




Sharing Excellence

ANNUAL REPORT 2007





PETRONAS Gas Berhad is today a leading gas processing, transmission and utilities company in the region. We remain steadfast in our commitment to achieve new levels of innovation and excellence. As we move ahead, we will continue to share our achievements and progress with the nation.

Kamal Bahrin Ahmad, Senior General Manager of Plant Operations Division with Saiful Annuar Khairul Annuar, a student from *Program Bakti Pendidikan PETRONAS*.

Corporate Profile

PETRONAS Gas Berhad (PGB) was incorporated as a private limited company on 23 May, 1983 under the Companies Act, 1965 of Malaysia and converted to a public limited liability company on 28 March, 1995. PGB is a gas processing, transmission and utilities company. PETRONAS, the national oil company holds 60.63% equity in PGB which was listed on the Main Board of the Bursa Malaysia Securities Berhad on 4 September, 1995.

In addition to gas processing and transmission, the Company's activities includes supply of industrial utilities such as steam, electricity, oxygen, nitrogen, compressed air, demineralised water and waste water treatment to the petrochemical complexes in the Kertih and Gebeng industrial zones.

The Company operates six Gas Processing Plants (GPP) which process natural gas from the offshore fields of Terengganu. Four of these plants are located in Kertih and the other two in Paka, Terengganu. The plants have a proven sales gas production capacity of 2,060 million standard cubic feet per day (mmscfd) in addition to gas derivative products such as Ethane, Propane, Butane, Condensates and Carbon Dioxide. In addition, the Company has standby units in Kertih and Paka with a total capacity of 750 mmscfd.

The sales gas produced is transmitted via 2,505km Peninsular Gas Utilisation (PGU) pipelines to end-users in the power, industrial and commercial sectors. The Company also delivers sales gas to customers in East Malaysia through a 45km pipeline.

The Company currently employs over 2,000 staff located all over the nation. To ensure that the Company meets its business objectives as well as its corporate social responsibilities, employees' capabilities and competencies are continuously enhanced through structured training programmes and by being active members of the communities where they work.



Corporate Mission

- We are a business entity
- Gas is our core business
- Our primary responsibility is to add value to this natural resource

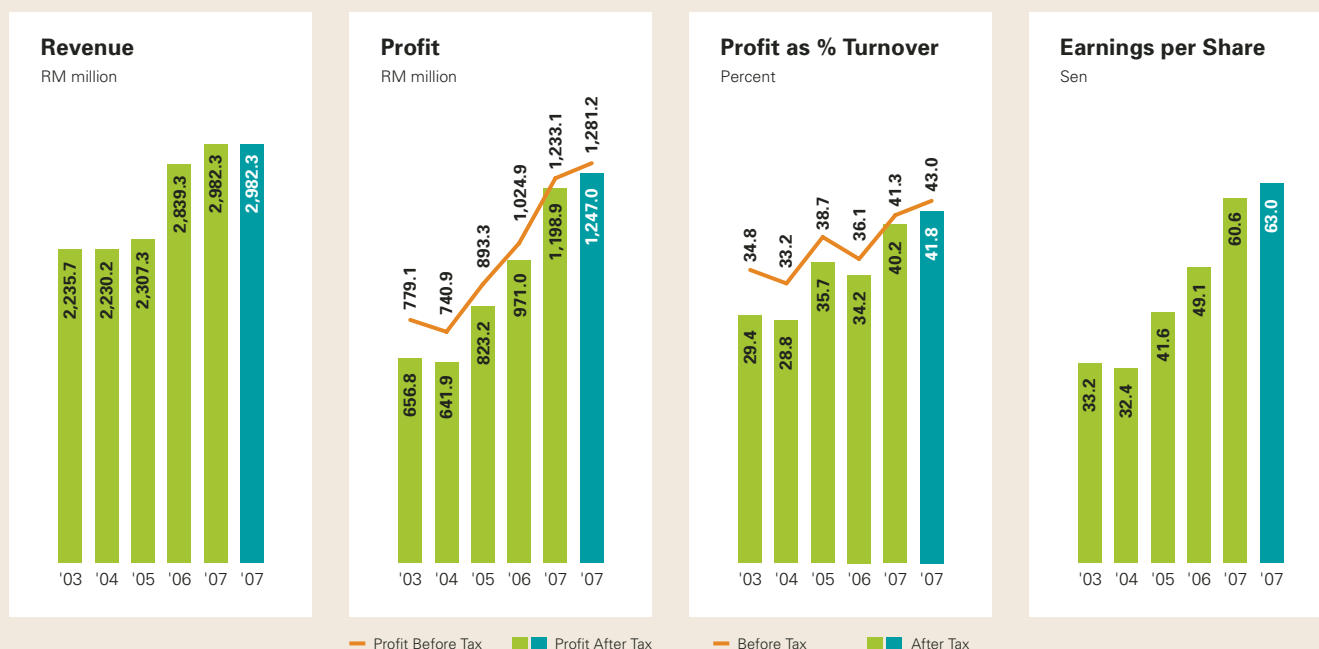


Contents

2	Five Year Financial Summary	58	Corporate Responsibilities
4	Corporate Information	60	Health, Safety and Environment
6	Corporate and Management Directory	66	Human Resource
7	Organisational Structure	70	Corporate Social Responsibility
8	Natural Gas Utilisation	72	Calendar of Events
9	Peninsular Gas Utilisation Supply Networks	77	Financial Statements
10	Board of Directors	78	Directors' Report
12	Board of Directors' Biodata	82	Statement by Directors
16	Management Committee	82	Statutory Declaration
18	Management Committee's Biodata	83	Report of the Auditors to the Members
22	Performance Review	84	Balance Sheets
24	Chairman's Statement	85	Income Statements
28	Chief Executive Officer's Report	86	Statements of Changes in Equity
38	Financial Review	87	Cash Flow Statements
42	Statement of Value Added	88	Notes to the Financial Statements
43	Financial Calendar	118	Other Information
44	Corporate Governance	120	Performance of Shares
46	Corporate Governance Statement	121	Analysis of Shareholdings
51	Internal Control Statement	124	Summary of Landed Property, Plant and Equipment
54	Audit Committee Report	130	Corporate Directory
56	Board Audit Committee's Terms of Reference	131	Notice of Annual General Meeting
57	Statement of Directors' Responsibility	132	Appendix
		140	Statement Accompanying Notice of Annual General Meeting
			Proxy Form

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth Annual General Meeting
of the Company will be held at Nirwana Ballroom 1, Lower Lobby,
Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur
on Thursday, 26 July 2007 at 10.00 a.m.

Five Year Financial

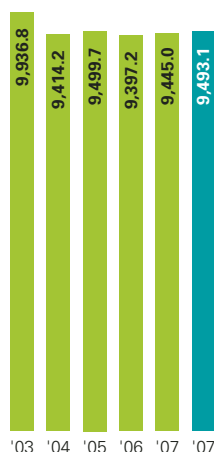


- Profit after tax was at RM1,247.0 million, the highest recorded to date.
- Earnings per share increased by 28.4% from 49.1 sen to 63.0 sen.
- Shareholders' Fund increased by 7.6% from RM7,047.7 million to RM7,586.3 million.

Summary

Total Assets

RM million



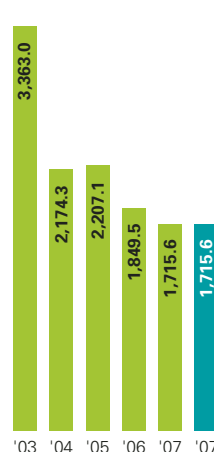
Shareholders' Funds

RM million



Long Term Liabilities

RM million



Net Assets Per Share

Sen



Company Group

(RM million)/Year Ended 31 March	2003	2004	Company 2005	2006	2007	Group 2007
Revenue	2,235.7	2,230.2	2,307.3	2,839.3	2,982.3	2,982.3
Profit Before Tax	779.1	740.9	893.3	1,024.9	1,233.1	1,281.2
Profit After Tax	656.8	641.9	823.2	971.0	1,198.9	1,247.0
Total Assets	9,936.8	9,414.2	9,499.7	9,397.2	9,445.0	9,493.1
Shareholders' Funds	6,182.6	6,230.9	6,686.1	7,047.7	7,538.2	7,586.3
Long Term Liabilities	3,363.0	2,174.3	2,207.1	1,849.5	1,715.6	1,715.6
Profit as % Turnover						
– Before Tax	34.8	33.2	38.7	36.1	41.3	43.0
– After Tax	29.4	28.8	35.7	34.2	40.2	41.8
Earnings Per Share (sen)						
– Basic	33.2	32.4	41.6	49.1	60.6	63.0
Net Assets Per Share (sen)	312.5	314.9	337.9	356.2	381.0	383.4

strategic alliances

We are focused on formulating effective strategies and working with world-class business partners to extend our reach in an increasingly challenging marketplace.



From left, Victoria, Kamarul Ariffin and Noor Mohamad in an engaging brainstorming session.

A photograph of two men in business attire sitting at a desk, looking out a large window at a city skyline. The man on the left is wearing a light blue shirt and a striped tie, while the man on the right is wearing a white shirt and a dark tie, with his hand on his chin in a thoughtful pose. The background shows a bright, modern building with a grid-like facade.

Corporate Information

- 6** Corporate and Management Directory
- 7** Organisational Structure
- 8** Natural Gas Utilisation
- 9** Peninsular Gas Utilisation Supply Networks
- 10** Board of Directors
- 12** Board of Directors' Biodata
- 16** Management Committee
- 18** Management Committee's Biodata

Corporate and Management Directory

DIRECTORS

Tan Sri Dato Sri Mohd Hassan bin Marican
(Chairman)

Samsudin bin Miskon
(Managing Director/Chief Executive Officer)
(Appointed on 1 March 2007)

Wan Zulkiflee bin Wan Ariffin

Dato' Sadasivan s/o N.N. Pillay

Dato' Chew Kong Seng

Datuk Mohd Zain bin Haji Abdul Majid

Muri bin Muhammad

Datuk (Dr) Abdul Rahim bin Haji Hashim

Mohammed Azhar bin Osman Khairuddin

Abd Hamid bin Ibrahim
(Resigned on 2 February 2007)

BOARD AUDIT COMMITTEE

Dato' Sadasivan s/o N.N. Pillay
(Chairman)

Dato' Chew Kong Seng

Datuk Mohd Zain bin Haji Abdul Majid

Mohammed Azhar bin Osman Khairuddin

SECRETARIES

Noryati binti Mohd Noor
(LS0008877)

Yeap Kok Leong
(MAICSA 0862549)

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Fax : 03-2721 2530 / 03-2721 2531

REGISTERED OFFICE AND BUSINESS ADDRESS

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : 03-2051 5000
Fax : 03-2051 6987

AUDITORS

KPMG Desa Megat & Co.

SOLICITORS

Zul Rafique & Partners

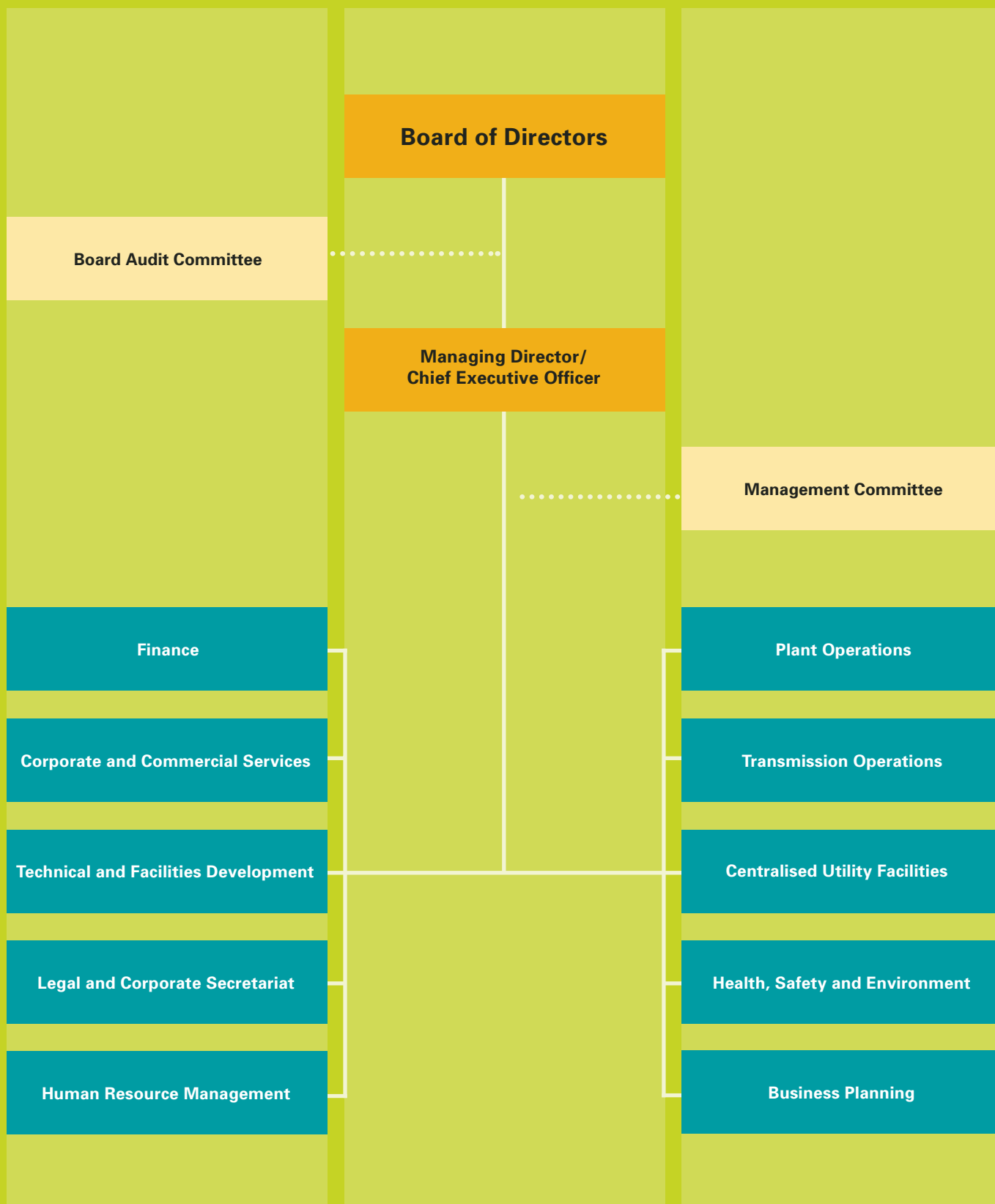
PRINCIPAL BANKER

CIMB Bank Berhad

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

Organisational Structure



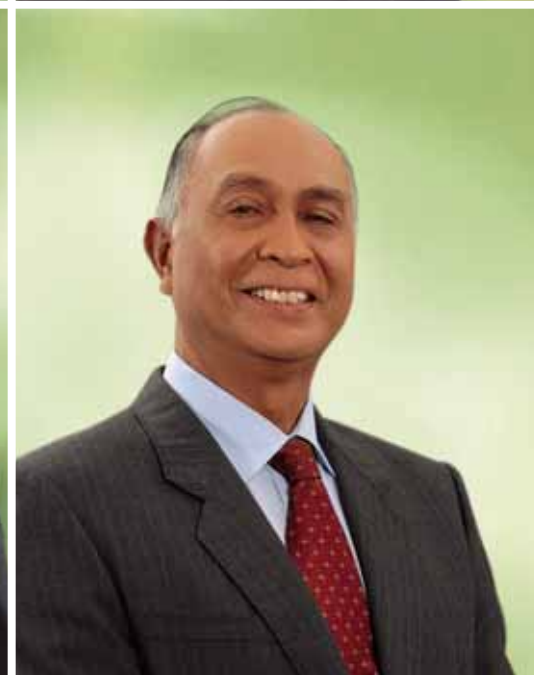
Natural Gas Utilisation



Peninsular Gas Utilisation Supply Networks

as at 31 May 2007





Board of Directors



Top, from left:

Tan Sri Dato Sri Mohd Hassan bin Marican
(Chairman)

Samsudin bin Miskon
(Managing Director / Chief Executive Officer)

Wan Zulkiflee bin Wan Ariffin

Dato' Sadasivan s/o N.N. Pillay

Dato' Chew Kong Seng

Bottom, from left:

Datuk Mohd Zain bin Haji Abdul Majid

Muri bin Muhammad

Datuk (Dr) Abdul Rahim bin Haji Hashim

Mohammed Azhar bin Osman Khairuddin

Abd Hamid bin Ibrahim

Board of Directors' Biodata

Tan Sri Dato Sri Mohd Hassan bin Marican, a Malaysian aged 54, was appointed as the Chairman of PETRONAS Gas Berhad in August 1991. A Fellow of the Institute of Chartered Accountants in England and Wales, as well as a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, he joined PETRONAS in 1989 as Senior Vice President of Finance and was appointed President and Chief Executive Officer in February 1995.

Tan Sri Dato Sri Mohd Hassan is a member of the PETRONAS Board of Directors. He is also the Chairman of MISC Berhad, another public listed subsidiary under the PETRONAS Group of Companies, and Chairman of Engen Limited, South Africa's leading oil refining and marketing company, a subsidiary of PETRONAS.

Beyond PETRONAS, Tan Sri Dato Sri Mohd Hassan is a board member of Bank Negara Malaysia and a member of the board of Malaysia-Thailand Joint Authority, which oversees petroleum development in the overlapping area between Malaysia and Thailand. He is also a member of the International Investment Council for the Republic of South Africa.

Tan Sri Dato Sri Mohd Hassan is a board member of the World Economic Forum's (WEF) Partnering Against Corruption Initiative (PACI) as well as a member of the WEF's Council of 100 Leaders. He is also a member of the Commonwealth Business Council.

Tan Sri Dato Sri Mohd Hassan has attended four (4) Board meetings in the financial year.

Samsudin bin Miskon, a Malaysian aged 46, was appointed as Managing Director/Chief Executive Officer of PETRONAS Gas Berhad on 1 March 2007. A graduate in Chemical Engineering from the University of Aston, UK, he joined PETRONAS in 1983 as a process engineer and was involved in the operations, design and project implementation of gas processing facilities while serving in PETRONAS Gas Berhad until 1992.

In the ensuing years, he had held several positions in the PETRONAS Group including serving as General Manager in the Plant Division of OGP Technical Services Sdn. Bhd. responsible for the project management of gas processing and petrochemical plants until 2000. He then served as General Manager of Malaysia LNG Dua Sdn. Bhd. and later as Senior General Manager of Malaysia LNG Sdn. Bhd. until 2005, managing the operations of the PETRONAS LNG Complex in Bintulu, Sarawak. Prior to the current appointment, he was the Senior General Manager of Leadership and Capability Development Department of Human Resource Management Division in PETRONAS where he was responsible to steer the development of leadership and capability of personnel throughout PETRONAS.

He obtained his Masters of Science in Project Management from Reading University, UK in 1994 and earned a Diploma in International Management from INSEAD, France. He also attended the Advanced Management Programme, at Harvard Business School.

He currently sits on the Board of several companies in the PETRONAS Group.

Wan Zulkiflee bin Wan Ariffin, a Malaysian aged 46, is a Non-Independent Non-Executive Director. He is currently the Vice President, Gas Business of PETRONAS. He held the position of Managing Director/Chief Executive Officer of PETRONAS Gas Berhad from June 2003 to February 2007. A graduate in Chemical Engineering from the University of Adelaide, South Australia, he joined PETRONAS in 1983 as a process engineer and was involved in the project implementation and operations of several gas processing facilities up to 1995.

In the ensuing years, he had held several positions in the PETRONAS Group including serving as Executive Assistant to the President between 1999 to 2000, General Manager, International Projects Management Division of OGP Technical Services in 2001 and General Manager of the Strategy and Business Development Unit between 2001 to 2003.

He is a member of PETRONAS Management Committee and currently sits on the Board of several companies in the PETRONAS Group. He was conferred the Honorary Fellowship by the Institution of Chemical Engineers UK in November 2005. He was on the Council for the Project Management Institute, Malaysian Chapter until end 2003. He attended the Advanced Management Programme at Harvard Business School and is also the Industry Adviser to the Gas Engineering Department of University Technology Malaysia and University Putra Malaysia.

He has attended four (4) Board meetings in the financial year.

Dato' Sadasivan s/o N.N. Pillay, a Malaysian aged 67, is an Independent Non-Executive Director and the Chairman of the Board Audit Committee. A graduate in Economics from University of Malaya in 1963, he started his early career with the Economic Development Board Singapore upon graduation till 1967. In 1968, he joined the Malaysian Industrial Development Authority (MIDA) and was appointed the Director-General of MIDA in 1984. He served in that capacity until his retirement in 1995. Upon retirement, he set up SKA Management Consultants Sdn. Bhd. where he is the Executive Chairman.

He holds directorship in Chemical Company Of Malaysia Berhad, Malaysian Industrial Development Finance Berhad, Leader Universal Holdings Berhad, APM Automotive Holdings Berhad, Malaysian Airline System Berhad, Yeo Hiap Seng (Malaysia) Berhad, nine private companies and two governmental financial institutions (Bank Negara Malaysia and Pengurusan Danaharta Nasional Berhad).

He was appointed to the Board of PETRONAS Gas Berhad on 29 August 1995 and has attended four (4) Board meetings in the financial year.

Dato' Chew Kong Seng, a Malaysian aged 69, is an Independent Non-Executive Director and a member of the Board Audit Committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. His career started off as a tax officer in the Inland Revenue Department and Stoy Hayward & Co. in UK from 1964 to 1970. He returned to Malaysia to join Turquand Young & Co. (now known as Ernst & Young) and was subsequently transferred to Sarawak office in 1973, first as Manager-in-Charge and later as Partner-in-Charge. He served as the Managing Partner of Ernst & Young for six years before he retired from professional practice in 1996. From May 1999 to June 2005, he was an Executive Director of Sarawak Enterprise Corporation Bhd.

His experience covers a wide variety of industries including utilities, banking and financial institutions, timber-based, manufacturing, trading and advisory services to local and foreign investors. He is also an Independent Director and Audit Committee Chairman of four other public listed companies namely, PETRONAS Dagangan Berhad, Industrial Concrete Products Berhad, AEON Co. (M) Bhd and PBA Holdings Berhad. He also acts as Independent Director in other public limited companies.

He was appointed to the Board of PETRONAS Gas Berhad on 18 March 1999 and has attended three (3) Board meetings in this financial year.

Datuk Mohd Zain bin Haji Abdul Majid, a Malaysian aged 68, is an Independent Non-Executive Director and a member of the Board Audit Committee. He graduated in Economics from the University of Glasgow and in Law from the University of London and is a Fellow of the Economic Development Institute of the World Bank in Washington. He also attended the Senior Executive Programme at London Business School.

He had served for 37 years in several positions in the public and private sectors before retiring at the end of 1999. He was the Director-General of the Malaysian Industrial Development Authority, Executive Chairman of the Urban Development Authority, Chief Executive of the Malaysian Employers Federation and was Executive and Non-Executive Director of various companies in the manufacturing, finance and property sectors. He has been a Director of Malaysia LNG Sdn. Bhd. since 1982 and is also a Director of Malaysia LNG Dua Sdn. Bhd. and Malaysia LNG Tiga Sdn. Bhd.

He was appointed to the Board of PETRONAS Gas Berhad on 6 March 2002 and has attended four (4) Board meetings in the financial year.

Muri bin Muhammad, a Malaysian aged 64, is a Non-Independent Non-Executive Director. He joined PETRONAS in 1975 and after serving for 27 years in various capacities, he retired as Vice President, Gas Business of PETRONAS in 2002. On his retirement, he was appointed Advisor to Gas Business until end of March 2005.

