



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

For Third Quarter ended 30 September 2020

Quarterly Report

For Third Quarter ended 30 September 2020

Key Financial Highlights (in RM'000)	9 months ended		Variance %
	2020	30 September 2019	
Revenue	4,203,377	4,085,871	2.9
Gross profit	2,020,115	1,812,892	11.4
Profit before taxation (PBT)	1,968,988	1,874,613	5.0
Profit for the period	1,561,250	1,491,118	4.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,679,603	2,627,648	2.0
Earnings per share (EPS) (sen)	76.12	73.28	3.9
Declared dividends per share (sen)	100.00	50.00	100.0

- **PETRONAS Gas Berhad continued to record resilient financial results with revenue at RM4,203.4 million, an increase by 2.9% or RM117.5 million** as Regasification and Gas Transportation segment revenues increased by RM124.7 million in line with new tariffs for Regulatory Period 1 (RP1) effective 1 January 2020. These were offset by lower revenue from Utilities segment due to lower electricity sales volume.
- **Gross profit was higher by 11.4% or RM207.2 million** as a result of higher contribution from Gas Processing and Regasification segments, largely attributable to lower operating costs.
- **PBT at RM1,969.0 million grew by 5.0% or RM94.4 million** mainly driven by higher gross profit offset by unrealised foreign exchange loss and lower other income.
- **Profit for the period and EBITDA were higher by 4.7% or RM70.2 million at RM1,561.3 million and 2.0% or RM52.0 million at RM2,679.6 million** respectively in line with higher PBT.
- **EPS increased by 3.9%**, reflecting higher profit attributable to shareholders of the Company.
- **The Board of Directors has approved a third interim dividend of 18 sen per ordinary share amounting to RM356.2 million** in respect of the financial year ending 31 December 2020.

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For Third Quarter ended 30 September 2020

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 Third Quarter ended 30 September 2020 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 September 2020	As at 31 December 2019
ASSETS			
Property, plant and equipment		13,000,520	13,246,513
Investment in joint ventures		627,639	547,361
Investment in associate		151,114	137,771
Deferred tax assets		238,292	273,814
Long term receivables		255,618	263,569
TOTAL NON-CURRENT ASSETS		14,273,183	14,469,028
Trade and other inventories		65,669	78,153
Trade and other receivables	25	818,089	954,875
Tax recoverable		-	59,769
Cash and cash equivalents		3,652,365	4,021,696
TOTAL CURRENT ASSETS		4,536,123	5,114,493
TOTAL ASSETS		18,809,306	19,583,521
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		9,320,703	10,080,158
Total equity attributable to the shareholders of the Company		12,485,907	13,245,362
Non-controlling interests		340,969	319,813
TOTAL EQUITY		12,826,876	13,565,175
LIABILITIES			
Borrowings	27	1,964,082	3,792,264
Deferred tax liabilities		1,245,373	1,233,482
Deferred income		2,363	3,072
TOTAL NON-CURRENT LIABILITIES		3,211,818	5,028,818
Trade and other payables		674,796	882,876
Borrowings	27	1,920,008	106,652
Tax payable		175,808	-
TOTAL CURRENT LIABILITIES		2,770,612	989,528
TOTAL LIABILITIES		5,982,430	6,018,346
TOTAL EQUITY AND LIABILITIES		18,809,306	19,583,521
Net assets per share attributable to the shareholders of the Company (RM)		6.3101	6.6939

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

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

	Note	3 months ended 30 September		9 months ended 30 September	
		2020	2019	2020	2019
<i>In RM'000</i>					
Revenue		1,407,423	1,338,061	4,203,377	4,085,871
Cost of revenue		(671,666)	(774,643)	(2,183,262)	(2,272,979)
Gross profit		735,757	563,418	2,020,115	1,812,892
Administration expenses		(26,731)	(22,698)	(84,162)	(68,745)
Other expenses		(2,225)	(15,065)	(39,467)	(6,722)
Other income		126,120	49,169	104,318	189,954
Operating profit	32	832,921	574,824	2,000,804	1,927,379
Financing costs		(52,734)	(57,455)	(163,274)	(174,241)
Share of profit after tax of equity-accounted joint ventures and associate		27,920	35,924	131,458	121,475
Profit before taxation		808,107	553,293	1,968,988	1,874,613
Tax expense	21	(168,591)	(107,782)	(407,738)	(383,495)
PROFIT FOR THE PERIOD		639,516	445,511	1,561,250	1,491,118
Other comprehensive income/(expenses)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net movement from exchange differences		(5,741)	12,700	1,121	9,304
Cash flow hedge:					
- Changes in fair value of derivatives		1,132	(2,617)	(14,377)	(26,526)
- Transfer to profit or loss		-	-	-	(36,458)
Share of cash flow hedge of an equity- accounted joint venture		(4,226)	(1,531)	3,322	3,062
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		630,681	454,063	1,551,316	1,440,500
Profit attributable to:					
Shareholders of the Company		591,013	431,589	1,506,233	1,449,947
Non-controlling interests		48,503	13,922	55,017	41,171
PROFIT FOR THE PERIOD		639,516	445,511	1,561,250	1,491,118
Total comprehensive income attributable to:					
Shareholders of the Company		582,178	436,288	1,496,299	1,396,930
Non-controlling interests		48,503	17,775	55,017	43,570
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		630,681	454,063	1,551,316	1,440,500
Basic and diluted earnings per ordinary share (sen)		29.87	21.81	76.12	73.28

