processing Agreement effective from 2019 until 2023.

INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****23. PROFIT FORECAST**

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

24. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

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

25. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	As at 30 June 2019	As at 31 December 2018
Trade receivables		
- Third party	30,964	27,270
- Related companies	507,436	571,455
- Joint ventures	2,643	1,722
- Related parties	30,247	31,034
	<u>571,290</u>	631,481
Other receivables	226,050	310,860
Less: Impairment losses	(168)	(165)
Trade and other receivables	<u>797,172</u>	<u>942,176</u>

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 30 June 2019	As at 31 December 2018
Current	565,378	638,532
Past due 1 to 30 days	2,898	(11,894)
Past due 31 to 60 days	1,119	2,867
Past due 61 to 90 days	1,171	2,014
Past due more than 90 days	724	(38)
Trade receivables	<u>571,290</u>	<u>631,481</u>

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.

Significant related party trade receivables

Related parties	Nature of transactions
a. Holding company Petroliam 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.

INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****26. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY**

The Group operate 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.

27. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 30 June 2019	As at 31 December 2018
Non-Current		
<i>Secured</i>		
Lease liabilities	1,645,390	973,076
<i>Unsecured</i>		
Term loan	1,799,492	1,793,643
Loan from corporate shareholder of a subsidiary	438,094	466,042
	3,882,976	3,232,761
Current		
<i>Secured</i>		
Lease liabilities	50,443	41,188
<i>Unsecured</i>		
Loan from corporate shareholder of a subsidiary	54,073	52,965
	104,516	94,153
	3,987,492	3,326,914
<i>In RM'000</i>		
By Currency		
RM	1,776	-
USD	3,985,716	3,326,914
Closing exchange rate (RM/USD)	4.1415	4.1445

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FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****27. BORROWINGS (continued)**

In RM'000	Total	Less than 1 year	Between 1-5 years	More than 5 years
Secured				
Lease liabilities	1,695,833	50,443	268,051	1,377,339
Unsecured				
Term loan	1,799,492	-	1,799,492	-
Loan from corporate shareholder of a subsidiary	492,167	54,073	236,452	201,642
	3,987,492	104,516	2,303,995	1,578,981

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 3.2% to 3.5% (2018: 1.7% to 1.9%) 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	Foreign exchange movement	At 30 June 2019
Lease liabilities	1,014,264	695,436	1,709,700	(49,498)	35,631	1,695,833
Term loan	1,793,643	-	1,793,643	7,226	(1,377)	1,799,492
Loan from corporate shareholder of a subsidiary	519,007	-	519,007	(26,322)	(518)	492,167
	3,326,914	695,436	4,022,350	(68,594)	(33,737)	3,987,492

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.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****28. DERIVATIVES**

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

	Notional/Contract Value		Fair Value	
	As at 30 June 2019 USD'000	As at 31 December 2018 USD'000	As at 30 June 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	5,183	29,093
Forward exchange contract				
- Less than 1 year	40,110	18,666	317	118

* 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 is no longer expected to occur following the conversion to RM effective 1 January 2019. Any related cumulative gain or loss on the hedging instrument 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.

29. MATERIAL LITIGATION

Kimanis Power Sdn Bhd (KPSB), a 60% joint venture company of the Group, has issued a Notice of Arbitration on 24 March 2017 to Sabah Electricity Sdn Bhd (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. In pursuing with arbitration matter, both parties are currently preparing factual and expert statements and tribunal hearing is scheduled to be held between November 2019 to December 2019.

There has been no other material litigation since the last audited consolidated financial statements for the year ended 31 December 2018.

30. 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		6 months ended	
	2019	30 June 2018	2019	30 June 2018
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	502,897	509,325	1,018,358	992,550
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	25.42	25.74	51.47	50.16

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.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****31. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

As disclosed in Note 3.

32. OPERATING PROFIT FOR THE PERIOD/YEAR

In RM'000	3 months ended 30 June		6 months ended 30 June	
	2019	2018	2019	2018
Operating profit includes the following charges:				
Amortisation of prepaid lease payment	-	16	-	32
Depreciation of property, plant and equipment*	273,980	278,620	551,401	551,968
Loss on disposal of property, plant and equipment	-	10	132	-
Property, plant and equipment written off	-	-	-	-
Loss on realised foreign exchange	10,379	1,187	10,495	1,221
Loss on unrealised foreign exchange	4,766	6,783	-	280
Impairment loss – expected credit loss	21	103	48	103
and crediting:				
Gain on unrealised foreign exchange	-	-	52,895	-
Gain on disposal of property, plant and equipment	50	-	-	370
Interest income from fund investments	36,852	24,374	71,175	45,380

*Depreciation of property, plant and equipment inclusive of Right-of Use (ROU) assets depreciation.

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

33. DIVIDENDS

As disclosed in Note 9.

34. EXCHANGE RATE

USD/MYR	30.06.2019	Individual quarter ended		30.06.2019	Cumulative quarter ended	
		31.03.2019	30.06.2018		30.06.2018	31.12.2018
Average rate	4.1481	4.0905	3.9487	4.1193	3.9368	4.0347
Closing rate	4.1415	4.0795	4.0455	4.1415	4.0455	4.1445

35. 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 27 August 2019.

BY ORDER OF THE BOARD

Syuhaida Ab Rashid (MACS 01582)
 Yeap Kok Leong (MAICSA 0862549)
 Company Secretaries
 Kuala Lumpur
 27 August 2019