He holds a Master of Science in Biological Oceanography from Dalhousie University, Halifax, Canada.

He served in various management positions including the Managing Director/Chief Executive Officer of ASEAN Bintulu Fertilizer Sdn Bhd, Managing Director/Chief Executive Officer of Malaysia LNG Sdn Bhd and Vice President, Gas Business of PETRONAS.

He is currently a director of the following gas pipeline companies: Australian Pipeline Trust (APT), a public listed Australian gas pipeline company, Transportadora de Gas del Norte (TGN) and Transportadora de Gas del Mercosur (TGM), both of Argentina. On 1 September 2005, he was appointed by the government as a member of the Energy Commission of Malaysia for a term of two years.

He was also on the Board of several PETRONAS subsidiaries and held the position of the Chairman of the Board of the Gas District Cooling Group of Companies, PETRONAS NGV Sdn. Bhd., Bekalan Air KIPC Sdn. Bhd. and OGP Technical Services Sdn. Bhd.

He was appointed to the Board of PETRONAS Gas Berhad on 25 November 1996 and has attended three (3) Board meetings in the financial year.

Datuk (Dr) Abdul Rahim bin Haji Hashim, a Malaysian aged 53, is a Non-Independent Non-Executive Director. He is also the Vice President, Research and Technology of PETRONAS. He holds a Bachelor of Science (Electrical & Electronic) Engineering degree from the University of Birmingham, UK. He is registered with the Board of Engineers and the Institution of Engineers Malaysia, and an associate member of the American Institute of Chemical Engineers. He completed the Advance Management Programme (AMP) at Harvard Business School.

Prior to his current position he held various senior positions including the Managing Director/Chief Executive Officer of PETRONAS Penapisan (Melaka) Sdn. Bhd., Managing Director/Chief Executive Officer of Malaysian Refining Company Sdn. Bhd. (MRC), Vice President of Human Resource Management Division, PETRONAS and Vice President, Gas Business of PETRONAS.

He currently holds several key positions in local and international gas industry organisations. These include President of the Malaysian Gas Association (MGA) and President of the Asia Pacific Natural Gas Vehicle Association (ANGVA). He is also the Vice President of the International Gas Union (IGU) for triennium 2006-2009 before assuming IGU Presidency for triennium 2009-2012.

He was appointed to the Board of PETRONAS Gas Berhad on 1 October 2002 and has attended three (3) Board meetings in this financial year.

Mohammed Azhar bin Osman Khairuddin, a Malaysian aged 51, is a Non-Independent Non-Executive Director and a member of the Board Audit Committee. He is also the Company Secretary of PETRONAS and a member of its Management Committee. He holds a Bachelor of Law (Honours) degree from the University of Malaya. He is also a member of the International Bar Association (IBA) as well as the Inter-Pacific Bar Association (IPBA).

He started his career with PETRONAS in 1979 as a legal officer. Under his current position, he is in charge of three main areas of PETRONAS' group operations namely, Legal Services Unit, Corporate Affairs Unit and Facilities Management and Services Unit.

He was appointed to the Board of PETRONAS Gas Berhad on 9 May 1995 and has attended four (4) Board meetings in the financial year.

Abd Hamid bin Ibrahim, a Malaysian aged 59, is an Independent Non-Executive Director. He holds a Masters degree in Petroleum Engineering from Heriot - Watt University, Edinburgh, Scotland and a degree in Mining from the Camborne School of Mines, UK. He also attended the Advanced Management Programme, Wharton School of Management, University of Pennsylvania, USA. He joined PETRONAS in June 1976 as a Production Engineer in the Production Department and since then had held several managerial positions in the Upstream Sector (including as General Manager, Development Division, PETRONAS Carigali Sdn Bhd) until April 1991.

He was Managing Director/Chief Executive Officer of Ethylene Malaysia Sdn. Bhd. and Polyethylene Malaysia Sdn. Bhd. from May 1991 to May 1996, Managing Director/Chief Executive Officer of Malaysia LNG Sdn. Bhd. and Malaysia LNG Dua Sdn. Bhd., and Project Director of Malaysia LNG Tiga Sdn. Bhd. from June 1996 prior to his appointment as Managing Director/Chief Executive Officer of PETRONAS Gas Berhad in September 1999. He is also a Non-Executive Director in Muhibbah Engineering (M) Bhd. since 18 January 2006.

He was a member of the PETRONAS Management Committee from July 1996 until June 2003. From June 1995 to July 2004, he was a Founder-Director of SPE-Asia Pacific (M) Sdn. Bhd. He is the Editor-in-Chief of RESOURCE, the in-house magazine of the Malaysian Petroleum Club since its inception in 1992. Apart from that, he is a Board Member of Antarabudaya Malaysia, an associate member of the American Field Service, the largest voluntary organisation in the world that deals in international student exchange programme. In July 2004, he was appointed as the PETRONAS representative to the Board of Trustees of CARIF (Cancer Research Initiatives Foundation).

He was appointed to the Board of PETRONAS Gas Berhad on 16 September 1999 and resigned as a Director on 2 February 2007. He has attended three (3) Board meetings in the financial year.

None of the Directors has:

Any family relationship with any other Director and/or major shareholder

Any conflict of interest with PETRONAS Gas Berhad

Any conviction for offences within the past 10 years other than traffic offences

Management



From Left:

Samsudin bin Miskon

Wan Shamilah binti Wan
Muhammad Saidi

Kamal Bahrin bin Ahmad



From Left:

A Aziz bin Othman

Ir. Hudal Firdaus bin Dimyati

Noryati binti Mohd Noor

Committee

From Left:

Nordin bin Ab Ghani

Basharuddin bin Saad

Raiha Azni binti Abdul Rahman



From Left:

Zakiah binti Ahmad
(Secretary to Management Committee)

Raja Iskandar Ariffin bin Raja Azman

Ozair bin Saidin



Management Committee's Biodata

Samsudin bin Miskon, 46, was appointed as Managing Director/Chief Executive Officer of PETRONAS Gas Berhad on 1 March 2007. A graduate in Chemical Engineering from the University of Aston, UK, he joined PETRONAS in 1983 as a process engineer and was involved in the operations, design and project implementation of gas processing facilities while serving in PETRONAS Gas Berhad until 1992.

In the ensuing years, he had held several positions in the PETRONAS Group including serving as General Manager in the Plant Division of OGP Technical Services Sdn. Bhd. responsible for the project management of gas processing and petrochemical plants until 2000. He then served as General Manager of Malaysia LNG Dua Sdn. Bhd. and later as Senior General Manager of Malaysia LNG Sdn. Bhd. until 2005, managing the operations of the PETRONAS LNG Complex in Bintulu, Sarawak. Prior to the current appointment, he was the Senior General Manager of Leadership and Capability Development Department of Human Resource Management Division in PETRONAS where he was responsible to steer the development of leadership and capability of personnel throughout PETRONAS.

He obtained his Masters of Science in Project Management from Reading University, UK in 1994 and also earned a Diploma in International Management from INSEAD, France. He also attended the Advanced Management Programme, at Harvard Business School.

He currently sits on the Board of several companies in the PETRONAS Group.

Kamal Bahrin bin Ahmad, 42, is the Senior General Manager of Plant Operations Division. He holds a degree in Chemical Engineering from the University of Texas at Austin, USA.

He joined PETRONAS in July 1987 as a Project Engineer for an expansion project of PETRONAS Penapisan (Terengganu) Sdn. Bhd. refinery. In 1992, he joined PETRONAS Penapisan (Melaka) Sdn. Bhd. for the commissioning of Phase 1 of the Melaka refinery. In 1998, he participated in the commissioning of Phase 2 of the refinery project, which is a joint venture project between PETRONAS and ConocoPhillips, USA.

He had held several key positions in PETRONAS Penapisan (Melaka) Sdn. Bhd., including the General Manager of Production Department prior to joining PETRONAS Gas Berhad in January 2005.

He currently sits on the Board of several companies in the PETRONAS Group.

Nordin bin Ab Ghani, 50, is the General Manager of Transmission Operations Division. He holds a degree in Civil Engineering from the University of Malaya.

He joined PETRONAS in September 1983 after serving in Public Works Department for three years. He started as a Civil Engineer and was involved in the Project Implementation and Operations of the Peninsular Gas Transmission System until December 2002. In January 2003, he was appointed as the Director of Operations in PT Transportasi Gas Indonesia, a joint venture company based in Jakarta, Indonesia.

He assumed his current position in August 2005.

Wan Shamilah binti Wan Muhammad Saidi, 36, is the General Manager of Finance Division. She holds a degree in Economics and Accounting from University of Bristol, UK. She is also a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

She joined PETRONAS in 1993. From 1995 to 1998 she underwent her articleship training with Morison Stoneham in England. In the ensuing years, she held various positions in Group Finance Division and Corporate Planning and Development Division of PETRONAS. Prior to the current position, she was a manager within Business Development Unit responsible for the mergers and acquisitions activities for PETRONAS.

She currently sits on the Board of several companies in the PETRONAS Group. She assumed her current position in September 2004.

Basharuddin bin Saad, 52, is the General Manager of Corporate and Commercial Services Division. He is a Fellow of the Association of Chartered Certified Accountants, a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He also holds a degree in Law from the University of London and a Certificate of Legal Practice from the Qualifying Board, Malaysia.

He started his career with a utility company and a bank prior to joining PETRONAS. He joined PETRONAS in 1980 and held various positions in the areas of Finance and Accounts, Planning, Treasury, Project Management, Procurement and Systems Development. He served as Senior Manager, Finance and Accounts with PETRONAS Carigali Sdn. Bhd. from 1990 to 1996 and General Manager of Finance Division of PETRONAS Gas Berhad until 2004.

He assumed his current position in September 2004.

Ir. Hudal Firdaus bin Dimiyati, 43, is the General Manager of Technical and Facilities Development Division. He is a member of the Board of Engineers, Malaysia and also the Institution of Engineers Malaysia. He holds a degree in Civil Engineering from the University of Toledo, Ohio, USA.

He joined OGP Technical Services Sdn. Bhd., a subsidiary of PETRONAS in September 1993 after working in a multinational oil and gas company for 6 years. He started as a Deputy Project Services Manager and was involved in the implementation of various cross-country pipeline projects in Malaysia, Thailand and Sudan.

In 1999, he served in the Group Internal Audit Division, PETRONAS as Audit Manager and later as Senior Manager where he was responsible for the audits on Gas and Petrochemical companies in PETRONAS.

In 2003, he was appointed as Head, Business Development under the Gas Business Unit, PETRONAS pursuing gas business opportunities in Myanmar and Thailand.

He joined PETRONAS Gas Berhad in April 2005 as the Senior Manager, Engineering Management Department, Technical and Facilities Development Division and was promoted to his current position in January 2006.

A Aziz bin Othman, 41, is the General Manager of Centralised Utility Facilities Division. He holds a degree in Mechanical Engineering from the George Washington University, USA.

He joined PETRONAS in 1987 as a rotating equipment engineer in PETRONAS Gas Berhad and was involved in the project implementation of several gas plants up to 1996. From 1997 to March 2000, he was assigned as the Manager of Project Control & System Planning, in the Pipeline Gas Utilisation project.

From April 2000 to July 2005, he was assigned to the Gas Business Unit, PETRONAS. There, he was responsible for the strategy formulation and business development of gas business.

In September 2002, he was also a member of the PETRONAS Corporate Strategic Study team, a think tank group formulating the PETRONAS Corporate Agenda.

He assumed his current position in August 2005.

Raiha Azni binti Abdul Rahman, 46, is the Senior Manager of Human Resource Management. She holds a Bachelor of Science in Business Administration, majoring in Marketing, from Syracuse University, New York, USA.

She has a total of 22 years experience in Human Resource Management in PETRONAS. She joined PETRONAS in 1984 and has served in various capacities within PETRONAS Group in the areas of capability development, human resource development, manpower planning, talent sourcing, industrial relations and remuneration services.

She assumed her current position in March 2004.

Ozair bin Saidin, 47, is the Senior Manager of Health, Safety and Environment Department. He graduated with Honours from Universiti Kebangsaan Malaysia with a degree in Chemistry.

He began his career with PETRONAS in 1982 as a Chemist at PETRONAS Laboratory and later moved to Plant Operations Division of PETRONAS Gas Berhad in 1984. He served in various capacities in Plant Operations Division including Operations Shift Supervisor, Head of Quality Control, and Integrity and Reliability Manager. He was the Senior Manager of Process Operations at Gas Processing Plant Complex B prior to assuming his current position.

He assumed his current position in April 2006.

Noryati binti Mohd Noor, 41, is the Senior Manager of Legal and Corporate Secretariat Department. She holds a Bachelor of Law (Honours) from the International Islamic University Malaysia.

Her career in PETRONAS started at PETRONAS Dagangan Berhad in 1990 as an Executive (Legal). She continued to serve PETRONAS Dagangan Berhad until 1997 when she joined Gas District Cooling (M) Sdn. Bhd. as the Senior Legal Counsel. She is currently the Company Secretary of Gas District Cooling Group of Companies.

She assumed her current position in October 2005.

Raja Iskandar Arifin bin Raja Azman, 39, is the Senior Manager of Business Planning Department. He graduated from the University of Illinois at Urbana-Champaign, USA with a Bachelor of Science in Business Administration majoring in Management Information System. He also holds a Masters of Business Administration in International Management from the University of East London, UK.

He began his career in PETRONAS as a Systems Programmer in 1991. Subsequently he joined the Group Tenders and Contracts Division where he was mainly involved in developing Small and Medium Industry through the PETRONAS Vendor Development Programme. Later, he continued to serve PETRONAS under the Corporate Risk Management Unit. Prior to his current position, he gained business development experience through his tenure in the Integrated Transition Programme and Gas Business Unit, PETRONAS.

He assumed his current position in September 2006.



Performance Review

- 24** Chairman's Statement
- 28** Chief Executive Officer's Report
- 38** Financial Review
- 42** Statement of Value Added
- 43** Financial Calendar

dynamic people

We will continue to attract, build and retain the best human capital to achieve new levels of excellence in health, safety and operational efficiency.



The Company's occupational health advisor, Dr Norsayani attending to one of our employees.



Chairman's Statement

The Company was able to fulfill its obligations to stakeholders by delivering a superior performance amidst an increasingly challenging and complex industry environment.

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of PETRONAS Gas Berhad for the financial year ended 31 March 2007.

The year under review saw the Company continuing to chart commendable achievements on the back of strong demand for gas as a source of fuel in line with the sustained growth of the Malaysian economy. More importantly, the Company was able to fulfill its obligations to stakeholders by delivering a superior performance backed by improved financial returns as well as better operational efficiency and reliability amidst an increasingly challenging and complex industry environment.

FINANCIAL

For the review period, the Company recorded a revenue of RM2,982.3 million, an increase of 5.0% from RM2,839.3 million previously mainly due to higher sales gas delivery and higher sales of utilities. Profit before tax increased by 25.0% from RM1,024.9 million to RM1,281.2 million while profit after tax increased by 28.4% from RM971.0 million to RM1,247.0 million. Earnings per share rose to 63.0 sen from 49.1 sen before.

The Board of Directors is recommending final dividends of 20 sen per share tax-exempt and 10 sen per share less 27% tax. Together with the interim dividend of 15 sen per share less 28% tax paid out on 15 December 2006, the total net dividend for the year will amount to 38.1 sen per share, representing a dividend payout ratio of 60.5% per share.

OPERATIONS

The Company delivered an average of 2,222 million standard cubic feet per day (mmscfd) of sales gas during the review period, higher than an average of 2,122 mmscfd delivered in the previous period mainly due to higher flow of gas from the Malaysia-Thailand Joint Development Area (JDA). The nation's power sector consumed 60.6% of the sales gas delivered, followed by the industrial and other users at 33.4%, with the balance 6.0% exported to Singapore.

The year saw the Company's Gas Processing Plants (GPPs) and pipeline network exceeding world class standards of operations with excellent reliability rates of 99.7% and 99.98% respectively. This is indeed a commendable achievement and stands as a testimony to the Company's outstanding operational capability and competency. Notably, the reduction in downtime was achieved through preventive maintenance efforts and better coordination with upstream gas suppliers despite the tough challenges of varying feedgas composition. The reduced downtime has also enabled the Company to optimise the operations of its GPPs to produce more ethane, propane and butane during the review period. The Company's high maintenance standards also earned the recognition of the Department of Occupational Safety and Health (DOSH), resulting in DOSH granting an extension to the Certificate of Fitness for the Company's GPP 2 and Kertih Compressor Station and Export Terminal. The extension enabled the Company to operate its GPP 2 without interruption during the year, hence contributing to the reduction in overall downtime.

During the review period, the Company's Centralised Utility Facilities (CUF) faced a major challenge in having to undertake extensive maintenance that affected the reliability of its facilities. Despite this, the Company managed to achieve higher sales volume of its major utility products namely electricity, steam and

industrial gases as a result of improvement initiatives focusing on process efficiency, cost containment and enhancement of people competency. As part of its endeavour to achieve higher utilisation rate for its CUF Plants, the Company has during the year entered into a joint venture with MOX Gases Sdn Bhd to promote the sales of industrial gases within the Gebeng Industrial Area. The joint venture is scheduled to commence operation in the coming year.

CORPORATE

The Company completed the acquisition of 20% interest in Gas Malaysia Sdn. Bhd. from PETRONAS during the year. The acquisition, accounted for as an investment in an associate, has contributed positively to the earnings of the Company.

The Company continues to record progressive achievements in the area of Health, Safety and Environment (HSE) in line with its unwavering commitment in this area. This is reflected in the numerous recognitions accorded to the Company by the National Council of Occupational Safety and Health and the Malaysian Society of Occupational Safety and Health during the year.

To sustain and enhance the quality of the environment where it operates, the Company has taken a bold step to measure the level of its environmental compliance against set international standards. The year saw the Company successfully obtaining the MS ISO 14001:2004 certification for compliance in managing the environmental aspects of the business in CUF Gebeng. This effort will be expanded to other locations in the coming years.

The development of human capital remains a priority in the Company with continuous implementation of programmes to enhance capabilities, competencies and building future leaders to ensure sustainability of the organisation. Steps were also taken

The Company will also explore new growth opportunities while continuing to improve its financial and operational performance with emphasis on capability development.

to ensure retention and continuity of skills development through strategic placements of seeding positions and succession planning. In recognition of its strong human resource practices, the Company was accorded the Human Resource Minister Award 2006 for large industry category during the year.

Numerous community programmes continue to be undertaken throughout the year to provide the communities in our areas of operation with greater understanding of our operations and at the same time to enhance the engagement of our employees with the communities. These programmes which include Emergency Response Exercises, safety awareness activities, *Gotong Royong* and goodwill activities have effectively bolstered the confidence of the communities on our operations and brought ourselves closer to the communities. In addition to these activities, our employees together with PETRONAS have also been involved in disaster relief programmes for the flood victims in Johor during the year.

Our employees continue to actively support the *Program Bakti Pendidikan PETRONAS* especially through the Company's three adopted schools - in Kepala Batas in Pulau Pinang, Paka and Kemasik in Terengganu - where regular fun learning sessions were conducted to enhance the students' academic performance. These sessions together with other activities have motivated and helped improved the students' academic performance, and at the same time strengthened our relationship with the community.

LOOKING AHEAD

The Malaysian economy is expected to continue to grow at 6.0% on the back of strong fundamentals. The sustained growth of the economy should continue to drive demand for gas primarily from the power and manufacturing sectors. The Company will enhance collaborations with the relevant parties to ensure reliability of supply to meet demand. The Company will also explore new growth opportunities while continuing to improve its financial and operational performance with emphasis on capability development. Given the Company's experience and expertise in the operation of natural gas pipelines, the 500 km Sabah Sarawak Gas Pipeline (SSGP) project from Kimanis in Sabah to Bintulu in Sarawak being undertaken by PETRONAS presents a well placed opportunity for the Company to participate in.

On behalf of the Board of Directors, I would like to take this opportunity to thank En. Wan Zulkiflee Wan Ariffin for his leadership and immense contributions during his tenure as the Managing Director and Chief Executive Officer of the Company. I am also pleased to welcome his successor, En. Samsudin Miskon, and look forward to his contribution.

I would also like to record my sincere appreciation to the Government of Malaysia and our stakeholders for their continued support. Finally, my sincere gratitude goes to the Members of the Board, the management and employees for their continued commitment, dedication and contribution to the progress of the Company.



Tan Sri Dato Sri Mohd Hassan bin Marican
Chairman

Chief Executive Officer's Report

With continued strong financial standing, the Company is poised to undertake suitable growth opportunities within its core business areas.

I am fortunate to have joined the Company in a year in which both operational and financial performance has surpassed previous achievements. The Company has continued to realise opportunities from the Performance Based Structure under the revised Gas Processing and Transmission Agreement (GPTA) with PETRONAS which has provided the right motivation for management to drive performance. With the unyielding commitment by all employees on operational and cost containment efforts, the Company has forged ahead to achieve commendable results.

FINANCIAL PERFORMANCE

The Company's operating revenue increased by 5.0% from RM2,839.3 million to RM2,982.3 million in the previous year. Revenue from throughput services business increased by 2.4% from RM2,347.5 million to RM2,404.3 million due to increased flow from the Malaysia-Thailand Joint Development Area (JDA). Revenue from the utilities business increased by 17.5%, realising record revenue of RM578.0 million from RM491.8 million in the previous year.

Despite moderate level of increase in revenue, the Company achieved 20.3% increase in profit before tax from RM1,024.9 million to RM1,233.1 million. This was contributed by cost containment efforts, particularly through the optimisation of internal gas consumption. In addition, we saw lower depreciation expense arising from changes in Financial Reporting Standards.

During the year, we completed the acquisition of 20% interest in Gas Malaysia Sdn. Bhd. (GMSB) and incorporated a jointly controlled entity, Industrial Gases Solutions Sdn. Bhd. Including our share of profit after tax from GMSB, we recorded an overall profit before tax of RM1,281.2 million. This represents an increase of 25.0% compared to previous year.





Our Gas Processing Plants in Kertih and Paka run 24 hours, 7 days a week to provide uninterrupted supply to customers.

Profit after tax increased by 28.4% from RM971.0 million to RM1,247.0 million. Consequently, earnings per share increased from 49.1 sen to 63.0 sen.

During the year, the Company made a payment of RM312.2 million towards the 5th series of the unsecured Yen term loan. With this repayment, the only outstanding borrowing of the Company is the 6th series, due in July 2013.

With continued strong financial standing, the Company is poised to undertake suitable growth opportunities within its core business areas.

THROUGHPUT SERVICES BUSINESS

For the year, we processed an average of 2,264 million standard cubic feet per day (mmscfd) at our gas processing plants in Kertih and Paka, Terengganu, including imported gas of 201 mmscfd. In addition, we received sales gas delivery of 296 mmscfd from the JDA. Sales gas delivery averaged at 2,222 mmscfd compared to 2,122 mmscfd in the previous year.

The sales gas plants achieved reliability of 99.7% compared to 98.5% in the previous year whilst pipeline network reliability achieved 99.98%, exceeding world-class standards.

Liquid by-products extraction achieved a new high despite facing the challenge of maintaining optimum plant operations in the face of varying gas composition received from the upstream suppliers. The gas processing plants have been designed to process gas received within a defined range. Whenever the gas composition received exceeds the plant design range, precise modification to the operating parameters was successfully executed to ensure the gas processing plants can continue to operate at optimum level. During the year, ethane production increased by 7.2% from 1,271,952 MT to 1,363,070 MT whilst propane production increased by 4.2% from 1,248,300 MT to 1,300,753 MT. Butane production was sustained with a marginal increase by 0.1% from 935,658 MT to 936,021 MT.