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

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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			
Period ended 30 September 2019									
Balance at 1 January 2019	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	-	-	6,905	-	-	6,905	2,399	9,304	
Cash flow hedge	-	(62,984)	-	-	-	(62,984)	-	(62,984)	
Share of cash flow hedge of an equity-accounted joint venture	-	3,062	-	-	-	3,062	-	3,062	
Profit for the period	-	-	-	-	1,449,947	1,449,947	41,171	1,491,118	
Total comprehensive (expenses) /income for the period	-	(59,922)	6,905	-	1,449,947	1,396,930	43,570	1,440,500	
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	-	-	-	-	(633,194)	(633,194)	(19,690)	(652,884)	
Total transactions with shareholders of the Company	-	-	-	354,111	(1,422,626)	(1,068,515)	(93,010)	(1,161,525)	
Balance at 30 September 2019	3,165,204	41,881	32,867	411,201	9,486,900	13,138,053	319,841	13,457,894	
Period ended 30 September 2020									
Balance at 1 January 2020	3,165,204	37,786	15,132	411,201	9,616,039	13,245,362	319,813	13,565,175	
Net movement from exchange differences	-	-	1,121	-	-	1,121	-	1,121	
Cash flow hedge	-	(14,377)	-	-	-	(14,377)	-	(14,377)	
Share of cash flow hedge of an equity-accounted joint venture	-	3,322	-	-	-	3,322	-	3,322	
Profit for the period	-	-	-	-	1,506,233	1,506,233	55,017	1,561,250	
Total comprehensive (expenses) /income for the period	-	(11,055)	1,121	-	1,506,233	1,496,299	55,017	1,551,316	
Redemption of redeemable preference share in subsidiary	-	-	-	109,600	(109,600)	-	-	-	
Interim dividend declared and paid in respect of previous year	-	-	-	-	(633,194)	(633,194)	-	(633,194)	
Interim dividend declared and paid in respect of current year	-	-	-	-	(1,622,560)	(1,622,560)	(33,861)	(1,656,421)	
Total transactions with shareholders of the Company	-	-	-	109,600	(2,365,354)	(2,255,754)	(33,861)	(2,289,615)	
Balance at 30 September 2020	3,165,204	26,731	16,253	520,801	8,756,918	12,485,907	340,969	12,826,876	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM'000</i>	Note	9 months ended 30 September 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		1,968,988	1,874,613
<i>Adjustments for:</i>			
Depreciation and amortisation	32	768,838	844,290
Financing costs		163,274	174,241
Interest income	32	(90,039)	(107,563)
Share of profit after tax of equity-accounted joint ventures and associate		(131,458)	(121,475)
Unrealised loss/(gain) on foreign exchange	32	38,615	(38,152)
Other non-cash items		14,046	(323)
Operating profit before changes in working capital		2,732,264	2,625,631
Change in trade and other receivables		147,369	134,683
Change in trade inventories		(257)	(16,251)
Change in trade and other payables		(128,482)	52,042
Cash generated from operations		2,750,894	2,796,105
Interest income from fund and other investments		90,039	107,563
Taxation paid		(124,764)	(244,170)
Net cash generated from operating activities		2,716,169	2,659,498
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received from associate and joint ventures		42,280	19,351
Investment in joint venture		-	(31,031)
Purchase of property, plant and equipment		(611,602)	(728,043)
Proceeds from disposal of property, plant and equipment		8,447	241
Net cash used in investing activities		(560,875)	(739,482)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(2,255,754)	(1,068,515)
Dividends paid to non-controlling interest		(33,861)	(19,690)
Drawdown of term loan		-	7,226
Repayment of loan to corporate shareholder of a subsidiary	27	(29,081)	(26,407)
Financing costs paid		(163,126)	(174,132)
Repayment of lease liabilities	27	(42,803)	(43,337)
Payment on redemption of preference shares to non-controlling interest		-	(73,320)
Net cash used in financing activities		(2,524,625)	(1,398,175)
Net increase in cash and cash equivalents		(369,331)	521,841
Net foreign exchange difference		-	5,922
Cash and cash equivalents at beginning of the period		4,021,696	3,616,028
Cash and cash equivalents at end of the period		3,652,365	4,143,791

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

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

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

The condensed consolidated 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 also be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2019. The explanatory notes attached to the condensed consolidated 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 2019.