In the year under review, ethane plant reliability increased by 5.1% from 93.8% to 98.6% whilst propane and butane plant reliability increased by 2.4% from 96.5% to 98.8%. This was achieved as a result of minimal unscheduled downtimes at our gas processing plants.

A key initiative to improve plant efficiency during the year was the Advanced Process Control (APC) project. The APC system was installed at Gas Processing Plant (GPP) 2 Distributed Control System (DCS) to stabilise plant conditions. Consequently, our plant operations was able to further optimise GPP 2 plant processes which resulted in increased production from GPP 2.



Preventive and predictive maintenance is key to ensure reliability and integrity of plant equipment.

Accordingly, the APC system will also be installed at GPP 3 and 4 in the coming year. Furthermore, Area Based Teams have been established to enhance focus on and strengthen the culture of preventive and predictive maintenance.

In the year under review, the Company achieved further optimisation in internal gas consumption (IGC). Specific modifications of certain plant equipments, to reduce consumption of IGC, were initiated through the IGC Improvement Project. In addition, we have undertaken conversion of waste heat to produce steam for operations. This has led to a further reduction of IGC. Effective compressor management has also contributed towards reducing IGC consumption along the pipeline.

Due to our high maintenance standards at GPP 2, Kertih Compressor Station and Export Terminal, we were successful in obtaining extension of the Certificate of Fitness from the Department of Occupational Safety and Health (DOSH). The extension granted was from 36 months to 51 months for GPP 2, and from 51 months to 72 months for Kertih Compressor Station and Export Terminal. As a result, the Company was able to operate GPP 2 without interruption during the review period.

During the year, the Geographical Information System (GIS) has been successfully implemented for 1,100 km stretch of our pipeline network. The GIS is a central repository information

system which provides detailed satellite data on our Right-of-Way and its surrounding areas. This enhances our ability to respond to any interruptions along the 1,100 km stretch.

In collaboration with PETRONAS, Terengganu Gas Coordination Centre was established to further enhance coordination with upstream parties in managing delivery of reliable supply into the Peninsular Gas Utilisation network.

UTILITIES BUSINESS

We achieved higher production level for all major products namely electricity, steam and industrial gases. This was despite lower reliability recorded for electricity plants and steam plants due to plant equipment issues requiring additional maintenance. Electricity reliability decreased from 98.8% to 93.9% whilst steam reliability decreased from 98.2% to 92.3%. However, reliability for industrial gases showed an improvement from 96.7% to 97.7%.

During the year, we safely completed eleven major inspection works to meet statutory requirements. In addition, overhauling works were also completed as required. Major inspection works were undertaken on Air Separation Unit 1, the Demineralised Water plant, and five Heat Recovery Steam Generators in Kertih, Nitrogen Generation Unit 1 and three gas turbine generator units in Gebeng.



The Company places equal importance on safety with respect to people, process and technology to ensure smooth running of its operations.

Despite these challenges, we achieved over 99% product delivery reliability to our customers. This was achieved through constant collaboration and effective communication with customers.

During the year, we embarked on the Commitment to Asset and Reliability Enhancement (CARE) programme. This is an initiative to engage and emphasise on basic equipment care, basic operations care and total life cycle equipment strategy. The objective is to ensure we can sustain optimum operations of the plants over its design life and thus improve plant reliability.

Rigorous cost containment efforts continued to be implemented during the year. One such example was the improvement of our cogeneration process to increase efficiency of natural gas heater units. This in turn resulted in lower fuel gas consumption for our operations. Another example was the “zero steam venting” initiative, which has reduced steam venting through improved process controls and better communication with customers on their supply requirements. These initiatives contributed towards higher product recovery and lower wastages.

OUR COMMITMENT TO HSE

During the year, we revised our Health, Safety and Environment (HSE) policy to include HSE requirements with respect to people, process and technology to enhance its completeness. This is in line with the PETRONAS Group HSE policy.

Process Safety Management (PSM) plays a defining role in ensuring adherence to the revised policy. PSM ensures effective process controls are in place to reduce risk of incidence arising from hazardous processes. In this regard, a dedicated department was established during the year to oversee the execution of PSM.

To continuously strive for HSE excellence, targets were set to continuously measure and assess the Company's HSE performance. During the year, a HSE Management System (HSEMS) audit was conducted by independent auditors from PETRONAS Corporate HSE Department. The objective of the audit was to advise and provide assurance on the effectiveness of implementing hazard prevention controls and recovery measures within the operations. We achieved HSEMS rating of 2.94 as at June 2006. This is compared to the rating of 2.77 as at June 2005. The audit findings recognised the Company's systematic HSE processes and procedures, strong leadership commitment and a high level of HSE awareness throughout the Company. However, the Company needs to enhance sharing of best practices and inspection of non-critical plant equipment.

Targets were also set to continuously measure and assess the Company's HSE performance. Cumulative man-hours without Loss Time Injury (LTI) has reached 28.6 million man-hours. For the year under review, we recorded a total of 9 million man-hours without LTI. We also maintained a rate of zero LTI Frequency



The Company is committed to minimising the environmental impact from its activities wherever it operates.

(LTIF) for the second consecutive year. This commendable result is a reflection of the workforce's commitment in working together safely amidst complex processes. Continuous visibility at all levels through safety walkabouts and sharing of safety information between employees has further contributed to this achievement.

The Company continues to cultivate the Behavioural Based Safety programme to promote internalisation of safe behaviours. This programme encourages all employees and contractors working with the organisation, to always be observant of unsafe acts and situations and give immediate feedback in an effective manner. Such practice continuously reminds employees of potential hazards in their work areas and their responsibilities to take preventive actions. Safety observations were intensified during major activities such as plant turnaround. The success of this programme has been recognised by the Department of Occupational Safety and Health (DOSH), National Institute of Occupational Safety and Health (NIOSH) and SIRIM Berhad.

During the year, we have employed a qualified doctor, specialising in occupational health, to advise the management on occupational health hazards. This is to ensure that the Company is better placed to minimise health hazards exposure at the workplace as well as compliance to relevant regulatory requirements. A more systematic monitoring, research and recording method has

also been introduced to address occupational health hazards. Furthermore, going forward, the Company will enhance focus on the Health aspect of our HSE policy through promotion of healthy lifestyle activities.

In January 2007, the Company successfully attained ISO MS 14001:2004 certification for our utilities facility in Gebeng, Pahang. This is a certification of our responsible conservation and preservation of the surrounding environment in Gebeng through effective management of scheduled waste, noise and gas emissions. The Company will strive for similar certification for our other locations in the coming years.

In the year under review, the Company has been recognised for its good HSE practices and achievements. We are amongst the top five national recipients of the *Anugerah Cemerlang Keselamatan dan Kesihatan Pekerjaan Kebangsaan 2006* for CUF Gebeng and regional offices in Pasir Gudang and Shah Alam in the gas facilities category. The Company continues to excel in the Malaysian Society of Occupational Safety and Health (MSOSH) by winning the Gold award for Transmission Operations Division, CUF Kertih, CUF Gebeng, GPPA in Kertih and GPPB in Paka whilst Export Terminal in Tanjung Sulong received the MSOSH Silver Award. In addition, the Company was accorded the highest HSE recognition within the PETRONAS Group, the PETRONAS Gold Award for HSE, during the PETRONAS HSE Forum 2006.



Comprehensive leadership development programmes provide a platform for the sharing of experiences and transfer of knowledge.

OUR PEOPLE, OUR STRENGTH

The Company places high importance on continuous learning and development of its employees. We continue to develop our people by leveraging on various training programmes and human resource management system within the PETRONAS Group of Companies. The Company achieved an average training man days of 15 days per person for the year.

Training to enhance management and leadership skills were provided through various management programmes conducted by PETRONAS Management Training Centre. Two members of the senior management have attended the Senior Management Development Programme (INSEAD) whilst 37 managers and senior executives have attended middle management programmes such as Management Development programme, Business Management Excellence programme and Managing Motivation for Performance Improvement programme.

The Building Leaders Programme (BLP) is already in its second phase with the intake of 23 new recruits into the programme. More than half of the first intake have assumed higher responsibilities or have progressed to a new business area or function.

Succession planning for key positions within the Company was conducted during the year. Potential successors identified are

provided with the necessary exposures and trainings to ensure smooth transition and sustainable growth.

The Company promotes self learning and subscribes to the eLearning portal, established and managed by PETRONAS eLearning Solutions Sdn Bhd. Currently the eLearning portal contains more than 500 modules covering the areas of technical, non-technical, management, business and self development which is made available to all employees. During the year, employees who proactively utilised the eLearning portal were awarded certificates of recognition.

In order to promote knowledge sharing, we continue to promote structured Communities of Practice (CoP). In the previous year, we established the Turbine and Compressor CoP. During the year, two further CoPs have been set up namely, the Distributed Control System & Programmable Logic Control CoP and the Process Safety Management CoP. The Company will continue to encourage continuous learning and knowledge sharing amongst employees of the same technical area.

Mentoring Programme was intensified through refresher trainings on effective mentoring of potential leaders. To date we have paired 144 new executives with experienced mentors. Such pairing aims to enhance the speed of familiarisation with the Company's processes and guide new executives in their career development.



Through community programmes such as the *Program Bakti Pendidikan PETRONAS*, we are able to nurture the younger generation to be future leaders.

During the year, a total of 100 technical non-executives have completed the PETRONAS Competency Based Assessment System (PECAS) programme. The PECAS programme assesses our employees on their competency and readiness to undertake multi-tasking responsibilities at the plants.

The Company encourages staff mobility to provide career development opportunities for our employees. Staff mobility also provides continuous injection of new talents and ideas into the various units within the Company. We achieved 28.7% staff movements during the year through transfers within the Company and to PETRONAS Group of Companies.

The Company was awarded the Human Resource Minister Award 2006 under the large industry category for best practices in human resource management.

ENGAGEMENT WITH OUR STAKEHOLDERS

The Company continues to emphasise on effective engagement as a key pillar in driving business performance. In this regard, various dialogue and communication sessions were carried out throughout the year to reach all groups of employees. Members of the Management Committee conduct quarterly communication sessions to share the Company's financial and operational performance and the contribution by each operating

division. These sessions have contributed towards increased sense of ownership and higher commitment to achieve set targets. In addition, dialogue sessions between key management and targeted groups were held during the year to provide another platform for engagement. In order to address human resource issues, our human resource department conducted 'Human Resource Customer Appreciation Day' at all locations.

During the year, the Company conducted a Customer Satisfaction Survey to seek feedback from our commercial customers and our procurement suppliers. The survey was conducted independently by an established market research company. The survey report showed a significant improvement, from a previous survey conducted in 2001. We are pleased that the survey noted increased professionalism and competence in dealing with customers and suppliers, as well as high level of integrity and trustworthiness. Such findings put the Company in a very good position to achieve further business growth.

The Company continues to celebrate festivities with the communities to foster better relations. The celebration of festivities was also used as a platform to include charitable activities. During the *Hari Raya Aidil Fitri* festivities, children from selected orphanages were adopted by our employees for a day. This is to inculcate a caring and sharing culture amongst our employees.



With proven track record, we have built our reputation as a capable and trusted business partner.

The Company continues to participate in the *Program Bakti Pendidikan PETRONAS*. This is a programme which organises fun learning activities at selected schools to encourage academic excellence amongst borderline students. The Company's three adopted schools namely, Sekolah Kebangsaan Santong in Paka, Sekolah Kebangsaan Kemasik in Kemasik and Sekolah Kebangsaan Pinang Tunggal in Kepala Batas have benefited from this programme. Our staff volunteers visit the schools at least once a month to conduct fun learning activities. To motivate the students, the Company provides tokens of encouragement and organises educational trips for those who make encouraging progress in their academic performance.

Other activities to engage the communities where we operate include the Control of Industrial Major Accidents and Hazards (CIMAH) programmes conducted at each plant location, awareness briefings to local authorities and communities, the 'Getting to Know Transmission Operations Division' programme and Emergency Response Exercises. These activities aim at enhancing the community's understanding and familiarisation with our operations. During the recent floods in Segamat, Johor, our employees were close at hand to assist the relevant authorities in responding to the emergency situation. The PETRONAS Group adopted the Segamat District to assist in its recovery process after the floods. The Company played an active role in the PETRONAS flood relief task force.

LOOKING AHEAD

With gas being the preferred source of fuel in Malaysia, the Company will strive to maintain world class operating standards to maximise delivery within our existing capacity. We will continue to closely collaborate with upstream suppliers to ensure continuous and uninterrupted supply of gas to PETRONAS' customers.

The Kuantan-Segamat Compressor Station Expansion project is due to be completed in the coming year. This will increase the flowrate capacity ex-Segamat and ex-Kuantan to 2,000 mmscfd from 1,700 mmscfd and 1,600 mmscfd respectively.

The second pipeline connection to Singapore was completed in August 2006. With this connection, gas delivery to Keppel Energy Pte Ltd of up to 115 mmscfd per day is expected to commence from the middle of the coming year.

The Plant Revamp and Rejuvenation (PRR) activity is undertaken to extend the plant economic life beyond its initial design. The GPP 2 and 3 PRR activity will be completed by the year 2012, prior to its design life. It involves replacing, refurbishing or modifying required parts of the plant. Due to the complexity of the activity, we have already commenced with the planning phase for the project.



With strategic infrastructure in place, the Company is well positioned to achieve new levels of progress.

Our jointly controlled entity with MOX Gases Sdn. Bhd., Industrial Gases Solutions Sdn. Bhd., commenced its operations in April 2007. With this alliance, we expect to see increased utilisation of our nitrogen facilities in Gebeng, Kuantan.

The Sabah Sarawak Gas Pipeline (SSGP) project, undertaken by PETRONAS may present opportunities for the Company to participate given our operational track record in transmission business. The project involves the laying of 500 km onshore natural gas pipeline from the proposed Sabah Oil and Gas Terminal in Kimanis, Sabah to the PETRONAS LNG Complex in Bintulu, Sarawak and the construction of associated facilities. We are currently in discussion with the project owner on the extent of our participation in the project.

I believe that with the superior performance for the year, we are firmly on our journey towards operational excellence. We will continue to strive for value creation within our existing business. Going forward, we will continue to seek mutually beneficial collaborations with our business partners. The Company with its strong financials and established skills and expertise, positions us well in our pursuit for operational excellence and growth opportunities.

APPRECIATION

I would like to take this opportunity to express our gratitude to my predecessor, En. Wan Zulkiflee Wan Ariffin for spearheading the Company into a new horizon. I wish to also express our appreciation to two of our Management Committee members who have moved on to different parts of the PETRONAS Group. On behalf of the Company, we wish them success in their future undertakings. I would also like to welcome our new Management Committee members to the Company.

On behalf of the Management, I would like to thank the employees for their unwavering commitment, sacrifice and dedication in achieving the successes during the year. Our gratitude also goes out to our contractors, our valued customers, regulatory agencies, business partners and all the shareholders for their confidence and support. I would also like to thank the Board of Directors for their wise counsel and guidance.

Samsudin bin Miskon

Managing Director/Chief Executive Officer

Financial Review

REVENUE

In the year under review, the Company recorded a 5.0% increase (RM143.0 million) in revenue, from RM2,839.3 million to RM2,982.3 million. This was due to higher utilities revenue by 17.5% (RM86.2 million) and higher throughput services income by 2.4% (RM56.8 million).

Throughput services income had risen by 2.4% (RM56.8 million) from RM2,347.5 million to RM2,404.3 million mainly due to higher daily average volume of gas delivered into the Peninsular Gas Utilisation (PGU) system by 6.8%. Daily average volume of gas delivered into the PGU system was 2,560 million standard cubic feet per day (mmscfd) in current financial year, as compared to 2,397 mmscfd for the previous year. In turn, daily average volume of sales gas delivered to PETRONAS customers increased by 4.7% from 2,122 mmscfd to 2,222 mmscfd.

Utilities revenue increased by 17.5% (RM86.2 million) from RM491.8 million to RM578.0 million due to higher utilities sales. In addition, the Company enjoyed higher electricity tariff from June 2006, pursuant to electricity tariff increase by Tenaga Nasional Berhad in June 2006.

	2007 (mmscfd)	2006 (mmscfd)	Increase/ (Decrease) (mmscfd)	%
Feedgas processed at the gas processing plants	2,264	2,217	47	2.1%
Sales gas delivery from JDA	296	180	116	64.4%
Total gas injected into the system	2,560	2,397	163	6.8%
Total sales gas delivery	2,222	2,122	100	4.7%

Liquid by-products	2007 (MT)	2006 (MT)	Increase/ (Decrease) (MT)	%
Ethane production	1,363,070	1,271,952	91,118	7.2%
Propane production	1,300,753	1,248,300	52,453	4.2%
Butane production	936,021	935,658	363	0.1%

Utilities	2007	2006	Increase/ (Decrease)	%
Electricity (kwh)	1,665,735,164	1,592,466,246	73,268,918	4.6%
Steam (MT)	4,170,324	3,926,331	243,993	6.2%
Industrial Gases (Nm ³)	620,681,614	510,874,114	109,807,500	21.5%

OPERATING COST

The Company's operating cost decreased by 2.2% (RM39.2 million) from RM1,764.8 million to RM1,725.6 million. This was mainly contributed by lower operating cost for the throughput services business by 5.1% (RM69.4 million) from RM1,350.9 million to RM1,281.5 million. For the utilities business, we recorded higher operating cost by 7.3% (RM30.2 million) in line with increased production for all major products namely electricity, steam and industrial gases.

Lower operating cost was attributed to our cost containment efforts, particularly as a result of lower internal gas consumption at our gas processing plants and compressor system, as well as improved cost efficiencies at our utilities business. In addition, we recorded lower expense as a result of the new / revised Financial Reporting Standards (FRS).

The Company was mainly impacted by FRS 116, relating to Property, Plant and Equipment. The adoption of the revised FRS 116 resulted in changes in estimates of the useful lives of relevant assets and the capitalisation of plant turnaround expense and major inspection expense. Revision in the useful lives of assets resulted in lower depreciation expense by RM42.0 million in the current financial year. Compared to previous year, depreciation expense was lower by 5.4% (RM35.4 million) from RM658.0 million to RM622.6 million. We further capitalised all plant turnaround expense and major inspection expense amounting to RM29.8 million. This is subsequently depreciated, with resulting depreciation expense for the year of RM4.7 million. In comparison, we recorded turnaround expense of RM70.3 million in previous year.

GROSS PROFIT

In the year under review, gross profit increased by 17.0% (RM182.2 million) from RM1,074.5 million to RM1,256.7 million.

Gross profit for the throughput services business increased by 12.7% (RM126.2 million) from RM996.6 million to RM1,122.8 million. The increase was due to higher throughput revenue as a result of higher daily average volume of gas delivered into the PGU system as well as lower operating cost. Gross profit for the utilities business increased by 71.9% (RM56.0 million) from RM77.9 million to RM133.9 million. This is mainly attributed to higher utilities sales.

OTHER OPERATING INCOME

For the Company's financial statement, other operating income was higher by 70.0% (RM18.2 million) from RM26.0 million to RM44.2 million. This was mainly due to higher investment income on our fund investment balances. Including recognition of

excess between net fair value of the identifiable assets, liabilities and contingent liabilities in Gas Malaysia Sdn. Bhd. (GMSB) over the purchase consideration for the 20% interest in GMSB, other operating income was further increased by RM21.4 million to RM65.6 million.

FINANCING COST

During the year under review, financing cost decreased by 29.9% (RM10.4 million) from RM34.8 million to RM24.4 million. Lower financing cost was due to full-settlement of Bai' Bithamin Ajil loan facility of RM400 million in the previous financial year and settlement of the 5th series of the unsecured Yen term loan facility of RM312.2 million in January 2007.

INCOME STATEMENT

	Group	Company		Increase/Decrease	
	2007 RM million	2007 RM million	2006 RM million	Against Group %	Against Company %
Throughput fees	2,404.3	2,404.3	2,347.5	2.4%	2.4%
Sale of industrial utilities	578.0	578.0	491.8	17.5%	17.5%
Revenue	2,982.3	2,982.3	2,839.3	5.0%	5.0%
Cost of throughput	(1,281.5)	(1,281.5)	(1,350.9)	(5.1%)	(5.1%)
Cost of industrial utilities	(444.1)	(444.1)	(413.9)	7.3%	7.3%
Cost of revenue	(1,725.6)	(1,725.6)	(1,764.8)	(2.2%)	(2.2%)
Gross profit	1,256.7	1,256.7	1,074.5	17.0%	17.0%
Administration expenses	(43.4)	(43.4)	(40.8)	6.4%	6.4%
Other operating income	65.6	44.2	26.0	152.3%	70.0%
Operating profit	1,278.9	1,257.5	1,059.7	20.7%	18.7%
Financing costs	(24.4)	(24.4)	(34.8)	(29.9%)	(29.9%)
Share of profit after tax of equity accounted associate and jointly controlled entity	26.7	-	-		
Profit before tax	1,281.2	1,233.1	1,024.9	25.0%	20.3%
Taxation	(34.2)	(34.2)	(53.9)	(36.5%)	(36.5%)
Profit after tax	1,247.0	1,198.9	971.0	28.4%	23.5%
Earnings per share (sen)	63.0	60.6	49.1	28.4%	23.5%
Profit before tax / Revenue	43.0%	41.4%	36.1%		
Profit after tax / Revenue	41.8%	40.2%	34.2%		

PROFIT

The Company recorded higher profit before tax by 20.3% (RM208.2 million) from RM1,024.9 million to RM1,233.1 million. This was mainly due to higher revenue and lower operating cost.

Our associate company, GMSB contributed share of profit after tax of RM26.7 million whilst our jointly controlled entity, Industrial Gases Solutions Sdn. Bhd., contributed share of loss of RM22,000. Industrial Gases Solutions Sdn. Bhd. was incorporated on 5 February 2007 and only commenced operations in April 2007. The share of profit after tax of RM26.7 million brings profit before tax for the Group to RM1,281.2 million. This represents a 25.0% (RM256.3 million) increase compared to previous year.

Taxation expense was lower by 36.5% (RM19.7 million) from RM53.9 million to RM34.2 million. Effective tax rate was at 2.7% compared to 5.3% for the previous year. Lower effective tax rate was as a result of revision in corporate tax rate effective year of assessment 2007 from 28% to 27%.

Consequent from 20.3% increase in profit before tax and 36.5% decrease in taxation expense, profit after tax for the Company increased by 23.5% (RM227.9 million) from RM971.0 million to RM1,198.9 million.

Including share of profit after tax from our associate company and jointly controlled entity of RM26.7 million, profit after tax was at RM1,247.0 million, representing an overall increase of 28.4% (RM276.0 million).

Earnings per share (EPS) increased by 28.4% (13.9 sen) from 49.1 sen to 63.0 sen, with 2.4 sen attributed to our 20% interest in GMSB.

DIVIDENDS

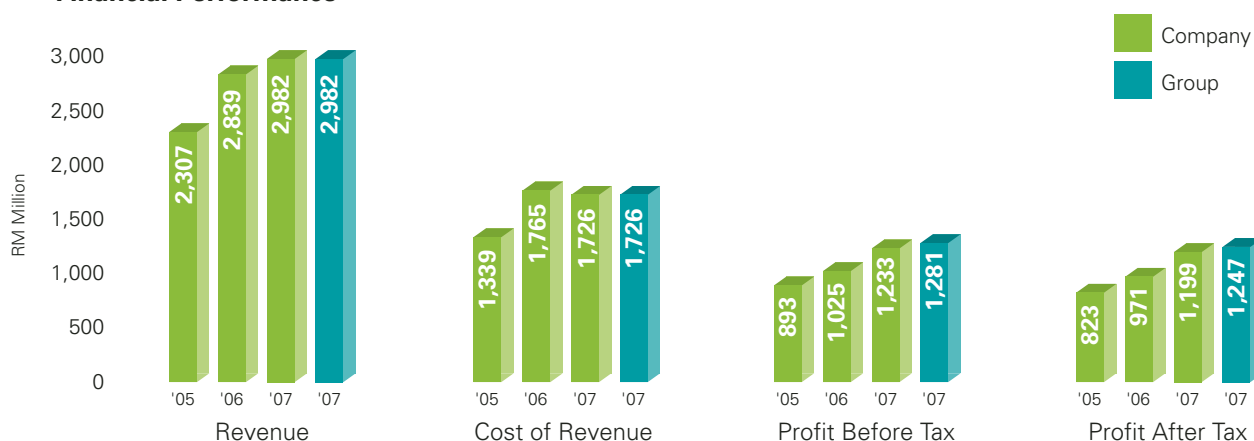
During the year, the Company paid interim dividend of 15% per share less 28% tax amounting to RM213.7 million. The Board of Directors is recommending final dividends of 20% per share tax exempt and 10% per share less 27% tax. This, together with interim dividend, will result in total gross dividend of 45 sen per share. The resultant total net dividend of 38.1 sen per share, represents a payout ratio of 60.5% on the profit after tax for the financial year ended 2007.

ASSETS

For the Company's financial statement, Total Assets increased slightly by RM47.8 million from RM9,397.2 million as at 31 March 2006 to RM9,445.0 million as at 31 March 2007. After equity accounting for our associate company and jointly controlled entity, Total Assets stands at RM9,493.1 million as at 31 March 2007 representing an additional increase of RM48.1 million.

Property, Plant and Equipment decreased by 3.5% (RM284.7 million) from RM8,176.1 million as at 31 March 2006 to RM7,891.4 million as at 31 March 2007. This was after depreciation charge for the year of RM622.6 million and net additions and adjustments of RM337.9 million.

Financial Performance



For the Company's financial statement, Investment in Associate increased by RM102.3 million from RM1.0 million as at 31 March 2006 to RM103.3 million as at 31 March 2007. This was due to purchase consideration of 102.3 million on the acquisition of 20% interest in GMSB, completed in September 2006. Including our share of profit after tax in GMSB, Investment in Associate stands at RM151.4 million as at 31 March 2007, representing an additional increase of RM48.1 million. This amount relates to our share of profit after tax in GMSB of RM26.7 million and recognition of RM21.4 million excess between net fair value of the identifiable assets, liabilities and contingent liabilities in GMSB over the purchase consideration incurred.

Cash and Cash Equivalents increased by 22.0% (RM193.7 million) from RM879.7 million as at 31 March 2006 to RM1,073.4 million as at 31 March 2007. During the year, the Company paid dividend of RM708.4 million and paid RM312.2 million towards settlement of outstanding borrowings.

LIABILITIES

Total Liabilities decreased by 18.8% (RM442.6 million) from RM2,349.4 million as at 31 March 2006 to RM1,906.8 million as at 31 March 2007. The decrease was mainly due to full-settlement of the 5th series of the unsecured Yen term loan in the amount of RM312.2 million. In addition, Deferred Tax Liabilities was lower by 9.5% (RM130.0 million).

As at 31 March 2007, Borrowings of RM454.1 million relate to the 6th series of the unsecured Yen term loan which will be due in 2013.

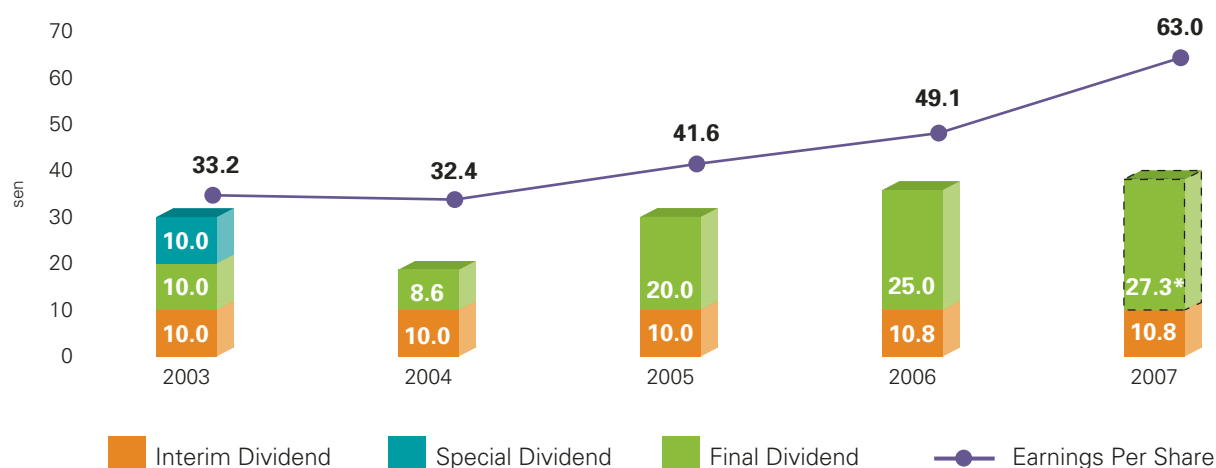
Deferred Income balance of RM23.5 million as at 31 March 2007 mainly represents the deferred amount relating to access right to our gas pipeline corridor granted to Trans Thai-Malaysia (Malaysia) Sdn. Bhd. for a period of 20 years from 1 April 2004 and access right to our gas pipeline corridor granted to Fiberail Sdn. Bhd. for a period of 20 years from 9 February 2006. The former was for the purpose of constructing and operating their pipeline system whilst the latter was for the purpose of constructing and operating their fiber optic network.

SHAREHOLDERS' FUND

For the Company's financial statement, Shareholders' Fund increased by 7.0% (RM490.5 million) from RM7,047.7 million as at 31 March 2006 to RM7,538.2 million as at 31 March 2007. The increase was due to net profit after tax of RM1,198.9 million less dividends paid in the financial year of RM708.4 million.

After equity accounting for GMSB and Industrial Gases Solutions Sdn. Bhd., Shareholders' Fund was further increased by RM48.1 million to RM7,586.3 million as at 31 March 2007.

Earnings Per Share and Net Dividends Per Share



* To be approved at PETRONAS Gas Berhad's Twenty Fourth Annual General Meeting on 26 July 2007.

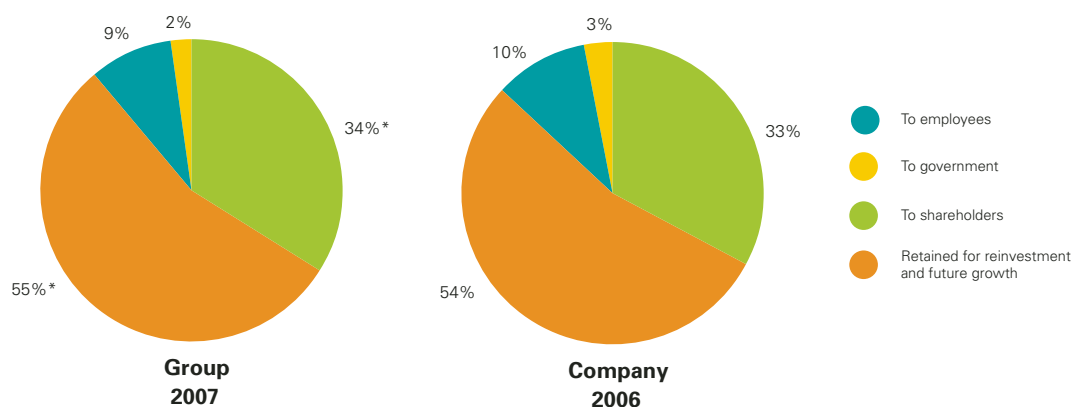
Statement of Value Added

	Group	Company	
	2007 RM mil	2007 RM mil	2006 RM mil
Revenue	2,982.3	2,982.3	2,839.3
Purchase of goods and services	(953.6)	(953.6)	(961.1)
Value added by the companies	2,028.7	2,028.7	1,878.2
Other operating income	65.6	44.2	26.0
Financing costs	(24.4)	(24.4)	(34.9)
Share of profit after tax of equity accounted associate and jointly controlled entity	26.7	–	–
Value added available for distribution	2,096.6	2,048.5	1,869.3

DISTRIBUTION

To employees – Employment costs	192.8	192.8	186.4
To government – Taxation	34.2	34.2	53.9
To shareholders – Dividends	708.4	708.4	609.4
Retained for reinvestment and future growth			
Depreciation	622.6	622.6	658.0
Retained profit	538.6	490.5	361.6
	2,096.6	2,048.5	1,869.3

Distribution of Value Added



* For Company, 35% was distributed to shareholders while 54% was retained for reinvestment and future growth

Financial Calendar

Financial Year From 1 April 2006 To 31 March 2007

RESULTS

First Quarter ended 30 June 2006	Announced On	9 August 2006
Second Quarter ended 30 September 2006	Announced On	15 November 2006
Third Quarter ended 31 December 2006	Announced On	12 February 2007
Fourth Quarter ended 31 March 2007	Announced On	23 May 2007

DIVIDENDS

Interim	Announced On	15 November 2006
	Entitlement Date	5 December 2006
	Paid On	15 December 2006
Final	Announced On	23 May 2007
	Entitlement Date	2 August 2007
	Payable On	23 August 2007

NOTICE OF ANNUAL GENERAL MEETING

4 July 2007

TWENTY FOURTH ANNUAL GENERAL MEETING

26 July 2007

Corporate Governance

- 46 Corporate Governance Statement
- 51 Internal Control Statement
- 54 Audit Committee Report
- 56 Board Audit Committee's Terms of Reference
- 57 Statement of Directors' Responsibility



Rohani and little Nur Izzati Insyirah exploring the diversity and beauty that nature has to offer.

An underwater photograph showing a large shark swimming towards the viewer, with a large school of yellow-striped snappers swimming in the background. The scene is captured from a low angle, looking up at the shark.

sustainable growth

As a responsible corporate citizen, we continuously strive to minimise the environmental impact from our operations to ensure that future generations are able to enjoy our diverse natural heritage.

Corporate Governance Statement

The Board of Directors of PETRONAS Gas Berhad (Board) recognises that its primary responsibility is to safeguard and promote the interests of the shareholders and to enhance the long-term value of the Company. The Board is fully committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders.

The Board has applied in full the Principles of Corporate Governance and the Best Practices in Corporate Governance as set out in the Malaysian Code on Corporate Governance.

THE BOARD AND BOARD COMMITTEES

The Board is entrusted with the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its shareholders and to safeguard the Company's assets. The Board have been selected based on their character, calibre, extensive experience and expertise in a wide range of related and unrelated industries, as well as their ability to add strength to the stewardship of the Company.

The Directors are accountable under the law for the Company's activities, strategy and financial performance. Particular attention is given to ensure that the strategies proposed by the Management of the Company are fully discussed and critically examined by the Directors.

BOARD COMPOSITION

As at the date of this report, the Board comprises the following:

Executive Director (also the Managing Director/ Chief Executive Officer)	1/9	(11.1%)
Independent Non-Executive Directors	3/9	(33.3%)
Non-Independent Non-Executive Directors (including the Chairman)	5/9	(55.6%)

The profile of each Director is presented in pages 12 to 15 of the Annual Report.

Reviews are also being periodically undertaken to assess the appropriateness of the size of the Board to ensure its effectiveness.

There is a clear demarcation of responsibilities within the Company to ensure a balance of power and authority. The positions of Chairman and Managing Director are separately held. The Chairman is primarily responsible for running the Board and ensuring that all Directors have full and timely access to all relevant information necessary for informed decision-making. The Managing Director who is also the Chief Executive Officer oversees the implementation of Board policies, the day-to-day running of the business and operational decision-making. The Managing Director/Chief Executive Officer also manages the respective responsibilities of the divisions and departments in the Company and he is assisted in the management of the business by the Management Committee, which he consults regularly.

All Non-Executive Directors have the necessary expertise and skill to ensure that the strategies proposed by the Management are fully evaluated, taking into account the long-term interests of the shareholders. In addition, they contribute to policy formulation and are actively involved in decision-making. They provide guidance and promote professionalism and competence among Management and employees.

The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent views, advice and judgement as well as safeguarding the interests of other parties such as minority shareholders of the Company. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director in Paragraph 1.01 of the Bursa Malaysia Listing Requirements. Each new Director is given a comprehensive understanding of the operations of the Company through regular briefings on company history and financial control systems. In addition, plant visits are also periodically arranged to ensure first-hand understanding of the Company's operations.

Dato' Sadasivan s/o N.N. Pillay has been identified and appointed as the Senior Independent Non-Executive Director to whom any concerns pertaining to the Company may be conveyed.

The Articles of Association of the Company further provides that at least one third of all Directors are subject to retirement by rotation at each Annual General Meeting but shall be eligible for re-election in line with the Bursa Malaysia Listing Requirements.

ATTENDANCE AT BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings held whenever necessary. The Board met four times during the year under review. All Directors attended more than 50% of Board meetings.

The meeting attendance record of the Directors is as follows:

Name of Directors	Attendance
Tan Sri Dato Sri Mohd Hassan bin Marican	4/4
Wan Zulkiflee bin Wan Ariffin	4/4
Dato' Sadasivan s/o N. N. Pillay	4/4
Dato' Chew Kong Seng	3/4
Datuk Mohd Zain bin Haji Abdul Majid	4/4
Muri bin Muhammad	3/4
Datuk (Dr) Abdul Rahim bin Haji Hashim	3/4
Mohammed Azhar bin Osman Khairuddin	4/4
Abd. Hamid bin Ibrahim	3/3

PROVIDING INFORMATION TO THE BOARD

The Board may, whenever required, as provided by the Articles of Association, set up Board Committees delegated with specific powers and responsibilities.

Prior to Board meetings, every Director is given an agenda and a set of Board papers covering the agenda items to facilitate informed decision-making. The Managing Director/Chief Executive Officer leads the presentation of Board papers and provides comprehensive explanation on pertinent issues. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of Companies Act 1965.

The Board is kept updated on the Company's activities and operations on a regular basis. All Directors have full access to information, including monthly reports on Company's activities, both financial and operational, via the Company's intranet or in hard copy.

In addition, whenever independent professional advice is required by the Directors, external experts may, and have been engaged at the Company's expense.

The Directors have access to the advice and services of the Company Secretaries, whose appointments and resignations are subject to the Board's approval.

The Board is fully aware of, and acts on any matters for decision to ensure proper direction and control of the Company. Such matters, outlined in the Company's Limits of Authority, clearly establish the authority of the Board and the Management.

AUDIT COMMITTEE

The Audit Committee has specific terms of reference including the review of the interim and full year financial statements and preliminary announcements, internal financial controls and the reports of the Group Internal Audit Division of PETRONAS. It ensures the adequacy and integrity of the Company's internal control system and management information system and that they are in compliance with the Company's policies and procedures, applicable laws and regulations and Bursa Malaysia Listing Requirements. Following the adoption of the Company's Risk Management Policy, the Audit Committee monitors the effective implementation of programmes to ensure compliance to the policy. It will continue to ensure that the principal risks facing the Company are identified and monitored and appropriate measures are undertaken to manage these risks.

FINANCIAL CONTROL

For each financial year, the Board will, in advance, approve the Company's Plans and Budget including cash flow forecast for the year and projections for the four subsequent years, preparation of which is one of the key responsibilities of the Managing Director/Chief Executive Officer. These are prepared by the respective operating units and support services units and reviewed by the Company's Management Committee before submission for the Board's approval. The Company's business performance results are reviewed periodically by both the Management and the Board. Results are reported to the Board on a quarterly basis together with an in-depth explanation and analysis of variances to the budget by the Managing Director/Chief Executive Officer.

DIRECTORS' NOMINATION AND REMUNERATION

The Board as a whole serves as the Remuneration and Nomination Committee. No smaller committee is recommended as the Company believes that all members must be equally responsible for the duties of such committee, stated as follows:

- to assess and recommend new Directors to the Board,
- to review annually the mix of skills and experience, and other qualities to enable the Board to function completely and efficiently,
- to implement a formal appraisal process for the evaluation of the effectiveness of the Board as a whole, the committees and the individual contribution of each Board member,
- to recommend to the Board the remuneration of all Non-Executive Directors; individual Directors do not participate in the discussion relating to their own remuneration.

The Board will deliberate on the above during the normal proceedings of the meeting of Directors.

With the exception of the Managing Director/Chief Executive Officer, all Non-Executive Directors are paid Directors' fees as approved by the shareholders at the Annual General Meeting, based on the recommendation of the Board. For the year of review, the breakdown of fees received by each Director is as detailed in table below:

Details of Directors' Fees				
Name of Directors		Directors' Fees (RM)	BAC Fees (RM)	Total (RM)
Tan Sri Dato Sri Mohd Hassan bin Marican	Non-Executive	60,000	–	60,000
Dato' Sadasivan s/o N.N. Pillay	Non-Executive	36,000	12,000	48,000
Dato' Chew Kong Seng	Non-Executive	36,000	8,400	44,400
Datuk Mohd Zain bin Haji Abdul Majid	Non-Executive	36,000	8,400	44,400
Muri bin Muhammad	Non-Executive	36,000	–	36,000
Datuk (Dr) Abdul Rahim bin Haji Hashim	Non-Executive	36,000	–	36,000
Mohammed Azhar bin Osman Khairuddin	Non-Executive	36,000	8,400	44,400
Abd Hamid bin Ibrahim	Non-Executive	30,107	–	30,107
Wan Zulkiflee bin Wan Ariffin ¹	Non-Executive	3,000	–	3,000
TOTAL		309,107	37,200	346,307

¹ Assumed the role of Non-Executive Director from 1 March 2007.

The Managing Director/Chief Executive Officer, an employee of PETRONAS, is seconded to the Company as an Executive Director. This gives the Board a deeper insight into PETRONAS' operations with greater accountability for the Company's performance, both financial and operational. In consideration of the above services, the Company is required to pay a management fee to cover all payroll-related costs and benefits ordinarily incurred by him in the course of his employment. During the year, the Company paid RM736,800 as management fee. The Company also reimburses all reasonable expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors.

In addition to the Managing Director/Chief Executive Officer, other Management staff have been seconded from PETRONAS. Their training and succession planning are aligned to the PETRONAS' Human Resources Division. The Board ensures that only appropriate personnel with the relevant skills and experience are appointed to management positions of the Company.

DIRECTORS' TRAINING

In compliance with the Bursa Malaysia Listing Requirements, the Directors are mindful that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments of the industry as well as the new statutory and regulatory requirements.

During the financial year, the Directors have attended relevant training programmes in areas of leadership, corporate governance, finance and competitive strategies to enhance their ability in discharging their duties and responsibilities more effectively.

RELATIONSHIPS WITH SHAREHOLDERS

The Company recognises the importance of timely and equal dissemination of information to shareholders. In this regard, it adheres strictly to the disclosure requirements of Bursa Malaysia Securities Berhad.

The Annual General Meeting (AGM) is a crucial mechanism in shareholders communication. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the AGM. At each AGM, the Board

provides shareholders with an opportunity to ask on the progress and performance of the Company, without limiting the time and types of questions asked, prior to seeking approval by show of hands from members and proxies on the Audited Accounts.

During the meeting, the Chairman and Board members respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on issues and concerns raised by the shareholders. The status of all resolutions proposed at the AGM is submitted to the Bursa Malaysia Securities Berhad at the end of the meeting day. A summary of the discussions at the AGM is kept by the Management for future reference.

The Board has ensured that each item of special business included in the notice of the Annual or Extraordinary General Meeting is accompanied by a full explanation of the effects of the proposed resolution.

In providing shareholders with the opportunity to gain first-hand exposure on the Company's operations, several visits to its Gas Processing Plants and its Centralised Utility Facilities were organised during the year. Shareholders were given a presentation on the Company's operations and were provided the opportunity to ask for more information in respect of the plant operations. The Management believes that shareholders, by having a better understanding of the Company's activities, will have a greater sense of belonging to the Company. Such two-way communication increases corporate transparency and helps shareholders take a longer term view of their investment based on a better understanding of the Company's corporate strategy and operations.

Institutional investors and analysts were also given the opportunity to meet with the Management on performance, corporate governance and other matters affecting the shareholders' interests.

In all circumstances, the Company is cautious not to provide undisclosed material information about the Company and continually stresses the importance of timely and equal dissemination of information.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board aims to present a balanced and understandable assessment of the Company's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. The Directors' responsibility statement is enclosed in page 57 of the Annual Report.

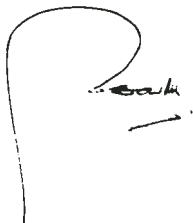
2. Internal Control

The Board continues to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The principle is further elaborated under the Internal Control Statement by the Directors in pages 51 to 53 of the Annual Report.

3. Relationship with the Auditors

The external auditors, Messrs. KPMG Desa Megat & Co., have continued to report to members of the Company on their opinions which are included as part of the Company's financial reports with respect to their audit on each year's statutory financial statements. In so doing, the Company has established a transparent arrangement with the auditors to meet the auditors' professional requirements. From time to time, the auditors highlight to the Board Audit Committee and the Board on matters that require the Board's attention. The Report by the Board Audit Committee on the review of audit reports is enclosed in pages 54 and 55 of the Annual Report.

This statement is made in accordance with the resolution of the Board dated 23 May 2007.



Tan Sri Dato Sri Mohd Hassan bin Marican
Chairman



Samsudin bin Miskon
Managing Director/Chief Executive Officer

ADDITIONAL COMPLIANCE INFORMATION

1. Non-Audit fees

The amount of non-audit fees paid and payable to the external auditors by the Company for the financial year ended 31 March 2007 was RM187,000 (2006 : RM430,857).

2. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies.

3. Material Contracts

There were no material contracts entered into or subsisting between the Company and its Directors/substantial shareholders during the financial year, other than the Gas Processing and Transmission Agreement (GPTA) entered between the Company and its substantial shareholder, PETRONAS on 31 March 1994, which was made effective from 1 April 1994 for the provision of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee.

The GPTA provides for revision of the terms and conditions every 5 years. The last revision of the GPTA was made on 15 June 2005 which revised the throughput fee structure for the period from 1 April 2005 to 31 March 2010.

BOARD'S RESPONSIBILITY

The Board of Directors (Board) is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets and for reviewing the adequacy and integrity of the system. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure of achieving the corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing all significant risks faced by the Company, that has been in place for the year and up to the date of approval of the Annual Report and Financial Statements, and that this process is regularly reviewed by the Board so as to be in accordance with the Internal Control Guidance.

RISK MANAGEMENT

Risk management is firmly embedded in the Company's management system. It is the Company's policy to adopt an effective and progressive corporate risk management system to identify, analyse, appraise and monitor the ever changing risks facing the Company and to take specific measures to mitigate the risks.

The Company, through its Risk Management Department (RMD) provides quarterly updates to the Board Audit Committee on the Company's Risk Profiling status. Detailed risk events identified are discussed, highlighted and approved by the Board together with the appropriate measures, efforts and control. This has resulted in various improvements and mitigations carried out to reduce the likelihood of certain risk events occurring. Mitigating actions are identified for all High Risk events and are incorporated in the respective division's action plan.