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 September 2020.

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 2020 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 2019 except as described below.

As of 1 January 2020, the Group has adopted the following amendments to MFRSs (pronouncements) which are effective for annual periods beginning on or after 1 January 2020.

Amendments to MFRS 3 *Business Combinations (Definition of a Business)*

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Amendments to MFRS 101 *Presentation of Financial Statements (Definition of Material)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

The Group has also early adopted the Amendment to MFRS 16 *Leases (Covid-19 Related Rent Concessions)* issued by the Malaysian Accounting Standards Board in June 2020, in response to the Covid-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The initial application and adoption of the above-mentioned pronouncements is not expected to have any material impact to the financial statements of the Group.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2019 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.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

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 2019 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.

8. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the period ended 30 September 2020, other than as disclosed in these condensed consolidated financial statements.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	9 months ended 30 September	
	2020	2019
Ordinary		
Interim paid:		
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 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2019 - Special interim dividend of 10 sen per ordinary share	197,873	-
2020 - First interim dividend of 16 sen per ordinary share	316,597	-
2020 - Second interim dividend of 16 sen per ordinary share	316,597	-
2020 - Special interim dividend of 50 sen per ordinary share	989,366	-
	2,255,754	1,068,515

On 19 November 2020, the Directors of the Company approved a third interim dividend of 18 sen per ordinary share amounting to RM356.2 million in respect of the financial year ending 31 December 2020.

The dividends are payable on 22 December 2020 to depositors registered in the Records of Depositors at the close of business on 7 December 2020.

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 7 December 2020 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 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.

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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 September 2020				
Financial assets				
<i>Current</i>				
Derivative assets	93	-	93	93
<i>Non-Current</i>				
Long term receivables	-	242,293	242,293	242,293
Derivative assets	13,325	-	13,325	13,325
Total financial assets	13,418	242,293	255,711	255,711
Financial liabilities				
<i>Current</i>				
Term loan	-	(1,806,444)	(1,806,444)	(1,806,444)
Loan from corporate shareholder of a subsidiary	-	(56,625)	(56,625)	(56,625)
Derivative liabilities	(12,457)	-	(12,457)	(12,457)
	(12,457)	(1,863,069)	(1,875,526)	(1,875,526)
<i>Non-Current</i>				
Loan from corporate shareholder of a subsidiary	-	(383,147)	(383,147)	(383,147)
	-	(383,147)	(383,147)	(383,147)
Total financial liabilities	(12,457)	(2,246,216)	(2,258,673)	(2,258,673)

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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 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
	1,980	261,589	263,569	263,569
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)

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.

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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 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.

Business Segment	9 months ended				Total
	Gas Processing	Gas Transportation	Regasification	Utilities	
Revenue	1,287,021	878,927	1,045,567	991,862	4,203,377
Segment results	720,019	621,723	548,805	129,568	2,020,115
Unallocated expense					(19,311)
Operating profit					2,000,804
Financing costs					(163,274)
Share of profit after tax of equity-accounted associate and joint ventures					131,458
Profit before taxation					1,968,988

Business Segment	9 months ended				Total
	Gas Processing	Gas Transportation	Regasification	Utilities	
Revenue	1,273,592	875,720	924,056	1,012,503	4,085,871
Segment results	610,147	616,288	470,638	115,819	1,812,892
Unallocated income					114,487
Operating profit					1,927,379
Financing costs					(174,241)
Share of profit after tax of equity-accounted associate and joint ventures					121,475
Profit before taxation					1,874,613

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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	9 months ended	
	2020	30 September 2019
Geographical Locations		
Peninsular Malaysia	4,194,293	4,032,635
Sabah and Sarawak	9,084	53,236
Total	4,203,377	4,085,871
Products and Services		
Gas processing services	1,287,021	1,273,592
Gas transportation services	872,687	842,398
Regasification services	1,045,567	924,056
Utilities		
- Electricity	416,941	488,031
- Steam	325,564	304,713
- Industrial gases	204,482	171,245
- Others ¹	43,965	47,401
Operations and maintenance services	7,150	34,435
Total	4,203,377	4,085,871

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

13. SUBSEQUENT EVENTS

On 21 October 2020, Pengerang LNG (Two) Sdn. Bhd (PLNG2), a 65% owned subsidiary of the Group, issued a 20-year multi-tranche Sukuk Murabahah totalling RM1.7 billion under its Islamic Medium-Term Note Programme which was primarily used to prepay its outstanding shareholders' loans in full.

Further details and financial effect of the Sukuk Murabahah issuance is available in PETRONAS Gas Berhad's company announcement dated 21 October 2020 on Bursa Malaysia website.

Also on the same day, PETRONAS Gas Berhad prepaid its unsecured term loan in full.

There were no material events subsequent to the end of the quarter, other than as disclosed above.

14. CONTINGENCIES

There were no material contingent liabilities and contingent assets subsequent to the audited financial statements for the year ended 31 December 2019.

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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 September 2020	As at 31 December 2019
Property, plant and equipment		
Approved and contracted for	426,737	428,549
Approved but not contracted for	2,669,525	3,141,300
	<u>3,096,262</u>	<u>3,569,849</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	1,010	18,760
Approved but not contracted for	16,865	15,405
	<u>17,875</u>	<u>34,165</u>
	<u>3,114,137</u>	<u>3,604,014</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 2019.

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For Third Quarter ended 30 September 2020

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 30 September		Variance %
	2020	2019	
Revenue	1,407,423	1,338,061	5.2
Gross profit	735,757	563,418	30.6
Profit before taxation (PBT)	808,107	553,293	46.1
Profit for the quarter	639,516	445,511	43.5
EBITDA*	1,049,790	831,325	26.3

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

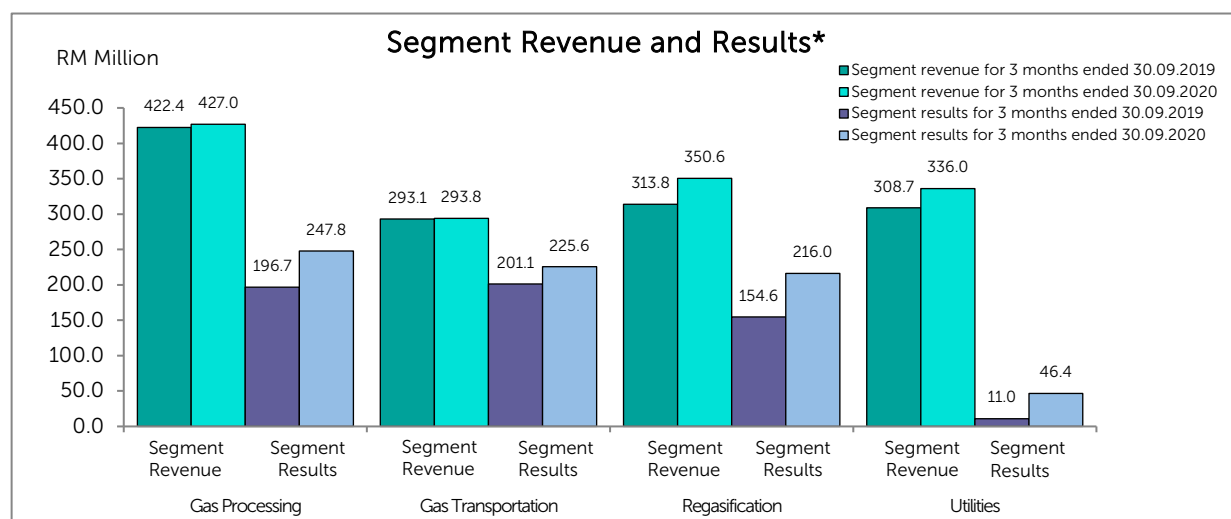
The Group recorded higher revenue by 5.2% or RM69.4 million at RM1,407.4 million mainly contributed by higher revenue from Regasification and Utilities segment in line with new tariffs for Regulatory Period 1 (RP1) effective 1 January 2020 and higher steam and industrial gases sales volume respectively.

Gross profit was higher by 30.6% or RM172.4 million with higher contribution from all segments, particularly Regasification and Gas Processing segments due to lower operating costs.

PBT grew by 46.1% or RM254.8 million as in addition to higher gross profit, the Group was positively affected by higher unrealised foreign exchange gain. The Group recorded unrealised foreign exchange gain on translation of USD assets and liabilities totalling RM92.8 million due to favourable movement of RM against USD during the quarter, compared to a loss of RM14.7 million in the corresponding quarter.