During the year, the Company developed its Business Continuity Plan (BCP) procedures at corporate level, which was subsequently incorporated into the Company's Quality Management Document System. The objective of the BCP is to provide guidelines on key personnel's responsibilities, to ensure timely business recovery, in the event of business interruptions due to disaster or crisis. The BCP procedures focus on BCP organisation structure, roles and responsibilities of BCP team members and BCP activation and implementation processes. The BCP procedures complement the Company's Disaster Management Manual, which was launched last year. During the year, one BCP Drill was conducted at the company level to simulate crisis situations. This is to test the effectiveness of the procedures as well as the readiness of the Management in handling crisis situation. In addition, two drills were also conducted at the operating division level to test the respective division's readiness in handling crisis situation.

The Company continues to carry out Projects and Contractors risk assessments on its critical projects. Project Risk Assessment reports are submitted to the relevant heads of divisions together with the mitigation plans to eliminate or reduce risk exposures identified. Contractors' risk assessment was conducted through technical and commercial evaluation exercises prior to the award of contract and is led by the Procurement and Materials Management Department. To reduce its credit risk exposure, the Company continues to utilise PETRONAS' Credit Risk Rating System to be in line with the credit assessment process adopted by the PETRONAS Group of Companies. The system evaluates the credit worthiness and assigns credit risk ratings to all customers external to the Group. Periodic reviews are then conducted to confirm the assigned credit risk rating of these customers.

During the year, RMD provided training on Project Risk Assessment Facilitation to 24 project managers at Technical and Facilities Development Division and Technical Services Departments, who have since been certified as the Company's Project Risk Assessment Facilitators. To further enhance risk management awareness, two risk management training sessions were also provided to employees involved in quality audits.

MOVING FORWARD

The Company continues to incorporate risk management practices within its business processes and activities. The Company will continue to conduct periodic reviews of its business processes and activities to assess the effectiveness of its risk management practices. The Company will continue to conduct relevant Risk Management training for employees to ensure full understanding and commitment on risk management processes.

The Company will continue to conduct drills at the company and at divisional levels to assess its readiness to handle disaster or crisis situations and its ability to effectively resume operations.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is outsourced to the Group Internal Audit Division of PETRONAS. They maintain their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the Company's Board Audit Committee.

Internal audits are undertaken to provide independent assessments of the Company's internal control systems, in anticipating potential risk exposures over certain business processes and in ascertaining the proper conduct of business within the Company. The Board Audit Committee has full access to reports on all audits performed by the internal auditor.

The internal audit function reviews the internal controls of various activities of the Company's businesses based on the annual internal audit plan, which is presented to the Board Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the operating divisions of the Company.

The resulting reports from the audits undertaken are reviewed by the Board Audit Committee and then forwarded to the Management for attention and necessary corrective action as recommended. The Management is responsible for ensuring

that appropriate corrective actions on the reported weaknesses are taken within the required time frame. The Company submits quarterly reports to the Board Audit Committee on outstanding audit issues.

The key activities of the internal audit function are set out in the Audit Committee Report in pages 54 and 55 of the Annual Report.

OTHER RISKS CONTROL PROCESSES

Apart from risk management and internal audit, the Board has the following control processes in place:

- The Board meets at least quarterly in order to maintain full and effective supervision. The Managing Director/Chief Executive Officer will lead the presentation of Board Papers and provide comprehensive explanation of pertinent issues. In arriving at any decision, on recommendations by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Company's activities and its operations on a regular basis.
- The Board reviews any significant issues arising from changes in the business environment, which result in significant risks to the Company. The General Manager of the Finance Division provides the Board with quarterly financial information. These include, amongst others, the monitoring of results against budget, with major variances being followed up and Management action taken, where necessary. Where areas for improvement in the system are identified, the Board considers the views and recommendations made by the Board Audit Committee and Management.
- A documented delegation of authority with clear lines of accountability and responsibility. It sets out the decisions that need to be taken and the appropriate approving authority at various levels of Management including matters that require the Board's approval.

- An organisational structure, as set out in page 7 of the Annual Report, with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides a documented and auditable trail of accountability.
- During the year, the Systems and Control Section of Finance Division had conducted attestation exercises on the Company's Budget Controls and Utilisation activities, Project Accounting activities and Property, Plant and Equipment (PPE) management. The attestation exercises were carried out to provide assurance to the Management on the Company's compliance to policies and guidelines and on the integrity of records and financial information. At the end of each attestation exercise, reports were presented to the Management Committee highlighting findings and the agreed corrective actions.
- Beginning this year, the attestation exercises carried out by Systems and Control Section were conducted in collaboration with Group Internal Audit Division of PETRONAS. The findings and agreed corrective actions of the attestation exercises were presented to the Board Audit Committee by Group Internal Audit Division of PETRONAS.
- Tender Committees' structure with defined level of responsibilities has been established to review all major contracts, both capital and operational. Subsequent to the review by the relevant tender committees, the contract will be subject to approval by the relevant approving authority who is independent from the tender committees. Tenders are called for and are awarded based on factors such as capability, quality, track record, speed of delivery and cost.
- Internal control procedures are documented in standard operating procedures manuals with established guidelines on business planning, capital expenditure, financial operations, performance reporting, human resource and health, safety and environment.

The Five Quality Principles, which are:

- Conformance to Requirements
- Prevention
- Right Things Right Every Time
- Price of Non-Conformance
- Proactive Leadership at All Levels

continue to be inculcated within the Company's Quality Culture with strong emphasis on risk assessment and prevention.

WEAKNESSES IN INTERNAL CONTROL THAT RESULT IN MATERIAL LOSSES

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the internal control environment.

This statement is made in accordance with the resolution of the Board dated 23 May 2007.



Tan Sri Dato Sri Mohd Hassan bin Marican
Chairman



Samsudin bin Miskon
Managing Director/ Chief Executive Officer

Audit Committee Report

Datuk Mohd Zain
bin Haji Abdul Majid

Dato' Sadasivan s/o N.N. Pillay

Dato' Chew Kong Seng

Mohammed Azhar
bin Osman Khairuddin



The Board Audit Committee (BAC) of PETRONAS Gas Berhad is pleased to present the Audit Committee Report for the year ended 31 March 2007.

MEMBERSHIP

The BAC was formed by the Board pursuant to its meeting on 14 August 1995. Currently the BAC comprises four directors as follows:-

1. Dato' Sadasivan s/o N.N. Pillay - Chairman
(Independent Non-Executive Director)
2. Dato' Chew Kong Seng
(Independent Non-Executive Director, member of the Malaysian Institute of Accountants)
3. Datuk Mohd Zain bin Haji Abdul Majid
(Independent Non-Executive Director)
4. Mohammed Azhar bin Osman Khairuddin
(Non-Independent Non-Executive Director)

The BAC is governed by the Terms of Reference as stipulated in pages 56 to 57 of the Annual Report. All the requirements under the Terms of Reference were fully complied with and the BAC did not see any matters in breach of the Listing Requirements of the Bursa Malaysia Securities Berhad that warrant reporting to Bursa Malaysia Securities Berhad.

SUMMARY OF ACTIVITIES OF THE BAC

During the year, the BAC met four times. By invitation, the Managing Director/Chief Executive Officer, the Company Secretary and the General Manager of Finance Division were present at all the meetings. External and internal auditors were also present during deliberations which required their inputs and advice.

Meeting attendance record of the members is as follows:

Name of Directors	Attendance
Dato' Sadasivan s/o N. N. Pillay	4/4
Dato' Chew Kong Seng	4/4
Datuk Mohd Zain bin Haji Abdul Majid	4/4
Mohammed Azhar bin Osman Khairuddin	4/4

The following activities were carried out by the BAC during the financial year ended 31 March 2007:-

1. Reviewed the annual internal audit plan for the year including its scope, basis of assessments and risk ratings of the proposed areas of audit.
2. Reviewed and deliberated on reports of audits conducted by the Group Internal Audit Division of PETRONAS. This includes review of effectiveness and adequacy of general internal controls.
3. Reviewed and deliberated on reports of attestation exercises conducted by the Systems and Control Section of the Company, in collaboration with Group Internal Audit Division of PETRONAS.
4. Reviewed impact to the Company's financial statements arising from the adoption of new and revised Financial Reporting Standards from 1 April 2006.
5. Reviewed the quarterly financial results including quarterly financial announcements to Bursa Malaysia Securities Berhad before recommending the same for approval by the Board upon being satisfied that, it complies with applicable approved accounting standards, Listing Requirements of Bursa Malaysia Securities Berhad and other relevant regulatory requirements.

6. Reviewed the Company's fund investment strategy.
7. Reviewed the Company's risk profile report and deliberated on the risk exposures and the required mitigation plans.
8. Reviewed the appointment of external auditors and their remuneration thereof.
9. Reviewed the external auditor's audit strategy and scope for the statutory audit of the Company accounts for the financial year ended 31 March 2007.
10. Reviewed with the external auditors the results of the audit, the audit report and the Management Letter, including the Management's response.
11. Reviewed the audited financial statements of the Company prior to submission to the Board for their consideration and approval, upon being satisfied that, inter alia, they were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board. The review also included relevant statements in relation to the financial statements, being the Corporate Governance Statement, Internal Control Statement, Statement of Directors Responsibilities and Audit Committee Report.

INTERNAL AUDIT

The internal audit function of the Company was carried out by the Group Internal Audit Division of PETRONAS. They maintained at all times their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the BAC.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's internal control systems in anticipating potential risks exposures over key business processes within the Company. The BAC has full access to internal auditors and received reports on all audits performed.

During the year, the internal auditors had carried out audits according to the internal audit plan which had been approved by the BAC. Internal audits carried out were:-

1. Gas Processing Plant A Operations and Maintenance activities, providing assurance that adequate and effective internal controls are in place and adherence to policies and guidelines and relevant regulations. The audit scope includes review of plant performance, operations and maintenance management and related finance activities. A post implementation review of Gas Processing Plant 1 Plant Rejuvenation and Revamp (PRR) project was also

conducted to provide assurance that the PRR project met its objectives and agreed targets.

2. Kuantan-Segamat Compressor Station Expansion project, providing assurance on the effectiveness of the project management controls, adherence to relevant policies and procedures and compliance to relevant statutory requirements. The audit scope includes review of overall management including procurement and finance activities.
3. Inventory and warehousing activities at Plant Operations Division, providing assurance on the adequacy and effectiveness of relevant internal controls and adherence to policies, guidelines and other relevant regulations.
4. General review of the Company's Internal Control, providing assurance that internal controls are adequate and effective. The audit scope focused on compliance to relevant commercial agreements and risk management framework.

In addition, Group Internal Audit Division of PETRONAS also collaborated with the Systems and Control Section of the Company to carry out attestation exercises providing assurance on the adequacy and effectiveness of relevant internal controls and adherence to relevant policies and guidelines. The attestation exercises carried out during the year, in accordance with the approved plan by BAC are as follows:-

1. Budgetary Control and Utilisation activities, covering processes from budget initiation until budget implementation and monitoring.
2. Project Accounting activities, covering processes from project initiation to project completion, including timely and accurate capitalisation.
3. Property, Plant and Equipment (PPE) management, providing assurance that the Company maintains complete and accurate records with regards to PPE.

The resulting reports from the audits and the attestation exercises were forwarded to the Management for attention and necessary corrective actions. The Management is responsible for ensuring that corrective actions are taken within the required time frame.



Dato' Sadasivan s/o N.N Pillay

Chairman
Board Audit Committee

23 May 2007

Board Audit Committee's Terms of Reference

CONSTITUTION

The Audit Committee was formed by the Board pursuant to its meeting on 14 August 1995.

MEMBERSHIP

- a) The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three members of whom a majority shall be Independent Directors. Independent Director shall be one who fulfills the requirement as provided in the Bursa Malaysia Listing Requirements.
- b) At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have at least three years working experience and passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or must have at least three years working experience and is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- c) The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director.
- d) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.
- e) No alternate director can be appointed as a member of the Audit Committee.

MEETING

- a) A quorum shall be two members, both being Independent Directors and one of whom shall be the Chairman of the Audit Committee. The Audit Committee may request for meetings with the auditors without the presence of any Executive Director. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.
- b) The Company Secretary shall be the Secretary of the Audit Committee. Minutes of the meetings shall be duly entered in the books provided therefor.

- c) Meetings shall be held not less than three times a year. The External Auditors may request a meeting if they consider it necessary. The Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders.

AUTHORITY

- a) The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee.
- b) The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

DUTIES AND FUNCTIONS

The duties and functions of the Audit Committee shall be :–

- a) To consider the appointment of the External Auditors, the audit fees, and any question of resignation or dismissal of the External Auditors before making recommendation to the Board;
- b) To discuss with the External Auditors, before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- c) To review with the Management and the External Auditors the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - any change in accounting policies and practices
 - significant and unusual events
 - major judgmental areas
 - significant adjustments resulting from the audit
 - the going concern assumption
 - compliance with accounting standards
 - compliance with stock exchange and legal requirements
- d) To arrange for periodic reports from Management, the External Auditors, and the Internal Auditors to assess the impact of significant regulatory changes, and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;

- e) To discuss problems and reservations arising from the interim and final audits, and matters the auditors may wish to discuss (in the absence of Management where necessary);
- f) To review the internal audit programme, consider the major findings of internal audits and Management's responses, and ensure coordination between the Internal and External Auditors;
- g) To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- h) To keep under review the effectiveness of internal control systems, and the Internal and/or External Auditors' evaluation of these systems and in particular review the External Auditors' Management Letter and Management's responses;
- i) To review the audit reports;
- j) To direct and where appropriate supervise any special project or investigation considered necessary;
- k) To prepare periodic reports to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities; and
- l) To consider other topics, as defined.

REPORTING PROCEDURES

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

Statement of Directors' Responsibility

in relation to the Financial Statements

The financial statements of the Group and of the Company as set out on pages 78 to 117 of the Annual Report, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and of the results of its operations and cash flows for the year ended on that date.

The Directors consider that in preparing the financial statements,

- a) the Group has used appropriate accounting policies and are consistently applied;
- b) reasonable and prudent judgements and estimates were made; and
- c) all applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 have been followed.

The Directors are also responsible for ensuring that the accounting and other records and registers required by the Companies Act, 1965 to be retained by the Group have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

nurturing progress

At PETRONAS Gas Berhad, we take pride
in growing together with the communities
where we operate.



One of our employee volunteers,
Mohd Dasuki providing guidance to
Mohd Kamal Imran, Suhaini and
Muhammad Syahir, participants of
the *Program Bakti Pendidikan PETRONAS*.

Corporate Responsibilities

60 Health, Safety and Environment

66 Human Resource

70 Corporate Social Responsibility

72 Calendar of Events



Health, Safety and Environment

The Company places utmost importance on the well being of our people, the surrounding local communities and the safeguarding of our investments. As such, Health, Safety and Environmental (HSE) management is the top priority in the Company's operations.

In the year under review, the Company's HSE Policy was revised to incorporate HSE requirements in relation to people, process and technology to enhance its completeness. This is in line with PETRONAS Group HSE policy.

HSEMS

Throughout the year, continuous emphasis is made on the effective and consistent implementation of the HSE Management System (HSEMS). The HSEMS provides guidelines on the areas of identification of potential hazards, assessment of potential effects, determination of required mitigation actions and monitoring of HSE performance.

A HSEMS audit was conducted during the year to advise and provide assurance on the effectiveness of implementing hazard prevention controls and recovery measures within the operations. The audit, conducted by independent auditors from the PETRONAS Corporate HSE Department, recognised the Company's well-placed systematic processes and procedures, strong leadership commitment and a high-level of HSE awareness

throughout the Company. The Company achieved HSEMS rating of 2.94 in June 2006 compared to previous year's 2.77 in June 2005.

The Company achieved cumulative hours worked without Loss Time Injury (LTI) of 28.6 million man-hours during the year. A total of 9 million man-hours have been recorded without LTI for the year. LTI Frequency (LTIF) was maintained at zero for the second consecutive year. This demonstrates commitment towards HSE excellence and ensuring work is carried out safely in all activities and at all locations.

HEALTH

Increasing focus on Occupational Health

During the year, a qualified doctor specialising in occupational health was appointed to advise the management on occupational health hazards. This is to ensure that the Company is better placed to minimise health hazards exposure at the workplace as well as compliance to relevant regulatory requirements. A more systematic monitoring, research and recording method has also



Health, Safety and Environmental Management continues to be an integral part of our business.

been introduced to address occupational health hazards. With such in-house expertise, the Company is in a better position to ensure effective management of occupational health hazards.

Management of Chemical Hazards

During the year, the Company continued with promotional activities to increase awareness on the requirements of Chemical Health Risk Assessment (CHRA) in line with the Use and Standards of Exposure of Chemical Hazardous to Health (USECHH) Regulation 2000. To gauge potential hazards, an assessment process requiring specific evaluation to understand the characteristics of chemicals, nature of its exposure and its route of entry into the human body was conducted. By understanding the nature of its release or exposure, the Company was able to identify and implement control measures to reduce or eliminate such risks. In addition, the Company conducts regular audits to detect any chemical exposure in the workplace.

Noise Control

Hearing conservation programmes are provided on a regular basis during the year under review. These programmes provide early indication of potential hearing problems and the required

corrective actions. The Company ensures that proper personal hearing protection equipment is provided to its employees who are exposed to noise hazards within the specific boundary limits.

Drug Free Workplace Programme

During the year, the Company continued to enforce the Drug Free Workplace Programme. Random screenings were conducted throughout the Company to ensure the workplace are free from drug or alcohol abuse. The random screenings cover the Company's employees as well as third party suppliers and contractors. The programme is in line with PETRONAS' Policy and Guidelines on drug and alcohol abuse.

Healthy Lifestyle

To promote a healthy lifestyle and stronger team spirit, the Company conducts various sports activities within divisions and inter-divisions. In the coming year, the Company is embarking on a healthy lifestyle promotion, to ensure equal importance is placed on individual well being, apart from the various safety and environmental measures at our facilities.



The Company organises various activities and programmes which promote a healthy lifestyle for its employees.

SAFETY

Safety workgroups play an active role in ensuring adherence to safety requirements throughout the Company. Each workgroup is championed by a member of the Management Committee and covers the following areas:

1. Process Safety and Hazard Effect Management Process Workgroup

This workgroup establishes the Process Safety and Risk Management Framework which is implemented throughout the Company. The workgroup monitors the implementation of Process Safety Management (PSM), to ensure effective process controls are in place in reducing risk of incidence arising from hazardous processes. During the year, selected key employees were given the opportunity to experience first hand PSM practices at DuPont facilities in Singapore. A dedicated department has also been established to oversee the implementation of PSM.

2. Safety Observation and Audit Workgroup

This workgroup seeks to improve the safety observation process and encourage engagement between employees and contractors. Through the Behavioural Based Safety approach, all employees and contractors are encouraged to always be observant of unsafe acts and situations and to give immediate feedback in an effective manner. Such practice encourages employees to recognise and reinforce positive safety behaviour.

During the year we established an electronic based system to record and monitor frequency and quality of safety observations. This system has been implemented at the Plant Operations Division and Centralised Utility Facilities Division. In the year under review, the Company has recorded a total of 25,238 safety observations. This is a testament to the proactive roles that each employee is taking to ensure safety is observed and practised throughout the organisation.



Emphasis on safety applies not only to our staff but also to our contractors.

Our success in implementing Behavioural Based Safety has been recognised and shared with the Department of Occupational Safety and Health (DOSH), National Institute of Occupational Safety and Health (NIOSH), SIRIM Berhad and other PETRONAS subsidiaries.

3. HSE Rules and Procedures Workgroup

This workgroup develops and enhances business processes to ensure effective implementation of all safety rules and procedures. The rules and procedures developed will ensure consistency of HSE practices throughout the Company.

During the year, the workgroup has reviewed statutory compliance issues such as those pertaining to certified equipment listing requirements, registration of competent specialised skill workers and noise mapping. Subsequently, relevant rules and procedures have been enhanced to ensure compliance. The workgroup also ensures effective and timely communication of any new requirements.

4. Contractor Safety Workgroup

This workgroup is responsible to develop and implement contractor management system to support the Company's zero injury target. During the year, sub-workgroup teams were established at all operating divisions. In the coming year, the focus will be on enhancing guidelines within the areas of contractor selection process, safety orientation and training for contractors and post-contract evaluation process.

5. Incident Investigation Workgroup

This workgroup focuses on improving business processes to support an effective incident investigation programme. Incident investigations are conducted within the Company to ascertain the root cause of any safety related incidence. The workgroup promotes sharing of incident investigation findings to prevent similar incidence in future.



Preservation of the environment where we operate has always been a key focus.

6. Reward, Recognition and Consequence Management Workgroup

This workgroup promotes consistent reward, recognition and consequence management system throughout the Company. During the year, the Company has initiated a recognition programme for contractors who have demonstrated exemplary HSE practices. The awards were presented during the Company's Contractors Forum in August 2006. Within the Company, employees have also been rewarded for exemplary HSE contributions such as highest number of safety observations recorded.

CUF Gebeng was a pilot initiative and the Company will seek to progressively achieve similar certification for other facilities in the coming years.

Greenhouse Gas Inventory

The Company supports PETRONAS in adhering to the Kyoto Protocol through the regular measurement of Greenhouse Gas (GHG) Emissions. The Company has established methodology and baseline data to identify priority areas and equipments contributing to GHG emissions. The Company is committed towards reducing GHG emissions from our operations and will embark on future mitigation plans to manage our GHG emissions.

ENVIRONMENT

MS ISO 14001:2004 certification

In January 2007, the Company successfully attained ISO MS 14001:2004 certification for our Centralised Utilities Facilities (CUF) in Gebeng, Kuantan. This certification demonstrates that CUF Gebeng is responsibly conserving and preserving the surrounding environment through effective management of scheduled waste, noise and gas emissions. The certification of

Scheduled Waste Management

The Company continuously reviews our scheduled waste management processes to ensure compliance to the Department of Environment regulations. We strictly adhere to the requirements of only disposing and recycling our scheduled waste through contractors approved by the Department of Environment.



The Company is committed to achieving continuous excellence in Health, Safety and Environmental Management.

AWARDS AND RECOGNITION

Anugerah Cemerlang Keselamatan dan Kesihatan Pekerjaan Kebangsaan 2006:

- CUF, Gebeng
- Transmission Operations Division (TOD), Pasir Gudang Regional Office
- TOD, Shah Alam Regional Office

Malaysian Society of Occupational Safety and Health (MSOSH) Gold Award

- CUF, Kertih and Gebeng – Gold Award
- Plant Operations Division (POD), Gas Processing Plant (GPP) A, Kertih – Gold Award
- POD, GPPB, Paka – Gold Award
- POD, Export Terminal, Kemaman – Silver Award
- TOD – Gold Award

PETRONAS Group HSE Award

- The PETRONAS Gold Award

EMERGENCY RESPONSE MANAGEMENT

Emergency management and response preparedness are critical to the business operations. During the year, several

Emergency Response Exercises were carried out to assess our preparedness in responding to emergencies. One example was the drill conducted to test our preparedness to Avian Flu outbreak at Sitiawan Regional Office. These exercises involve the participation of relevant government agencies and authorities. At the end of each Emergency Response Exercise, we jointly conduct detailed post mortem assessment to identify further skill and capability gaps in responding to such emergencies.

HSE KEY PERFORMANCE INDICATORS (KPI)

	FY 04/05	FY 05/06	FY 06/07
(a) Fatality	0	0	0
(b) Lost Time Injury Frequency (LTIF)	0.08	0	0
(c) Total Reportable Case Frequency (TRCF)	0.42	0.84	1.0
(d) Total Sickness Absenteeism (TSA)	0.89	0.63	0.525
(e) Number of Safe man-hours achieved inclusive of contractors (million)	11.29	8.32	9.03
(f) HSEMS rating	2.42	2.77	2.94

Human Resource

The Company shares the PETRONAS' common core values which remain firmly rooted in our business operations.