Profit for the quarter was correspondingly higher by 43.5% or RM194.0 million.

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



*Note: Segment Results refers to Gross Profit

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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 maintained its world class operational performance, recording close to 99% reliability.

Segment revenue was comparable at RM427.0 million against corresponding quarter.

Segment results grew by 26.0% or RM51.1 million on the back of lower operating costs attributable to lower depreciation expense and lower maintenance cost. Depreciation cost was lower as a result of fully depreciated assets and extension of statutory plant turnaround interval.

Gas Transportation

The Group's pipeline network continued to achieve close to 100% reliability, comparable to the corresponding quarter.

Suruhanjaya Tenaga has approved regulated tariff of RM1.129/GJ for the Peninsular Gas Utilisation (PGU) pipeline network which is applicable for Regulatory Period 1 (RP1) from 1 January 2020 to 31 December 2022. This compares to regulated tariff of RM1.072/GJ in 2019 under Pilot Regulatory Period (PRP).

The higher RP1 tariff follows the inclusion of internal gas consumption (IGC) cost recovery, which is a pass-through cost. Prior to RP1, IGC cost was borne directly by the shipper.

Segment revenue was comparable at RM293.8 million as higher RP1 tariff mitigated lower revenue following transfer of Sabah-Sarawak Gas Pipeline operations to PETRONAS Carigali Sdn Bhd as well as transfer of Miri and Bintulu gas distribution assets to a third-party.

Segment results increased by 12.2% or RM24.5 million as lower internal gas consumption and other operating costs was negated by impact of lower Regulated Asset Base (RAB) due to transitioning from depreciated replacement cost to net book value under Incentive-based Regulation (IBR).

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.

Suruhanjaya Tenaga has approved regulated tariff of RM3.455/GJ and RM3.485/GJ for RGTSU and RGTP respectively which are applicable for RP1 from 1 January 2020 to 31 December 2022. In 2019, tariffs were RM3.518/mmBtu and USD0.637/mmBtu respectively under PRP.

The RP1 tariffs are higher on a comparable unit basis following the inclusion of IGC cost recovery, which is a pass-through cost. Prior to RP1, IGC cost was borne directly by the capacity user. In addition, RGTP tariff was higher due to inclusion of jetty leased asset for RP1.

Segment revenue grew by 11.7% or RM36.8 million in line with higher RP1 tariffs.

Segment results increased by 39.7% or RM61.4 million attributable to lower internal gas consumption and higher RAB for RGTP under RP1 tariff.

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BURSA MALAYSIA SECURITIES BERHAD

17. REVIEW OF GROUP PERFORMANCE (continued)

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

Utilities

Utilities revenue were higher by 8.8% or RM27.3 million, mainly attributable to higher steam and industrial gases sales.

Segment results were higher by 321.8% or RM35.4 million in line with higher revenue supported by lower depreciation expense.

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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

In RM'000	9 months ended 30 September		Variance %
	2020	2019	
Revenue	4,203,377	4,085,871	2.9
Gross profit	2,020,115	1,812,892	11.4
Profit before taxation (PBT)	1,968,988	1,874,613	5.0
Profit for the period	1,561,250	1,491,118	4.7
EBITDA*	2,679,603	2,627,648	2.0

* 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 strongly, close to 100% reliability during the period.