These shared core values, which are consistently displayed by our employees, reinforce and strengthen relationships with all stakeholders.

The Company's ability to sustain its business performance anchors on the competencies, capabilities and leadership qualities of its most valuable asset, its human capital. In this regard, the Company remains committed to nurture, train and develop its employees into high performing workforce. As part of the PETRONAS Group, the Company benefits from and leverages on the various structured training programmes and human resource management system within the PETRONAS Group.

In ensuring that the Company meets its business objectives, Key Performance Indicators (KPI) are established to align organisational targets with individual targets. Through an Intensified Performance Management System (IPMS), the employees are appraised and differentiated in terms of their contribution and performance. In addition, the Company also conducts a 360 degrees feedback on leadership qualities, focusing on the areas of developing others, outperforming in their duties, behaving as an owner and inspiring others to do the same. Our rewards and remuneration system clearly differentiates between employees who outperform and demonstrate strong leadership behaviours during the year.

For the year under review, the Company achieved average of 15 training days per staff, covering both functional skills training as well as leadership development trainings. Training indicators, form part of all managers' KPIs to ensure sufficient focus is provided on staff development in the long term.

During the year, various programmes were conducted to further enhance management and leadership skills of our middle and senior management. The Senior Management Development programme (INSEAD) was attended by two members of our senior management. Other management programmes attended by 37 managers and senior executives were the Management Development programme, Business Management Excellence programme and Managing Motivation for Performance Improvement programme.

All executives are required to complete the relevant PETRONAS Skill Group Development Programme (SGDP) prior to further progression. The SGDP provides structured training on core technical and functional competencies during the early developmental phase of each executive's career. The programme provides a strong foundation prior to progression into managerial level.



We strive to reach new levels of operational excellence through building the capabilities of our people.

The Building Leaders Programme remains as an important element of our efforts to groom future leaders for the Company. During the year, we have recruited an additional 23 potential leaders into the programme. Out of the original 60 intakes of the Building Leaders Programme, 15 participants have assumed higher responsibilities while 24 have progressed to other parts of the PETRONAS Group of Companies as part of their career development.

For the non-executives, the Company continues developing and enhancing their technical skills and competencies through various structured training programmes and assessment. The PETRONAS Competency Based Assessment System (PECAS) has now been implemented at all operating divisions. The PECAS ensures that non-executives technical are able to perform multi-tasking functions at the plants. To this end, training workshops were conducted to prepare our non-executives technical to undertake the assessment. The Company also provides career progression opportunities to executive level for eligible and experienced non-executives.

The Company encourages self development by promoting the use of PETRONAS eLearning portal. The PETRONAS eLearning portal currently offers more than 500 modules covering technical, non-technical, management, business and self-development courses. The eLearning portal is accessible through the internet thus encourages self-learning at employees' own pace and time. To promote a self learning culture, the Company awards certificate of recognition to employees who have been proactive users of the eLearning portal during the year.

Communities of Practice (CoP) have been set up to promote sharing and harnessing of knowledge. Experts in critical areas of knowledge have been identified and formally gathered in a community to share knowledge in the specific areas. During the year, the Distributed Control System and Programmable Logic Control CoP and the Process Safety Management CoP were set up. A repository of knowledge has also been developed for these groups to provide a platform for members to share and document their knowledge. The communities will also have regular networking and sharing sessions to enhance working relationship within each CoP.



The Company has put in place programmes to promote the accelerated development of new employees.

In developing new executives, mentoring programmes continue to be one of the main building blocks. Such programmes promote accelerated learning and build loyalty amongst new employees. During the year, 144 new executives were paired with experienced staff as mentors. These mentors have been trained to provide appropriate guidance and counselling to assist the new executives through their personal and career development journeys.

Effective engagement and communication on human resource issues and concerns are essential in ensuring a conducive work place. As such, the Company continues to conduct Human Resource Communication and Appreciation Day to provide a platform for effective communication on human resource policies and career opportunities. These sessions were conducted at all 16 locations within the Company throughout the year. We also conducted focused communication sessions to target groups such as new and seeding executives, non-executives and aspiring female engineers. This is to provide a platform of open communications to address specific concerns faced by these groups. These sessions also provide an avenue for employees

within the specific group to share experiences and strengthen their networking and support system.

The Company organised two Managers Forum sessions during the year to intensify engagement with middle management. The objective was to engage the managers on their role towards achieving the Company's vision and targets. The sessions also served as a communication platform to share the Company's financial and operational performance.

The "Ownership, Unity, Relationship and Satisfaction" (OURS) programme conducted during the year, has been well received by our employees. The programme aims to enhance ownership by providing opportunity for family members to observe workplace environment and requirements. During the year, nine sessions were organised, attended by 180 of our employees and their family members. We also shared an overview of the Company's operations and expressed the Company's appreciation for the families' support towards our employees' pursuit of excellence.



Moving forward, we will focus on building a highly skilled and motivated workforce.

The Company shares the PETRONAS' common core values which remain firmly rooted in our business operations. These exemplary values of cohesiveness, loyalty, professionalism and integrity are embraced at all levels as a foundation to ensure continued business excellence. These common core values, which are consistently displayed by our employees, reinforce and strengthen relationships with all stakeholders. These values are further embedded within the PETRONAS Code of Conduct which is adopted and implemented by the Company. It emphasises our commitment to the highest standards of integrity, openness and accountability in the conduct of business. It also specifies the legal implications of non-compliance in the key areas of business ethics and conducts.

Succession planning is another important element to ensure sustainability of growth. During the year, we have developed succession planning for 314 technical executive and manager positions. Furthermore, the Company encourages staff mobility to accelerate staff development. For the year, the Company achieved mobility of 28.7% through transfers within the company and to the PETRONAS Group of Companies.

The Company has well-placed systems and processes to monitor and track the development of our employees. To ensure focus by the senior management on human resource matters, we conduct monthly Human Resource Planning Committee to provide a platform to discuss and deliberate on people development issues.

The Company was recognised for its exemplary human resource practices when it was accorded the Human Resource Minister Award 2006 in September 2006. The recognition was given by the Pembangunan Sumber Manusia Berhad (a statutory body under the Ministry of Human Resource) in the large industry category.

Corporate Social Responsibility

Engagement with communities where we operate is a key part of our Corporate Social Responsibility (CSR) activities. Various activities were held throughout the year to reach out and engage the communities in the immediate surrounding of our operations. The personal involvement of our employees in these activities enhances the trust towards the organisation as a responsible corporate citizen.

During the year, the Company conducted various programmes to enhance the community's understanding and familiarisation of our operations. It also provides a platform for the communities to share any concerns they may have with regards to our operations. One such programme is the statutory requirement to engage communities with regards to the Control of Industrial Major Accident Hazards (CIMAH). This was conducted at all operating locations and is aimed at creating awareness and understanding of the Company's operations and sharing of the preventive measures that are in place to ensure the safety of stakeholders in the surrounding areas. Another activity is the 'Getting to know Transmission Operations Division' programme. This programme is targeted at communities within the vicinity of our pipeline route areas. Similar to the CIMAH programme, the objective of this programme is to create awareness on preventive and safety control measures taken by the Company along our pipeline route.

The Company places high importance in fostering good relations with relevant authorities. It facilitates communication and engagement between both parties and promotes better understanding of concerns and issues faced by respective organisation. Activities to foster relationship and enhance rapport were carried out at all locations. This includes plant visits, regular engagement sessions and participation in our relevant CSR activities.

The Company continues to engage with procurement suppliers to ensure efficient procurement activities in supporting the Company's operation. This is the third year in which we have organised the Contractors Forum to enhance working relationship with key suppliers. The forum serves as a platform for both the Company and the suppliers to discuss issues and areas to improvement within the procurement chain of activities. At this year's forum, the focus was on proprietary suppliers. We also introduced rewards and recognition for the suppliers who have excelled in their services/products delivery or demonstrated exemplary HSE practices. We hope that these rewards and recognition will promote continued improvements amongst all our suppliers.

A Customer Satisfaction Survey was completed during the year to seek feedback from our commercial customers and procurement suppliers. The outcome of survey was very encouraging as compared to a previous survey conducted in 2001. The survey findings noted increased professionalism and competence in dealing with customers and suppliers, as well as high level of integrity and trustworthiness. This achievement bears testimony to our commitment in providing high standards of services and interaction with our customers and suppliers respectively.

The Company continues to participate actively in the *Program Bakti Pendidikan PETRONAS*, involving fun learning activities at selected schools to encourage academic excellence amongst



The Company continues to participate actively in the *Program Bakti Pendidikan PETRONAS*, involving fun learning activities at our adopted schools.

borderline students. The Company's three adopted schools namely, Sekolah Kebangsaan Santong in Paka, Sekolah Kebangsaan Kemasik in Kemasik and Sekolah Kebangsaan Pinang Tunggal in Kepala Batas have benefited from this programme. Our staff volunteers visit the school children at least once a month with fun activities to facilitate their performance in English, Mathematics and Science. The participating children are borderline students selected from standard four. These students will continue and remain in the programme until completion of the Ujian Penilaian Sekolah Rendah (UPSR).

To motivate the students, tokens of encouragement were given and educational trips were organised for those who make encouraging progress in their academic performance. Educational trips organised include EduCamp at our training facility in Bangi. During the EduCamp, students were given motivational talks, participated in team building activities and had the golden opportunity to attend the PETRONAS Malaysian Grand Prix at the Sepang International Circuit. We hope that such educational trips would broaden their minds and inspire the students to strive for success.

The Company has organised various charitable activities during the year. Through participation in these programmes, our employees demonstrate their concern and empathy for the communities and the less fortunate. An example was the

visit to the Rumah Orang Cacat Chesire in Kuching, Sarawak, jointly organised by the members of the head office's adventure club and PETRONAS Sarawak Regional Office. Through the PETRONAS Volunteer Opportunity Programme, our employees have the opportunity to participate in humanitarian missions with Mercy Malaysia. During the year, one employee from our operation in Kertih participated in the relief mission following the Durian typhoon in Legaspi, Philippines. His courage and spirit of volunteerism, especially in time of need, is exemplary to all our employees. During the recent floods in Segamat, Johor, PETRONAS had adopted the Segamat District to assist in its recovery efforts. The Company was an active member of the PETRONAS relief task force set up for this purpose. In addition, our employees were close at hand to assist PETRONAS and the relevant authorities in responding to the emergency situation.

The Company continues to celebrate festivities with the communities to foster better relationship. The celebration of festivities was also used as a platform to include philanthropic activities. During the Hari Raya Aidil Fitri festivities, children from selected orphanages were adopted by our employees for a day. The spirit of sharing demonstrated by our employees has touched the hearts of these children. We hope that such interactions would inspire these children to strive for success in whatever circumstances.

Calendar of Events

APRIL 17, 2006 A

HSE Mission Launching of Kuantan – Segamat Compressor Station Expansion project – Kuantan

The Kuantan – Segamat Compressor Station Expansion project team conducted a HSE Mission Launching to promote HSE practices during the construction.

MAY 10, 2006

Visit by PDRM at GPPB – Paka

A visit by representatives from Polis Di Raja Malaysia to GPPB.

JUNE 13, 2006

Awareness Briefing for Segamat Local Authorities – Segamat

An awareness session was held with the local authorities in Segamat to enhance awareness of our activities.

JUNE 20, 2006

Visit by Malakoff at Gas Control Centre – Segamat

Malakoff were given a tour of our Gas Control Centre in Segamat.

JUNE 24, 2006

Golf Session with Local Authorities – Segamat

A friendly golf game with local authorities in Segamat.

JULY 6, 2006

Visit by Tokyo Gas Ltd at GPPB – Paka

Our visitors were given a guided tour of our facilities.

JULY 7, 2006 B

Signing Ceremony of Joint Venture Agreement Between PGB and MOX Gases Sdn. Bhd. – Kuala Lumpur

The Company entered into a joint venture agreement with MOX Gases Sdn. Bhd., a subsidiary of Malaysia Oxygen Berhad for the supply of nitrogen gases in the Gebeng Industrial area.

JULY 23, 2006

Visit by Sudan Ministers at GPPA – Kertih

Sudan Ministers were given a closer look at our facilities.



JULY 26, 2006 C

23rd Annual General Meeting – Kuala Lumpur

The Company held its 23rd Annual General Meeting in Kuala Lumpur.

AUGUST 17, 2006

PGB Majlis Sekalung Budi (Long Service Award) – Kuala Lumpur

Employees who have served for 15, 20 and 25 years were recognised with the Long Service Award for their loyalty and dedication.

AUGUST 18, 2006

Awareness Session and Table Top Exercise on Avian Flu – Sitiawan

An emergency situation was simulated at Sitiawan Regional Office to test our preparedness in dealing with avian flu outbreak.

AUGUST 23, 2006

PGB Shareholders Visit – Kertih

Our shareholders had a closer view of GPP and CUF facilities during this visit to our plants.

SEPTEMBER 6, 2006

Human Resource Minister Award 2006 – Kuala Lumpur

The Company was awarded the Human Resource Minister Award within the large industry category.

SEPTEMBER 6, 2006 D

Visit by PGB Shareholders – Kertih

Second guided tour organised for our shareholders at GPP and CUF facilities.

SEPTEMBER 10-11, 2006 E

PGB Managers Forum 2006 – Seremban

PGB Managers were brought together at this inaugural event to intensify engagement with middle managers.

SEPTEMBER 14, 2006

HSE and CIMAH Day – Kertih

CUF Kertih organised an awareness programme involving the local communities in Kertih.



SEPTEMBER 18-19, 2006 **F**

Contractors Forum – Kuantan

The 3rd Annual Contractors Forum was held as a sharing platform and to enhance working relationship.

OCTOBER 9, 2006 **G**

Majlis Buka Puasa Sekolah Kebangsaan Kemasik – Kemasik

Staff and management of CUF enjoyed *iftar* with children and teachers of our adopted school, Sekolah Kebangsaan Kemasik. School apparels were also contributed to the students for the coming school year.

OCTOBER 16, 2006

Majlis Buka Puasa Sekolah Kebangsaan Santong – Paka

Reaching out to the students during the fasting month of Ramadhan, employees from POD gathered with the school staff and students to foster closer relationship. School apparels were also contributed to the students for the coming school year.

NOVEMBER 2, 2006

Majlis Penghargaan HSE and CIMAH Day – Gebeng

CUF Gebeng conducted an awareness programme with the local communities to increase awareness on Control of Industrial Major Accidents and Hazards (CIMAH).

NOVEMBER 17, 2006 **H**

PGB Hari Raya Gathering with Local Authorities, Customers and Orphans – Kuala Lumpur

Invited guests from local authorities, customers and orphans from the Rumah Penyayang Nur Iman, Gombak joined the Company for Hari Raya celebration.

NOVEMBER 17, 2006

PGB Managers Forum 2006 – Kuala Lumpur

The second session of PGB Managers Forum was conducted at Glenmarie Hotel in Kuala Lumpur.

NOVEMBER 21, 2006

Visit by KazMunayGas of Kazakhstan Visit to GPPA – Kertih

Representatives from KazMunayGas, the state-owned oil and gas company of Kazakhstan visited our facility at GPPA in Kertih.

NOVEMBER 21-24, 2006

International Convention on Quality Control Circles (ICQCC) – Bali

A team from POD, MTA Responder, represented the Company and Malaysia at the ICQCC in Bali. The presentation on R2-901A - Problem at Temperature Switch High-High (TSHH) shared the savings achieved through use of quality tools to improve productivity.



NOVEMBER 24, 2006

Visit by Ministers of Sudan – Kertih

Ministers from Sudan were given a guided tour of our facilities in CUF.

NOVEMBER 30, 2006

PPIC Community Awareness Programme at PPIC – Kertih

The Company participated in the PETRONAS Petroleum Industry Complex (PPIC) Awareness Programme with the local communities to enhance relationship and increase awareness of PETRONAS operations in Kertih.

DECEMBER 9, 2006 TO DECEMBER 13, 2006

Expedition to Bako National Park and Community Relations Program at Chesire Home, Kuching, Sarawak with PETRONAS Sarawak Regional Office – Sarawak

A visit to Chesire Home in Kuching, Sarawak was jointly organised with PETRONAS Sarawak Regional Office.

DECEMBER 27, 2006

Visit by Gas Malaysia Sdn. Bhd. at GPPA – Kertih

Representatives from Gas Malaysia Sdn. Bhd. visited our facility at GPPA to learn more about the Company's operations.

JANUARY 27, 2007

Sukan Interaksi PGB TOD and Senoko – Melaka

A friendly sports meet with Senoko to maintain and enhance working relationship.

FEBRUARY 6, 2007 I

Anugerah Cemerlang Keselamatan dan Kesihatan Pekerja Kebangsaan 2006 – Kuala Lumpur

The Company was recognised to be amongst the top five recipients of the national *Anugerah Cemerlang Keselamatan dan Kesihatan Pekerjaan Kebangsaan 2006* for CUF Gebeng and TOD Regional Offices in Pasir Gudang and Shah Alam within the Gas and Utilities category.

FEBRUARY 24, 2007 J

Hari Anugerah Pelajar Sekolah Kebangsaan Pinang Tunggal – Pulau Pinang

The Company awarded recognition to students in Sekolah Kebangsaan Pinang Tunggal who have made significant improvements in their academic performance.

MARCH 3, 2007 K

PGB Annual Golf Tournament – Kuala Lumpur

The Company organised the golf event in Putrajaya to foster better working relationship with customers and local authorities.



Financial Statements

78	Directors' Report
82	Statement by Directors
82	Statutory Declaration
83	Report of the Auditors to the Members
84	Balance Sheets
85	Income Statements
86	Statements of Changes in Equity
87	Cash Flow Statements
88	Notes to the Financial Statements

Directors' Report

for the year ended 31 March 2007

The directors have pleasure in submitting their report and the audited financial statements of the Company, its associate and jointly controlled entity and of the Company for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee and the sale of industrial utilities.

During the year, the Company acquired an associate company, Gas Malaysia Sdn. Bhd. and incorporated a jointly controlled entity, Industrial Gases Solutions Sdn. Bhd.

The principal activities of the associate and jointly controlled entity are stated in Note 4 and Note 5 to the financial statements respectively.

Within the context of these financial statements, the Group comprises the Company and its interests in an associate and a jointly controlled entity as at and for the year ended 31 March 2007.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,246,979	1,198,857
Attributable to:		
Shareholders of the Company	1,246,979	1,198,857

DIVIDENDS

The amounts paid by way of dividends by the Company since the end of the previous financial year are as follows:-

- (i) as proposed in last year's report, a final dividend of 25% per share tax exempt amounting to RM494,682,979 in respect of the financial year ended 31 March 2006 was paid on 23 August 2006; and
- (ii) an interim dividend of 15% per share less 28% tax amounting to RM213,703,047 in respect of the financial year ended 31 March 2007 was paid on 15 December 2006.

The directors propose final dividends of 20% per share tax exempt and 10% per share less 27% tax altogether amounting to RM540,193,813 in respect of the financial year ended 31 March 2007. The proposed dividends of 20% per share tax exempt and 10% per share less 27% tax have not been accounted for in the financial statements.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:-

Tan Sri Dato Sri Mohd Hassan bin Marican
Wan Zulkiflee bin Wan Ariffin
Dato' Sadasivan s/o N.N. Pillay
Dato' Chew Kong Seng
Datuk Mohd Zain bin Haji Abdul Majid
Muri bin Muhammad
Datuk (Dr) Abdul Rahim bin Haji Hashim
Mohammed Azhar bin Osman Khairuddin
Samsudin bin Miskon (appointed 1 March 2007)
Abd Hamid bin Ibrahim (resigned on 2 February 2007)

In accordance with Article 93 of the Company's Articles of Association, Dato' Sadasivan s/o N.N. Pillay, Datuk Mohd Zain bin Haji Abdul Majid and Mohammed Azhar bin Osman Khairuddin retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 96 of the Company's Articles of Association, Samsudin bin Miskon who was appointed during the year retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The directors in office at the end of the year who have interests in the shares of the Company and of its related corporations as recorded in the Register of Directors' Shareholdings are as follows:-

Name	Number of shares in the Company			At 31.3.2007
	At 1.4.2006	Bought	Sold	
Tan Sri Dato Sri Mohd Hassan bin Marican	5,000	—	—	5,000
Wan Zulkiflee bin Wan Ariffin	2,000	—	—	2,000
Muri bin Muhammad	7,000	—	—	7,000
Mohammed Azhar bin Osman Khairuddin	5,000	—	—	5,000

Name	Number of shares in PETRONAS Dagangan Berhad			At 31.3.2007
	At 1.4.2006	Bought	Sold	
Tan Sri Dato Sri Mohd Hassan bin Marican	2,000	—	—	2,000
Muri bin Muhammad	10,000	—	—	10,000
Datuk (Dr) Abdul Rahim bin Haji Hashim	2,000	—	—	2,000
Mohammed Azhar bin Osman Khairuddin	2,000	—	—	2,000

Name	Number of shares in KLCC Property Holdings Berhad			At 31.3.2007
	At 1.4.2006	Bought	Sold	
Tan Sri Dato Sri Mohd Hassan bin Marican	50,000	—	—	50,000

None of the other directors holding office at 31 March 2007 had any interest in the ordinary shares of the Company and of its related corporations during the year.

DIRECTORS' REPORT

for the year ended 31 March 2007

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements of the Company or of a related corporation), by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:-

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the directors of the Company are not aware of any circumstances:-

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 26 to the financial statements.

AUDITORS

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors:



TAN SRI DATO SRI MOHD HASSAN BIN MARICAN



SAMSUDIN BIN MISKON

Kuala Lumpur,
23 May 2007

Statement by Directors

In the opinion of the directors, the financial statements set out on pages 84 to 117, are drawn up in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the directors:



TAN SRI DATO SRI MOHD HASSAN BIN MARICAN



SAMSUDIN BIN MISKON

Kuala Lumpur,
23 May 2007

Statutory Declaration

I, **WAN SHAMILAH BT WAN MUHAMMAD SAIDI (MIA Number: 23749)**, the officer primarily responsible for the financial management of PETRONAS GAS BERHAD, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 84 to 117, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
WAN SHAMILAH BT WAN MUHAMMAD SAIDI
in Kuala Lumpur on 23 May 2007



BEFORE ME:



4 Tkt. Mezzanine, Medan Pasar
50050 Kuala Lumpur
Tel: 03-20783299, 016-2099638

Report of the Auditors

to the Members

We have audited the financial statements set out on pages 84 to 117. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company at 31 March 2007 and of the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.



KPMG DESA MEGAT & CO.

Firm Number: AF 0759

Chartered Accountants



MOHAMED RASLAN ABDUL RAHMAN

Partner

Approval Number: 1825/05/09(J/PH)

Kuala Lumpur,
23 May 2007

Balance Sheets

at 31 March 2007

	Note	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
ASSETS				
Property, plant and equipment	3	7,891,444	7,891,444	8,176,100
Investment in associate	4	151,480	103,336	1,000
Investment in jointly controlled entity	5	103	125	–
TOTAL NON-CURRENT ASSETS		8,043,027	7,994,905	8,177,100
Trade and other inventories	6	139,039	139,039	135,407
Trade and other receivables	7	237,672	237,672	204,946
Cash and cash equivalents	8	1,073,384	1,073,384	879,714
TOTAL CURRENT ASSETS		1,450,095	1,450,095	1,220,067
TOTAL ASSETS		9,493,122	9,445,000	9,397,167
EQUITY				
Share capital	9	1,978,732	1,978,732	1,978,732
Reserves	10	5,607,579	5,559,457	5,068,986
TOTAL EQUITY		7,586,311	7,538,189	7,047,718
LIABILITIES				
Borrowings	11	454,100	454,100	454,100
Deferred tax liabilities	12	1,238,000	1,238,000	1,368,000
Deferred income	13	23,545	23,545	27,419
TOTAL NON-CURRENT LIABILITIES		1,715,645	1,715,645	1,849,519
Trade and other payables	14	151,767	151,767	172,715
Borrowings	11	–	–	312,195
Taxation		39,399	39,399	15,020
TOTAL CURRENT LIABILITIES		191,166	191,166	499,930
TOTAL LIABILITIES		1,906,811	1,906,811	2,349,449
TOTAL EQUITY AND LIABILITIES		9,493,122	9,445,000	9,397,167

The notes set out on pages 88 to 117 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

for the year ended 31 March 2007

	Note	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Revenue	15	2,982,347	2,982,347	2,839,298
Cost of revenue	15	(1,725,616)	(1,725,616)	(1,764,743)
Gross profit	15	1,256,731	1,256,731	1,074,555
Administration expenses		(43,442)	(43,442)	(40,806)
Other operating income		65,575	44,194	26,004
Operating profit	16	1,278,864	1,257,483	1,059,753
Financing costs	18	(24,426)	(24,426)	(34,847)
Share of profit after tax of equity accounted associate and jointly controlled entity		26,741	–	–
Profit before taxation		1,281,179	1,233,057	1,024,906
Tax expenses	19	(34,200)	(34,200)	(53,868)
Profit for the year		1,246,979	1,198,857	971,038
Attributable to:				
Shareholders of the Company		1,246,979	1,198,857	971,038
Dividends per ordinary share – net	20	38.1 sen	38.1 sen	35.8 sen
Basic earnings per ordinary share	21	63.0 sen	60.6 sen	49.1 sen

The notes set out on pages 88 to 117 form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Equity

for the year ended 31 March 2007

	Note	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Unappropriated profits RM'000	Total RM'000
Group					
1 April 2006		1,978,732	1,186,472	3,882,514	7,047,718
Net profit for the year		–	–	1,246,979	1,246,979
Dividends					
– 2006 final	20	–	–	(494,683)	(494,683)
– 2007 interim	20	–	–	(213,703)	(213,703)
At 31 March 2007		1,978,732	1,186,472	4,421,107	7,586,311
Company					
At 1 April 2005		1,978,732	1,186,472	3,520,925	6,686,129
Net profit for the year		–	–	971,038	971,038
Dividends					
– 2005 final	20	–	–	(395,746)	(395,746)
– 2006 interim	20	–	–	(213,703)	(213,703)
At 31 March 2006		1,978,732	1,186,472	3,882,514	7,047,718
Net profit for the year		–	–	1,198,857	1,198,857
Dividends					
– 2006 final	20	–	–	(494,683)	(494,683)
– 2007 interim	20	–	–	(213,703)	(213,703)
At 31 March 2007		1,978,732	1,186,472	4,372,985	7,538,189
		Note 9	Note 10	Note 10	

The notes set out on pages 88 to 117 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the year ended 31 March 2007

	Note	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers		2,959,795	2,959,795	2,842,305
Cash paid to suppliers and employees		(1,102,597)	(1,102,597)	(1,168,567)
		1,857,198	1,857,198	1,673,738
Retirement benefits paid		(6,543)	(6,543)	(6,706)
Taxation paid		(139,821)	(139,821)	(93,064)
Interest income from deposits		29,944	29,944	16,806
Net cash generated from operating activities		1,740,778	1,740,778	1,590,774
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment – associate		(102,336)	(102,336)	–
– jointly controlled entity		(125)	(125)	–
Purchase of property, plant and equipment		(397,665)	(397,665)	(299,232)
Proceeds from disposal of property, plant and equipment		206	206	350
Net cash used in investing activities		(499,920)	(499,920)	(298,882)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Bai' Bithaman Ajil Facilities		–	–	(400,000)
Repayment of term loans		(312,195)	(312,195)	–
Financing costs paid		(26,607)	(26,607)	(35,436)
Dividends paid		(708,386)	(708,386)	(609,449)
Net cash used in financing activities		(1,047,188)	(1,047,188)	(1,044,885)
NET INCREASE IN CASH AND CASH EQUIVALENTS		193,670	193,670	247,007
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		879,714	879,714	632,707
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	1,073,384	1,073,384	879,714

The notes set out on pages 88 to 117 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

PETRONAS Gas Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is:

Registered office and principal place of business

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

The Company is principally engaged in separating natural gas into its components and storing, transporting and distributing such components thereof for a fee and the sale of industrial utilities. The principal activities of the associate and jointly controlled entity are stated in Note 4 and Note 5 to the financial statements respectively.

The holding company as well as the ultimate holding company during the financial year is Petroliaam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

The financial statements of the Group comprise the Company and its interests in an associate and a jointly controlled entity as at and for the year ended 31 March 2007.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs) that are effective for accounting periods beginning after 1 January 2006 or available for early adoption.

The effects of adopting the new / revised FRSs in the financial year ended 31 March 2007 are set out in Note 28 to the financial statements.

In this set of financial statements, the Group has chosen not to early adopt the following FRSs:

- (i) FRS 117, *Leases* – This FRS is effective for accounting periods beginning on or after 1 October 2006. By virtue of the exemption in paragraph 67B of FRS 117, the impact of applying FRS 117 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed;
- (ii) FRS 124, *Related Party Disclosures* – This FRS is effective for accounting periods beginning on or after 1 October 2006. By virtue of the exemption in paragraph 22A of FRS 124, the impact of applying FRS 124 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed;
- (iii) FRS 139, *Financial Instruments: Recognition and Measurement* – This FRS has been issued by the MASB but the MASB has yet to announce the effective date of this standard. By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed;

1. BASIS OF PREPARATION (CONT'D)**(a) Statement of compliance (Cont'd)**

- (iv) Amendment to FRS 119₂₀₀₄, *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures* – Certain amendments made to FRS 119₂₀₀₄ are effective for accounting periods beginning on or after 1 January 2007. The adoption of these amendments should not have any significant impact on the financial statements of the Group and of the Company in the period of initial application.

On 15 August 2006, the MASB issued FRS 6, *Exploration for and Evaluation of Mineral Resources*. This FRS is effective for accounting periods beginning on or after 1 January 2007. This FRS is not applicable to the Group.

On 15 February 2007, the MASB issued the following amendments to FRS and interpretations (ICs) for entities other than private entities:

- (i) Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation*;
- (ii) IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*;
- (iii) IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*;
- (iv) IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;
- (v) IC Interpretation 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*;
- (vi) IC Interpretation 7, *Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies*; and
- (vii) IC Interpretation 8, *Scope of FRS 2 Share-based payments*.

The above amendments to FRS and ICs are effective for accounting periods beginning on or after 1 July 2007. The initial application of the Amendment to FRS 121 and IC Interpretation 1 should not have any significant impact on the financial statements of the Group. Other ICs as issued above are not applicable to the Group.

Initial application of FRS 117, FRS 124, Amendment to FRS 119₂₀₀₄ and Amendment to FRS 121 will be effective from the accounting period commencing 1 April 2007.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group, unless otherwise stated.

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3 – useful lives of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Intangible asset – goodwill or negative goodwill

Goodwill or negative goodwill arises on the acquisition of the associate and jointly controlled entity.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, goodwill is calculated based on the fair value of net assets acquired and is carried forward at cost. The carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

2.2 Associates

Associates are entities, including unincorporated entities, in which the Company has significant influence, but not control, including representation on the Board of Directors, over the financial and operating policy decisions of the associates.

Associates are accounted for in the financial statements of the Group using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The financial statements of the Group include the Group's share of post-acquisition profits or losses after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the balance sheet of the Group. These amounts are taken from the latest audited financial statements and management accounts of the associate.

Unrealised profits arising on transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transaction are also eliminated partially, unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Associates (Cont'd)

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2.3 Jointly controlled entities

A jointly controlled entity is a contractual agreement whereby the Company and another party have joint control over an economic activity.

Jointly controlled entities are accounted for in the financial statements of the Group using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The financial statements of the Group include the share of profits or losses of the equity accounted jointly controlled entities, after adjustments to align the accounting policies with those of the Group from the date that joint control commences until the date that joint control ceases.

Unrealised profits or losses arising from transactions between the Group and its jointly controlled entities are recognised only to the extent of that portion of the gains or losses which is attributable to the interests of the other party who has joint control. Unrealised losses are however recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or a decline, other than temporary, in the carrying amount of long term assets.

When the Group's share of losses exceeds its interest in an equity accounted jointly controlled entities, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the jointly controlled entities.

Investments in jointly controlled entities are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2.4 Property, plant and equipment and depreciation

Property, plant and equipment, except for freehold land and projects-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land and projects-in-progress are stated at cost less accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the estimated costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment and depreciation (Cont'd)

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the income statement accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation for property, plant and equipment, other than freehold land and projects-in-progress, are recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Buildings are depreciated over 50 years or over the remaining land lease period, whichever is shorter.

Leasehold land is depreciated over the lease period of between 40 to 99 years.

The estimated useful lives for the current and comparative periods are as follows:

	2007	2006
Plant and pipelines	5-30 years	20 years
Expendable capital improvements	3 years	3 years
Office and household equipment, furniture and fittings	6-7 years	6-7 years
Other plant and equipment	5-7 years	5-7 years
Computer hardware and software	5 years	5 years
Motor vehicles	4 years	4 years
Plant turnaround/major inspection	3-7 years	–

Estimates in respect of certain items of plant and equipment were revised during the financial year (refer Note 3).

Expenditure for routine replacements and repairs is written off immediately in the income statement as and when incurred.

The depreciable amount is determined after deducting the estimated residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

Change in accounting policy

During the financial year, the Company capitalised its plant turnaround and major inspection costs which enhanced the useful lives of the plant and these costs are depreciated until the next turnaround/major inspection periods. These costs were written off in the prior year and the change in this policy has been accounted for prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

2.6 Inventories

Inventories of liquefied gases and waters are stated at the lower of cost and net realisable value. Cost of liquefied gases and waters include raw material costs and production overheads and are determined by reducing the sales value of the inventories by the appropriate percentage gross margin. Cost is determined on a weighted average basis.

Maintenance materials and spares are stated at cost. Cost consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

2.7 Trade and other payables

Trade and other payables are measured initially and subsequently at cost. Trade and other payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.8 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plans

The Company contributes monthly to the PETRONAS Retirement Benefit Fund (The Scheme). The Scheme is a funded defined benefit plan.

Contributions to the Scheme are based on eligible employees' monthly emoluments less statutory contribution, to finance the retirement benefits payable to eligible employees. The monthly maximum tax allowable contribution is paid to the Scheme by the Company. The excess is paid by the Company to a special account in Petroliam Nasional Berhad, the holding company, as a provision for retirement benefits.

As the eligible members of the Scheme are contracted to the holding company, any shortfall of the Scheme will be borne by the holding company.

The Company has agreed with the holding company and also the Trustees of the Scheme to undertake such liability in respect of future contributions to the Scheme which may be adjusted by the Trustees to recover such shortfall.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

2.10 Impairment

The carrying amount of assets, other than inventories (refer Note 2.6), deferred tax assets (refer Note 2.11) and financial assets (financial assets in this context exclude investments in associate and jointly controlled entity), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement in the year in which the reversals are recognised.

2.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided for, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from a transaction that affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on statutory tax rates at the balance sheet date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefits will be realised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.12 Foreign currency transactions**

Monetary assets and liabilities in foreign currencies at balance sheet date are translated at rates ruling on the balance sheet date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates or where forward contracts have been entered into, at the contracted rates. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

2.13 Financial instrument

The Company uses currency exchange arrangements with the holding company to hedge its exposure to foreign exchange arising from operational, financing and investment activities.

Foreign currency monetary items, which are related to or matching the forward foreign exchange contracts or currency exchange arrangements, are reported using the rates of exchange specified in those contracts or arrangements.

2.14 Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

2.15 Revenue

Revenue from throughput fees is recognised in the income statement based on work done in respect of services rendered for separating natural gas into its components and the storage, transportation and distribution of such components.

Revenue from sale of industrial utilities is recognised in the income statement based on certification of utilities distributed to the buyer at pre-determined rates.

2.16 Financing costs

Financing costs comprise interest payable on borrowings and finance charges on Islamic Debt Facilities.

All interest, finance charges and other costs incurred in connection with borrowings are expensed as incurred.

2.17 Deferred income

Deferred income is recognised in the income statement on a time proportion basis over the agreed contract period or applicable period.

2.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. PROPERTY, PLANT AND EQUIPMENT

Group/Company

<i>At cost</i>	At 1.4.2006 RM'000	Additions RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Adjustments RM'000	At 31.3.2007 RM'000
Freehold land	1,224	—	—	—	—	1,224
Leasehold land and pipeline routes						
— long lease	489,166	7,138	—	1,280	—	497,584
— short lease	5,872	—	—	—	—	5,872
Buildings	166,475	178	—	3,411	(845)	169,219
Plant and pipelines	12,826,513	9,496	(17)	168,983	(4,937)	13,000,038
Expendable capital improvements	800	—	—	—	—	800
Office and household equipment, furniture and fittings	56,805	1,090	(791)	(137)	(33)	56,934
Other plant and equipment	76,532	2,460	(1,476)	(11,318)	(50)	66,148
Computer hardware and software	42,030	1,694	(165)	281	(72)	43,768
Motor vehicles	23,184	375	(1,181)	—	—	22,378
Plant turnaround/major inspection	—	—	—	29,789	—	29,789
Projects-in-progress	166,407	321,517	—	(192,289)	—	295,635
	13,855,008	343,948	(3,630)	—	(5,937)	14,189,389

<i>Accumulated depreciation</i>	At 1.4.2006 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Adjustments RM'000	At 31.3.2007 RM'000
Freehold land	—	—	—	—	—	—
Leasehold land and pipeline routes						
— long lease	54,926	6,172	—	—	—	61,098
— short lease	2,916	147	—	—	—	3,063
Buildings	33,592	3,396	—	6	(101)	36,893
Plant and pipelines	5,431,183	596,385	(8)	14,212	—	6,041,772
Expendable capital improvements	800	—	—	—	—	800
Office and household equipment, furniture and fittings	51,431	1,485	(781)	(100)	(1)	52,034
Other plant and equipment	50,393	5,741	(1,314)	(14,178)	—	40,642
Computer hardware and software	33,658	3,355	(157)	60	(64)	36,852
Motor vehicles	20,009	1,306	(1,180)	—	—	20,135
Plant turnaround/major inspection	—	4,656	—	—	—	4,656
Projects-in-progress	—	—	—	—	—	—
	5,678,908	622,643	(3,440)	—	(166)	6,297,945

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**Company**

At cost	At 1.4.2005 RM'000	Additions RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Adjustments RM'000	At 31.3.2006 RM'000
Freehold land	1,224	–	–	–	–	1,224
Leasehold land and pipeline routes						
– long lease	476,785	55	–	15,831	(3,505)	489,166
– short lease	5,872	–	–	–	–	5,872
Buildings	168,157	481	–	(2,004)	(159)	166,475
Plant and pipelines	12,663,992	6,656	–	155,865	–	12,826,513
Expendable capital improvements	800	–	–	–	–	800
Office and household equipment, furniture and fittings	54,460	580	(99)	1,883	(19)	56,805
Other plant and equipment	61,418	8,254	(39)	7,207	(308)	76,532
Computer hardware and software	40,191	954	(29)	1,033	(119)	42,030
Motor vehicles	22,786	1,882	(1,478)	–	(6)	23,184
Projects-in-progress	82,857	263,413	–	(179,815)	(48)	166,407
	13,578,542	282,275	(1,645)	–	(4,164)	13,855,008

Accumulated depreciation	At 1.4.2005 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Adjustments RM'000	At 31.3.2006 RM'000
Freehold land	–	–	–	–	–	–
Leasehold land and pipeline routes						
– long lease	47,187	7,841	–	–	(102)	54,926
– short lease	2,769	147	–	–	–	2,916
Buildings	30,637	3,393	–	(399)	(39)	33,592
Plant and pipelines	4,798,711	632,073	–	399	–	5,431,183
Expendable capital improvements	800	–	–	–	–	800
Office and household equipment, furniture and fittings	50,152	1,370	(91)	–	–	51,431
Other plant and equipment	43,695	6,808	(24)	–	(86)	50,393
Computer hardware and software	29,053	4,694	(16)	–	(73)	33,658
Motor vehicles	19,786	1,709	(1,475)	–	(11)	20,009
Projects-in-progress	–	–	–	–	–	–
	5,022,790	658,035	(1,606)	–	(311)	5,678,908

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Net book value	
	Group/Company	Company
	2007 RM'000	2006 RM'000
Freehold land	1,224	1,224
Leasehold land and pipeline routes		
– long lease	436,486	434,240
– short lease	2,809	2,956
Buildings	132,326	132,883
Plant and pipelines	6,958,266	7,395,330
Expendable capital improvements	–	–
Office and household equipment, furniture and fittings	4,900	5,374
Other plant and equipment	25,506	26,139
Computer hardware and software	6,916	8,372
Motor vehicles	2,243	3,175
Plant turnaround/major inspection	25,133	–
Projects-in-progress	295,635	166,407
	7,891,444	8,176,100

The adjustments mainly arose due to final project settlement.

The titles to certain freehold and leasehold lands are in the process of being registered in the Company's name.

Change in estimates

During the year, the Company conducted a review and revised the expected useful lives and residual values of existing assets. Management estimates the useful lives of these plant and pipelines to be within 5 to 30 years. These are common life expectancies based on the plant design. Changes in the expected level of usage and technological developments could impact the economic useful life and residual value, therefore future depreciation charges could be revised. This has resulted in a decrease in depreciation expense by RM41,972,000 in the current financial year.

Change in accounting policy

During the year, the Company capitalised plant turnaround and major inspection costs which enhanced the useful lives of the plant. These costs are depreciated until the next turnaround/major inspection periods. A total of RM29,789,000 has been capitalised in the current financial year. The resultant depreciation for the year was RM4,656,000. This change is accounted for prospectively.

4. INVESTMENT IN ASSOCIATE

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Investment at cost:			
– Call option	–	–	1,000
– Unquoted shares	103,336	103,336	–
Share of post-acquisition profits and reserves	48,144	–	–
	151,480	103,336	1,000

The Company entered into a Call Option Agreement with its holding company on 4 March 2005 to acquire 20% equity interest in Gas Malaysia Sdn. Bhd., at a consideration of RM102,030,000. The duration of the option was for an initial period of one year at a fee of RM1,000,000.

On 2 March 2006, the Company notified its holding company of its intention to exercise the option to acquire the 20% equity interest in Gas Malaysia Sdn. Bhd. Subsequently, the sale and purchase agreement for the acquisition was signed on 24 May 2006 and a 10% deposit for the acquisition was paid on 25 May 2006.

On 7 September 2006, the acquisition of 20% equity interest in Gas Malaysia Sdn. Bhd. was completed upon obtaining all necessary approvals from relevant regulatory authorities. Subsequently, the Company paid the remaining amount of RM91,827,000 which represents 90% of the purchase price.

The net fair value of the identifiable assets, liabilities and contingent liabilities was in excess of the purchase consideration paid by RM21,381,000 as disclosed in Note 16 to the financial statements.

Details of the associate are as follows:

Name of company	Principal activities	Country of incorporation	Accounting period ended	Effective ownership interest	
				2007	2006
				%	%
Gas Malaysia Sdn. Bhd.	Selling, marketing, distribution and promotion of natural gas	Malaysia	31 December	20	–

Summary financial information on associate as per the audited financial statements for accounting period ended 31 December 2006:

	Revenue	Profit /	Total	Total
	(100%)	(Loss)	assets	liabilities
	RM'000	RM'000	RM'000	RM'000
Gas Malaysia Sdn. Bhd.	1,254,108	246,861	1,222,664	538,034

4. INVESTMENT IN ASSOCIATE (CONT'D)

	Group	
	2007	2006
	RM'000	RM'000
Contingent liabilities		
Share of associate's contingent liabilities incurred jointly with other investors		
Bank guarantees	740	—

5. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Unquoted shares at cost	125	125	—
Share of loss	(22)	—	—
	103	125	—

On 7 July 2006, the Company entered into a Joint Venture Agreement with MOX Gases Sdn. Bhd. for the purpose of the establishment and management of the business of marketing, sale, distribution and promotion of gaseous nitrogen in Gebeng Industrial Area, Kuantan through a jointly controlled entity.

On 5 February 2007, the jointly controlled entity was incorporated under the name of Industrial Gases Solutions Sdn. Bhd.

As at 31 March 2007, the jointly controlled entity has yet to commence its operation.

Details of the jointly controlled entity are as follows:

Name of company	Principal activities	Country of incorporation	Accounting period ended	Effective ownership interest	
				2007	2006
				%	%
Industrial Gases Solutions Sdn. Bhd.	Selling, marketing, distributing and promoting industrial gas	Malaysia	31 December	50	—

5. INVESTMENT IN JOINTLY CONTROLLED ENTITY (CONT'D)

The Group's interest in the assets, liabilities, income and expenses of the jointly controlled entities are as follows:

	Group 2007 RM'000
Current assets	125
Current liabilities	(22)
	103
Income	–
Expenses	(22)
Loss before tax	(22)
Income tax expense	–
	(22)

There are no capital commitments and contingent liabilities from the jointly controlled entities.

6. TRADE AND OTHER INVENTORIES

	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
At cost			
Liquefied gases and waters	364	364	380
Maintenance materials and spares	138,675	138,675	135,027
	139,039	139,039	135,407

Maintenance materials and spares amounting to RM5,101,000 were written off during the financial year (2006 – Nil).

7. TRADE AND OTHER RECEIVABLES

	Note	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Trade receivables	7.1	62,786	62,786	27,484
Other receivables	7.2	11,032	11,032	7,386
Deposits		1,000	1,000	1,067
Prepayments		6,493	6,493	1,994
Amounts due from:				
Holding company	7.3	122,213	122,213	136,952
Related companies	7.4	34,148	34,148	30,063
		237,672	237,672	204,946

7. TRADE AND OTHER RECEIVABLES (CONT'D)

7.1 The credit period granted is 30 days (2006 – 30 days).

7.2 Included in other receivables is interest receivable of RM6,099,000 (2006 – RM2,785,000).

7.3 The amount due from holding company relates to:

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Trade	174,156	174,156	181,475
Non-trade	(51,943)	(51,943)	(44,523)
	122,213	122,213	136,952

These balances arose from the normal course of business.

7.4 The amounts due from related companies relate to:

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Trade	25,861	25,861	26,430
Non-trade	8,287	8,287	3,633
	34,148	34,148	30,063

These balances arose from the normal course of business.

8. CASH AND CASH EQUIVALENTS

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Deposits	1,066,990	1,066,990	865,532
Cash and bank balances	6,394	6,394	14,182
	1,073,384	1,073,384	879,714
Deposits with licensed financial institutions:			
Banks	512,020	512,020	530,164
Other corporations	554,970	554,970	335,368
	1,066,990	1,066,990	865,532

9. SHARE CAPITAL

	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Authorised:			
2,000,000,000 ordinary shares of RM1.00 each	2,000,000	2,000,000	2,000,000
Issued and fully paid:			
1,978,732,000 ordinary shares of RM1.00 each	1,978,732	1,978,732	1,978,732

10. RESERVES

	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Non-distributable:			
Share premium	1,186,472	1,186,472	1,186,472
Distributable:			
Unappropriated profits	4,421,107	4,372,985	3,882,514
	5,607,579	5,559,457	5,068,986

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax exempt account and Section 108 tax credit to frank approximately RM1,619,479,000 of its unappropriated profits at 31 March 2007, if paid out as dividends.