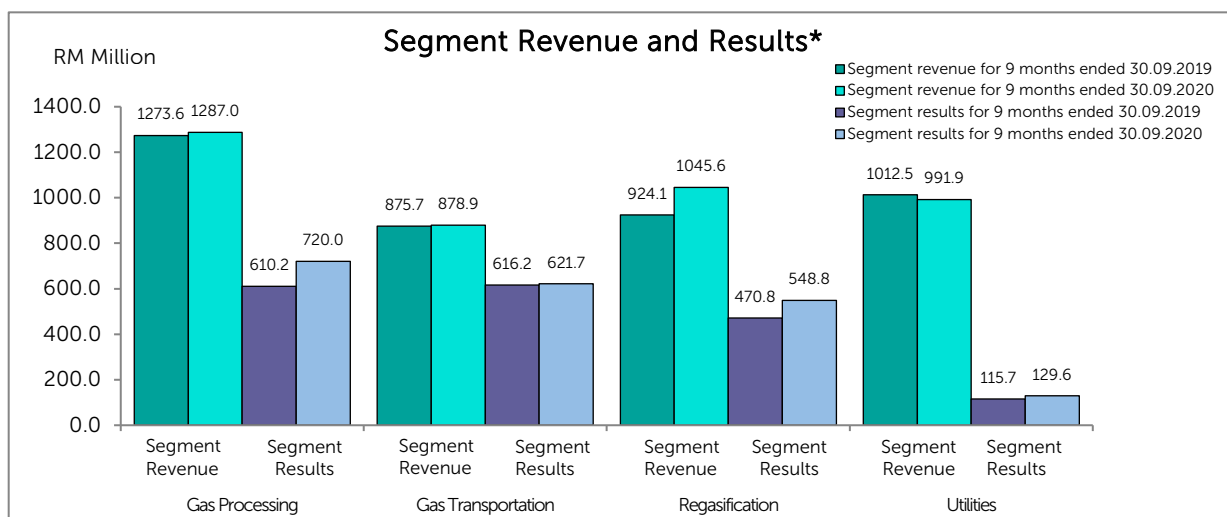
Group revenue remained resilient at RM4,203.4 million, an increase by 2.9% or RM117.5 million as Regasification and Gas Transportation segment revenues increased by RM124.7 million in line with new tariffs for Regulatory Period 1 (RP1) effective 1 January 2020 following the inclusion of internal gas consumption (IGC) pass-through cost negated by lower gas transportation regulated asset base due to transitioning from depreciated replacement costs to net book value. These were offset by lower revenue from Utilities segment due to lower electricity sales volume.

Gross profit grew by 11.4% or RM207.2 million at RM2,020.1 million as a result of higher contribution from Gas Processing and Regasification segments due to lower operating costs.

PBT was higher by 5.0% or RM94.4 million as higher gross profit was partially offset by unfavourable movement on foreign exchange and lower other income. The Group recorded unrealised foreign exchange loss of RM38.6 million relating to translation of USD-denominated assets and liabilities during the period, which contrasts to a gain of RM38.1 million registered in the corresponding period.

Profit for the period was higher by 4.7% or RM70.2 million in tandem with higher PBT.

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



*Note: Segment Results refers to Gross Profit

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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 increased by 1.1% or RM13.4 million mainly attributable from higher performance incentive reflective of efficient internal gas consumption (IGC) for plant operations coupled with new revenue stream from liquified petroleum gas importation and exportation services at Tanjung Sulong Export Terminal, Terengganu.

Segment results rose by 18.0% or RM109.8 million against the corresponding period driven by lower depreciation expense as a result of fully depreciated assets, extension of statutory plant turnaround interval and lower maintenance costs in addition to higher revenue.

Gas Transportation

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

Segment revenue was comparable to corresponding period at RM878.9 million as higher RP1 tariff mitigated lower revenue following the transfer of Sabah-Sarawak Gas Pipeline operations to PETRONAS Carigali Sdn Bhd as well as transfer of Miri and Bintulu gas distribution assets to a third-party.

Segment results was comparable as lower internal gas consumption and other operating costs, was negated by impact of lower regulated asset base due to transitioning from depreciated replacement costs to net book value under Incentive-based Regulation.

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 period.

Segment revenue improved by 13.1% or RM121.5 million in line with higher tariffs applicable for RP1 effective from 1 January 2020 to 31 December 2022 following inclusion of IGC pass-through cost and higher RGTP RAB due to inclusion of jetty leased asset.

Segment results increased by 16.6% or RM78.0 million largely attributable to lower internal gas consumption and higher RAB for RGTP under RP1 tariff.

Utilities

Segment revenue decreased by 2.0% or RM20.6 million, mainly attributable to lower electricity offtake by customers.

Segment results increased by 12.0% or RM13.9 million driven by lower depreciation expense and maintenance costs despite lower revenue.

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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

<i>In RM'000</i>	3 months ended		Variance %
	30 September 2020	30 June 2020	
Revenue	1,407,423	1,399,818	0.5
Gross profit	735,757	674,774	9.0
Profit before taxation (PBT)	808,107	711,923	13.5
Profit for the quarter	639,516	573,715	11.5
EBITDA*	1,049,790	940,075	11.7

* 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 strong performance for plant and facilities reliability across all segments during the quarter under review.

Against the preceding quarter, the Group's revenue was comparable at RM1,407.4 million.

Gross profit improved by 9.0% or RM61.0 million to RM735.8 million on the back of lower operating costs by Regasification and Gas Transportation segments mainly due to lower internal gas consumption cost offset by higher repair and maintenance costs.

PBT and profit for the quarter were higher by 13.5% or RM96.2 million and 11.5% or RM65.8 million respectively as higher gross profit was supported by higher unrealised foreign exchange gain, negated by lower share of profit from joint venture. During the quarter, the Group recorded higher unrealised foreign exchange gain on translation of USD assets and liabilities totalling RM92.8 million due to strengthening of RM against USD compared to gain of RM20.5 million in the preceding quarter. Lower share of profit was mainly attributable to scheduled shutdown during the quarter at Kimanis Power Sdn Berhad, the Group's 60% joint venture.

19. REVIEW OF GROUP FINANCIAL POSITION

<i>In RM'000</i>	As at	As at	Variance %
	30 September 2020	31 December 2019	
Total assets	18,809,306	19,583,521	-4.0
Total equity attributable to the shareholders of the Company	12,485,907	13,245,362	-5.7
Total liabilities	5,982,430	6,018,346	-0.6
Return on equity (%)	16.0	14.6	1.4

The Group's total assets at RM18.8 billion was lower by 4.0% or RM774.2 million following lower cash and cash equivalents due to higher dividends paid to shareholders of the Company and property, plant and equipment in line with depreciation.

Total equity attributable to shareholders of the Company was lower by 5.7% or RM759.5 million at RM12.5 billion in line with higher dividends paid to shareholders of the Company offset by profit for the period.

Total liabilities remained comparable, registering a marginal decrease of 0.6% or RM35.9 million mainly relating to lower trade and other payables.

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20. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	9 months ended 30 September		Variance %
	2020	2019	
Net cash generated from operating activities	2,716,169	2,659,498	2.1
Net cash used in investing activities	(560,875)	(739,482)	-24.2
Net cash used in financing activities	(2,524,625)	(1,398,175)	80.6
Net (decrease)/increase in cash and cash equivalents	(369,331)	521,841	-170.8

Net cash generated from operating activities was slightly higher by 2.1% or RM56.7 million mainly due to lower taxation paid.

Net cash used in investing activities decreased by 24.2% or RM178.6 million in line with lower spending on capital expenditure.

Net cash used in financing activities was higher by 80.6% or RM1,126.5 million as a result of higher dividends paid to shareholders of the Company.

21. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended 30 September		9 months ended 30 September	
	2020	2019	2020	2019
Current tax expenses				
Malaysia				
- current period	143,964	72,611	360,341	307,712
- underprovision in prior year	-	(3,251)	-	(3,251)
	143,964	69,360	360,341	304,461
Deferred tax expenses				
- origination and reversal of temporary differences	24,627	38,422	47,397	79,034
Total tax expenses	168,591	107,782	407,738	383,495

The effective tax rate (ETR) for the quarter and nine months' period ended 30 September 2020 was lower than the statutory tax rate of 24% mainly due to tax incentives granted for LNG regasification terminal in Pengerang, Johor.

22. COMMENTARY ON PROSPECTS

As announced by the Group on 20 December 2019, the Energy Commission has approved the Incentive-based Regulation tariffs for Regulatory Period 1 (RP1) for Gas Transportation and Regasification services which commence from 1 January 2020 to 31 December 2022.

The Group's Transportation and Regasification business segment are anticipated to continue contributing positively to the Group's earnings under the RP1 tariffs.

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.

The Group's Utilities segment contribution will be driven by customer demand, underpinned by economic conditions.

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22. COMMENTARY ON PROSPECTS (continued)

The COVID-19 pandemic is not expected to significantly impact the Group's overall earnings as the Group's business model and long-term contracts ensures steady revenue streams, particularly for Gas Processing, Gas Transportation and Regasification business segments.

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 September 2020	As at 31 December 2019
Trade receivables		
- Third party	6,393	27,828
- Related companies	586,241	624,653
- Joint ventures	767	354
- Related parties	85,541	33,915
	<hr/> 678,942	686,750
Other receivables	139,182	268,210
Less: Impairment losses	(35)	(85)
Trade and other receivables	<hr/> 818,089	<hr/> 954,875

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 September 2020	As at 31 December 2019
Current	678,444	693,203
Past due 1 to 30 days	498	(140)
Past due 31 to 60 days	-	373
Past due 61 to 90 days	-	(8,623)
Past due more than 90 days	-	1,937
Trade receivables	<hr/> 678,942	<hr/> 686,750

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.

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25. 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.

26. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY

The Group operates predominantly in Malaysia and transacts 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 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 September 2020	As at 31 December 2019
Non-Current		
Secured		
Lease liabilities	1,580,935	1,604,727
Unsecured		
Term loan	-	1,781,242
Loan from corporate shareholder of a subsidiary	383,147	406,295
	<u>1,964,082</u>	<u>3,792,264</u>
Current		
Secured		
Lease liabilities	56,939	51,965
Unsecured		
Term loan	1,806,444	-
Loan from corporate shareholder of a subsidiary	56,625	54,687
	<u>1,920,008</u>	<u>106,652</u>
	<u>3,884,090</u>	<u>3,898,916</u>
<i>In RM'000</i>		
By Currency		
RM	2,192	5,903
USD	3,881,898	3,893,013
Closing exchange rate (RM/USD)	4.1575	4.0995

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27. BORROWINGS (continued)

In RM'000	Total	Less than 1 year	Between 1-5 years	More than 5 years
Secured				
Lease liabilities	1,637,851	56,939	297,854	1,283,058
Unsecured				
Term loan	1,806,444	1,806,444	-	-
Loan from corporate shareholder of a subsidiary	439,795	56,625	245,438	137,732
	3,884,090	1,920,008	543,292	1,420,790

¹ Lease liabilities bears interest at rates between 7.2% to 9.1% (2019: between 7.2% to 9.1%) per annum.

² The unsecured term loan bears interest at floating rates ranging from 2.6% to 2.7% (2019: 2.1% to 2.6%) per annum and are due for full payment in February 2021. The Company had entered 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 2020 to 2028.

Reconciliation of liabilities arising from financing activities:

In RM'000	At 1 January 2020	Net changes from financing cash flows	Foreign exchange movement	At 30 September 2020
Lease liabilities	1,656,692	(42,803)	23,962	1,637,851
Term loan	1,781,242	-	25,202	1,806,444
Loan from corporate shareholder of a subsidiary	460,982	(29,081)	7,894	439,795
	3,898,916	(71,884)	57,058	3,884,090

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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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 September 2020 USD'000	As at 31 December 2019 USD'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Interest rate swap				
- 1 year to 3 years	322,003	322,003	(12,457)	1,980
Forward exchange contract				
- Less than 1 year	13,499	13,497	93	(377)

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 2019.

29. MATERIAL LITIGATION

On 25 November 2019, the PETRONAS Gas Berhad ("the Company") was served a Notice of Arbitration by PBJV Group Sdn Bhd ("PBJV"), a wholly owned subsidiary of Barakah Offshore Berhad. The claim amounting to RM179.8 million is in relation to the procurement, construction and commissioning of Pengerang Gas Pipeline Project ("the Project") where a Consortium was appointed by the Company as the contractor for the Project. PBJV was one of the Consortium partners for the Project.

On 24 December 2019, the Company has responded to the Notice of Arbitration and denied all PBJV claims as baseless allegation and without any merits as the Global Settlement Agreement agreed by both Consortium partners recorded the settlement terms in relation to the Project.

No hearing date has been fixed as the arbitration proceeding is pending the confirmation of appointment of the Arbitrators by the President of Asian International Arbitration Centre (AIAC).

There has been no other material litigation since the last audited consolidated financial statements for the year ended 31 December 2019.

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 30 September		9 months ended 30 September	
	2020	2019	2020	2019
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	591,013	431,589	1,506,233	1,449,947
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	29.87	21.81	76.12	73.28

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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31. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

32. OPERATING PROFIT FOR THE PERIOD

In RM'000	3 months ended 30 September		9 months ended 30 September	
	2020	2019	2020	2019
Operating profit includes the following charges:				
Depreciation of property, plant and equipment*	243,193	292,889	768,838	844,290
Loss on disposal of property, plant and equipment	852	104	852	236
Loss on realised foreign exchange	-	-	-	6,722
Loss on unrealised foreign exchange	-	14,742	38,615	-
Receivables written off	551	-	551	-
Inventory written off	12,721	-	12,721	-
Impairment loss - expected credit loss	-	-	-	3
and crediting:				
Gain on realised foreign exchange	1,378	3,773	1,773	-
Gain on unrealised foreign exchange	92,823	-	-	38,152
Gain on disposal of property, plant and equipment	-	-	31	-
Interest income from fund investments	26,324	36,388	90,039	107,563
Impairment write back – expected credit loss	121	45	65	-

* 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.

33. DIVIDENDS

As disclosed in Note 9.

34. EXCHANGE RATE

USD/MYR	30.09.2020	Individual quarter ended		Cumulative quarter ended		
		30.06.2020	30.09.2019	30.09.2020	30.09.2019	31.12.2019
Average rate	4.2033	4.3233	4.1657	4.2354	4.1348	4.1683
Closing rate	4.1575	4.2850	4.1870	4.1575	4.1870	4.0995

35. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 November 2020.

BY ORDER OF THE BOARD

Tengku Mazura Tengku Ismit (MACS 01585)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries
Kuala Lumpur
19 November 2020