11. BORROWINGS

	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Current			
Term loan – unsecured	–	–	312,195
Non-current			
Term loan – unsecured	454,100	454,100	454,100
	454,100	454,100	766,295

11. BORROWINGS (CONT'D)

Terms and debt repayment schedule

	Total RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
Unsecured term loans							
2007 – 3.4%	454,100	–	–	–	–	–	454,100
2006 – 2.90% to 3.40%	766,295	312,195	–	–	–	–	454,100

The unsecured term loan comprises the 6th series 3.40% amounting to RM454,100,000 (2006 – 5th series 2.90% of RM312,195,000 and 6th series 3.40% at RM454,100,000) represent an amount equivalent to Yen16 billion (2006 – Yen27 billion). The unsecured loan was secured by PETRONAS and on-lent to the Company on 21 April 1997. The terms and conditions of the on-lent agreement are similar to those contained in the principal loan agreement. Under the on-lent agreement, the repayment of principal amount to PETRONAS is at a fixed exchange rate of 100Yen – RM2.838 (2006: 100Yen – RM2.838).

The 5th series of the unsecured term loan of RM312,195,000 was fully repaid on 22 January 2007 while the 6th series of the unsecured term loan is due for payment in year 2013.

12. DEFERRED TAX LIABILITIES

The amounts determined after appropriate offsetting, are as follows:

Group/Company	Assets RM'000	Liabilities RM'000	Net RM'000
2007			
Property, plant and equipment – capital allowances	–	1,243,700	1,243,700
Deferred fee income	(5,700)	–	(5,700)
	(5,700)	1,243,700	1,238,000
Company			
2006			
Property, plant and equipment – capital allowances	(9,100)	1,384,000	1,374,900
Deferred fee income	(6,900)	–	(6,900)
	(16,000)	1,384,000	1,368,000

12. DEFERRED TAX LIABILITIES (CONT'D)

Movements in temporary differences during the financial year

Group/Company	At 1.4.2006 RM'000	Recognised in income statement RM'000	At 31.3.2007 RM'000
Property, plant and equipment	1,374,900	(131,200)	1,243,700
Other deductible temporary differences	(6,900)	1,200	(5,700)
	1,368,000	(130,000)	1,238,000

Company	At 1.4.2005 RM'000	Recognised in income statement RM'000	At 31.3.2006 RM'000
Property, plant and equipment	1,426,000	(51,100)	1,374,900
Other deductible temporary differences	(5,000)	(1,900)	(6,900)
	1,421,000	(53,000)	1,368,000

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

13. DEFERRED INCOME

	Note	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
At 1 April		31,513	31,513	21,728
Addition		234	234	12,203
Less: recognised in the income statement		(4,095)	(4,095)	(2,418)
At 31 March		27,652	27,652	31,513
Analysis of deferred fee income:				
Current	14	4,107	4,107	4,094
Non-current		23,545	23,545	27,419
		27,652	27,652	31,513

Deferred income mainly refers to the payment received in advance from third party and related companies for the rights given to use the Company's property, plant and equipment over a period of time. The deferred income is recognised on a time apportionment basis over the period.

14. TRADE AND OTHER PAYABLES

	Note	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Trade payables	14.1	–	–	512
Other payables	14.2	79,110	79,110	57,340
Accruals		66,463	66,463	106,415
Amounts due to related companies	14.3	2,087	2,087	4,354
Deferred income	13	4,107	4,107	4,094
		151,767	151,767	172,715

14.1 The credit period granted to the Company is 30 days (2006 – 30 days).

14.2 Included in other payables are interest payable of RM3,091,000 (2006 – RM5,272,000) and amount owing to suppliers and advances to contractors for purchase of property, plant and equipment of approximately RM104,542,000 (2006 – RM158,259,000).

14.3 The amounts due to related companies are non-trade in nature. These balances arose from the normal course of business.

15. GROSS PROFIT

	Group 2007 RM'000	Company 2007 RM'000	2006 RM'000
Revenue			
– throughput fees	2,404,357	2,404,357	2,347,463
– sale of industrial utilities	577,990	577,990	491,835
	2,982,347	2,982,347	2,839,298
Cost of revenue			
– cost of throughput	1,281,514	1,281,514	1,350,861
– cost of industrial utilities	444,102	444,102	413,882
	1,725,616	1,725,616	1,764,743
Gross profit	1,256,731	1,256,731	1,074,555

16. OPERATING PROFIT

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Operating profit is arrived at after charging:-			
Audit fees	153	153	146
Contribution to retirement benefits	6,116	6,116	6,706
Contribution to Employees Provident Fund	13,135	13,135	12,221
Depreciation of property, plant and equipment	622,643	622,643	658,035
Fees to holding company for services of an executive director	737	737	737
Loss on realised foreign exchange	–	–	78
Maintenance materials and spares written off	5,101	5,101	–
Non-executive directors' fees	346	346	349
Property, plant and equipment expensed off	1,027	1,027	1,462
Property, plant and equipment written off	186	186	14
Rental of equipment and motor vehicles	3,747	3,747	6,705
Rental of land and buildings	5,685	5,685	5,626
and after crediting:-			
Gain on realised foreign exchange	313	313	–
Gain on disposal of property, plant and equipment	202	202	325
Interest income from deposits	33,258	33,258	18,291
Excess of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of an associate	21,381	–	–
Rental income on land and buildings	225	225	410

The estimated monetary value of executive director's benefits-in-kind is Nil (2006 – RM6,900).

17. EMPLOYEE INFORMATION

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Staff costs	192,781	192,781	186,386

Included in staff costs are manpower expense capitalised to projects of RM9,940,000 (2006 – RM9,043,000).

18. FINANCING COSTS

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Interest expense/Finance charges on:			
Term loans	24,426	24,426	28,140
Islamic Debt Facilities			
– Bai' Bithaman Ajil Facilities	–	–	6,707
	24,426	24,426	34,847

19. TAX EXPENSES

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Tax expense			
– current year	164,136	164,136	106,600
– under provision in prior year	64	64	268
	164,200	164,200	106,868
Deferred tax expense			
– reversal of temporary differences	(81,143)	(81,143)	(53,000)
– effect of difference in tax rate	(48,857)	(48,857)	–
	(130,000)	(130,000)	(53,000)
Tax expense	34,200	34,200	53,868
Tax expense on share of profit of associate	3,897	–	–
Tax expense on share of profit of jointly controlled entity	–	–	–
Total tax expense	38,097	34,200	53,868

With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% from year of assessment 2008. Consequently deferred tax assets and liabilities are measured using these tax rates.

19. TAX EXPENSES (CONT'D)

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Reconciliation of effective tax expense			
Profit before taxation	1,281,179	1,233,057	1,024,906
Income tax using Malaysian statutory tax rate at 27% (2006 – 28%)	345,918	332,925	286,974
Non-deductible expenses	20,358	20,352	3,229
Income not subject to tax	(5,773)	–	–
Utilisation of reinvestment allowance	(206,589)	(206,589)	(236,603)
Effect of changes in Malaysian statutory tax rate	(115,881)	(112,552)	–
	38,033	34,136	53,600
Under provision in prior years	64	64	268
Tax expense	38,097	34,200	53,868

20. DIVIDENDS

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Ordinary			
Final paid:			
2006 – 25% per share tax exempt			
(2005 – 20% per share tax exempt)	494,683	494,683	395,746
Interim paid:			
15% per share less 28% tax			
(2006 – 15% per share less 28% tax)	213,703	213,703	213,703
	708,386	708,386	609,449

The proposed final dividends of 20% per share tax exempt and 10% per share less 27% tax (2006 – 25% per share tax exempt) totaling RM540,194,000 (2006 – RM494,683,000) have not been accounted for in the financial statements.

The net dividend per ordinary share as disclosed in the income statement for the financial year ended 31 March 2007 on page 85 takes into account the total interim and proposed final dividend for the financial year as follows:

	Group	Company	
	2007	2007	2006
	Sen	Sen	Sen
Interim dividends per ordinary share paid – net	10.8	10.8	10.8
Final dividends per ordinary share proposed – net	27.3	27.3	25.0
	38.1	38.1	35.8

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The earnings per share is derived based on the net profit attributable to ordinary shareholders of RM1,246,979,000 (2006 – RM971,038,000) and on the number of ordinary shares outstanding during the year of 1,978,732,000 (2006 – 1,978,732,000).

22. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at balance sheet date not provided for in the financial statements are:-

	Company	
	2007 RM'000	2006 RM'000
Property, plant and equipment:		
Approved and contracted for		
Less than one year	81,669	206,041
Between one and five years	7,535	31,190
Approved but not contracted for		
Less than one year	183,486	164,621
Between one and five years	16,227	2,457
	288,917	404,309

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with the holding company as disclosed in Note 25.

Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows:-

	Group	Company	
	2007 RM'000	2007 RM'000	2006 RM'000
Holding company:			
Throughput fee income	2,404,357	2,404,357	2,347,463
Purchase of fuel gas	(538,199)	(538,199)	(539,281)

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group	Company	
	2007	2007	2006
	RM'000	RM'000	RM'000
Related companies:			
Aromatics Malaysia Sdn. Bhd.			
Sale of industrial utilities	27,343	27,343	24,274
Vinyl Chloride (Malaysia) Sdn. Bhd.			
Sale of industrial utilities	42,254	42,254	38,317
PETRONAS Ammonia Sdn. Bhd.			
Sale of industrial utilities	75,560	75,560	64,537
MTBE Malaysia Sdn. Bhd.			
Sale of industrial utilities	71,056	71,056	60,967
Petlin (Malaysia) Sdn. Bhd.			
Sale of industrial utilities	45,830	45,830	34,186
Bekalan Air KIPC Sdn. Bhd.			
Purchase of treated water	(5,856)	(5,856)	(8,351)
Management fee income	500	500	500
PETRONAS Carigali Sdn. Bhd.			
Lease income on equipment	1,441	1,441	360
CEFS Response			
Contribution for emergency response services	(2,047)	(2,047)	(7,884)
Associated companies and jointly controlled entity of the holding company:			
Kertih Terminals Sdn. Bhd.			
Sale of industrial utilities	3,952	3,952	3,769
BASF PETRONAS Chemicals Sdn. Bhd.			
Sale of industrial utilities	47,728	47,728	41,126
BP PETRONAS Acetyls Sdn. Bhd.			
Sale of industrial utilities	31,258	31,258	28,584
Optimal Group of Companies			
Sale of industrial utilities	182,189	182,189	135,642
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.			
Access right acquisition fee	934	934	932
Annual access right acquisition fee	1,000	1,000	1,000

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on commercial basis.

24. SEGMENTAL INFORMATION

Segment information is presented in respect of the Company's business segments which is based on the Company's management and internal reporting structure.

The Company operates the following main business segments:

Throughput services – Services rendered for separating natural gas into its components and the storage, transportation and distribution of such components.

Utilities – Sale of industrial utilities.

The Company operates only in Malaysia and accordingly, information by geographical location of the Company's operations is not presented.

The segmental information in respect of the associate and jointly controlled entity is not presented as the contribution of the associate and jointly controlled entity and the carrying amount of investment in the associate and jointly controlled entity has been reflected in the income statement and balance sheet of the Group. Details of the associate are disclosed in Note 4 to the financial statements. While the jointly controlled entity has yet to commence its operation, details of the jointly controlled entity are disclosed in Note 5 to the financial statements.

	Throughput services		Utilities		Total	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Business segments						
Revenue	2,404,357	2,347,463	577,990	491,835	2,982,347	2,839,298
Segment results	1,122,843	996,602	133,888	77,953	1,256,731	1,074,555
Unallocated expenses and income					22,133	(14,802)
Operating profit					1,278,864	1,059,753
Financing costs					(24,426)	(34,847)
Share of profit after tax of equity accounted associate and jointly controlled entity					26,741	–
Profit before taxation					1,281,179	1,024,906
Tax expenses					(34,200)	(53,868)
Profit for the year					1,246,979	971,038

24. SEGMENTAL INFORMATION (CONT'D)

	Throughput services		Utilities		Total	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Segment assets	6,130,876	6,282,572	2,129,286	2,233,881	8,260,162	8,516,453
Investment in associate	–	–	–	–	151,480	–
Investment in jointly controlled entity	–	–	–	–	103	–
Unallocated assets					1,081,377	880,714
Total assets					9,493,122	9,397,167
Segment liabilities	140,330	185,008	10,433	30,145	150,763	215,153
Unallocated liabilities					1,756,048	2,134,296
Total liabilities					1,906,811	2,349,449
Capital expenditure	303,536	276,494	40,412	5,781	343,948	282,275
Depreciation	461,758	508,734	160,885	149,301	622,643	658,035

The Company does not have significant non-cash expenses other than the depreciation as disclosed above.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

25. HOLDING COMPANY

The holding company as well as the ultimate holding company is Petroliaam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

26. SIGNIFICANT EVENTS

(i) Acquisition of interest in Gas Malaysia Sdn. Bhd.

On 4 March 2005, the Company entered into a Call Option Agreement with its holding company to acquire 20% equity interest in Gas Malaysia Sdn. Bhd., at a consideration of RM102,030,000. The duration of the option was for an initial period of one year at a fee of RM1,000,000.

On 2 March 2006, the Company notified its holding company of its intention to exercise the option to acquire the 20% equity interest in Gas Malaysia Sdn. Bhd. Subsequently, the sale and purchase agreement for the acquisition was signed on 24 May 2006 and a 10% deposit for the acquisition was paid on 25 May 2006.

On 7 September 2006, the acquisition of 20% equity interest in Gas Malaysia Sdn. Bhd. was completed upon obtaining all necessary approvals from relevant regulatory authorities. Subsequently, the Company paid the remaining amount of RM91,827,000 which represents 90% of the purchase price.

This transaction has been accounted for as an investment in associate as disclosed in Note 4.

(ii) Interest in jointly controlled entity

On 7 July 2006, the Company entered into a Joint Venture Agreement with MOX Gases Sdn. Bhd. for the purpose of the establishment and management of the business of marketing, sale, distribution and promotion of gaseous nitrogen in Gebeng Industrial Area, Kuantan through a jointly controlled entity.

On 5 February 2007, the jointly controlled entity was incorporated under the name of Industrial Gases Solutions Sdn. Bhd.

This transaction has been accounted for as investment in jointly controlled entity as disclosed in Note 5.

27. FINANCIAL INSTRUMENTS

Financial risk management

The holding company has a Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the PETRONAS Group. The Company has adopted the Group Risk Management Framework and Guideline in its Risk Management policies and guidelines.

The Company is exposed to various risks that are particular to its core business which consists of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee and the sale of industrial utilities. These risks arise in the normal course of the Company's business.

Exposure to financial risk arises as a natural course of the Company's business. The Company has a written Risk Management policies and guidelines which have been approved by the Board of Directors. The policies and guidelines set the overall business strategy, philosophy, tolerance to risk and established process to monitor and control transactions in a timely and accurate manner. The business decision reflects appropriate balance between risk and reward to protect the Company's personnel, business, operations, assets and corporate image. The Company is driven by its goal to create and maximise value in its core activities and therefore will strive for improvement in providing the necessary resources, organisation, systems, training and needed communication to ensure that risk management is institutionalised across the Company.

27. FINANCIAL INSTRUMENTS (CONT'D)**Credit risk**

Credit risk is the potential exposure to the Company in the event of non-performance by its counterparties. The Company assigns and monitors credit rating of its customers as per its Risk Management policies and guidelines.

The Company's major credit risk arises from trade transactions with utilities customers. Exposure to external credit risk in respect of throughput customers is minimal as the Company only deals with its holding company.

The Company has a credit policy in place to monitor utility customers on an ongoing basis. Credit evaluations are required to be performed on all new customers to establish the credit period. The Company requires bank guarantee on all third party utilities customers.

Investments are allowed only to be placed with licensed financial institutions. All investments are short term in nature and are less than one year. Given the licensed financial institutions' high credit ratings, the Company does not expect any counterparty to fail to meet their obligations.

At the balance sheet date, the significant concentration of credit risk is represented by the amount due from holding company and related companies arising from the normal course of business. Apart from this, the largest debtor which accounted for 62% (2006 - 58%) of the total trade receivables relates to debt due from two customers (2006 - 2 customers).

The maximum exposure to credit risk for the Company is represented by the carrying amount of each financial asset.

Interest rate risk

Interest rate risk is the risk of loss due to the volatility of interest rates on debt. The Company ensures all long term loans/bonds are on a fixed interest rate. This will eliminate any risk of interest rate fluctuation.

Foreign currency risk

Exposure to foreign currency risk arises as a natural consequence of the Company engaging in its business activities. The Company practices hedging of its borrowings denominated in foreign currency.

As at 31 March 2007, the Company has outstanding term loans denominated in Japanese Yen secured via an on-lending agreement with the holding company as disclosed in Note 11. The Company has mitigated the risk arising from the foreign exchange rate movement by way of entering into a currency exchange agreement with the holding company. Under the currency exchange agreement, the holding company has agreed to make available Japanese Yen equivalent to the principal amounts due on the respective repayment due dates at the rate of RM2.838 = JPY100. The agreed exchange rates represent the prevailing exchange rate when the loans were taken.

Liquidity risk

Liquidity risk arises from the requirement to raise funds for the business on an ongoing basis as a result of existing and future commitments which are not funded from internal resources.

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

27. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis

In respect of interest-earning financial asset and interest-bearing financial liability, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

2007							
Average effective interest rate	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
Financial asset							
Deposits	3.6%	1,066,990	1,066,900	–	–	–	–
Financial liability							
Term loans	3.4%	454,100	–	–	–	–	454,100

2006							
Average effective interest rate	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
Financial asset							
Deposits	3.3%	865,532	865,532	–	–	–	–
Financial liability							
Term loans	3.2%	766,295	312,195	–	–	–	454,100

Fair value

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, borrowings and trade and other payables. The carrying amounts in respects of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair value of unsecured term loan is as follows:

	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Unsecured term loan	454,100	498,694	766,295	813,479

No disclosure is made in respect of unquoted investment as it is not practicable to determine their fair values because of the lack of quoted market price.

28. CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised FRSs that are effective for accounting periods beginning after 1 January 2006. The effect of adopting the new/revised FRSs has been accounted for either prospectively or retrospectively by restating comparatives and adjusting the opening balance of retained earnings, in accordance with specific requirements of the respective FRSs.

The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are as follows:

(i) FRS 116 – Property, Plant and Equipment

With the adoption of the revised FRS 116, the cost of an item of property, plant and equipment includes the estimated costs of dismantling and removing items and restoring the site on which it is located, where such obligations exist. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

(ii) Capitalisation of plant turnaround and major inspection costs

During the financial year, the Company capitalised its plant turnaround and major inspection costs which enhance the useful lives of the plant and these costs are depreciated until the next turnaround/major inspection periods.

Prior year adjustment

The effect of the adoption of the FRS and change in accounting policy in respect of the plant turnaround and major inspection costs has not resulted in a restatement of comparative figures as the effect of adopting the relevant standards are accounted for prospectively.

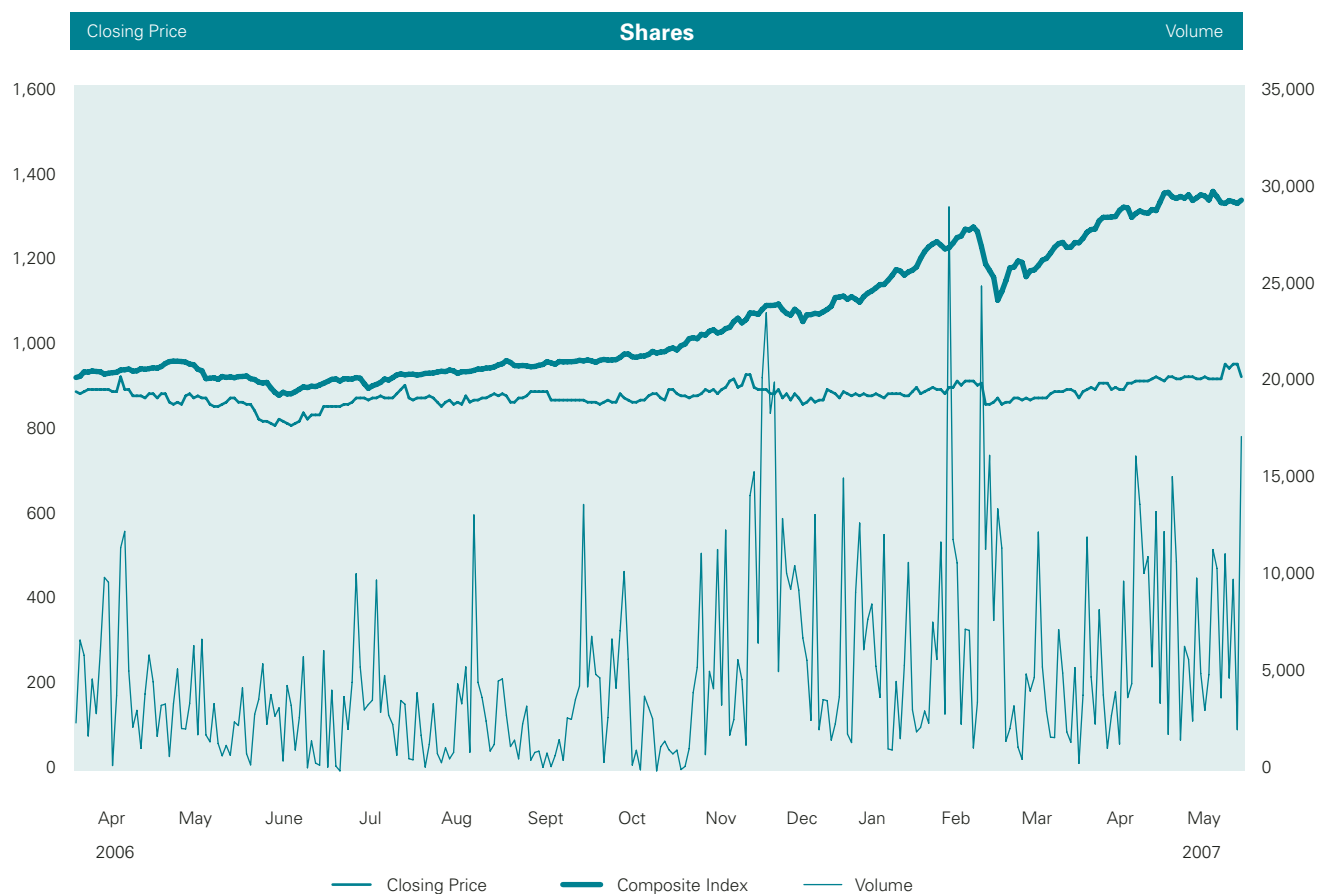
29. COMPARATIVE FIGURES

The comparative figures for the Group are not presented as the Company does not have any investments in an associate and jointly controlled entity in prior year. This is the first set of financial statements prepared by the Group.

Other Information

- 120** Performance of Shares
 - 121** Analysis of Shareholdings
 - 124** Summary of Landed Property, Plant and Equipment
 - 130** Corporate Directory
 - 131** Notice of Annual General Meeting
 - 132** Appendix
 - 140** Statement Accompanying Notice of Annual General Meeting
- Proxy Form

Performance of Shares



	For the year ended 31 March		April-May
	2006	2007	2007
Highest Price	9.30	9.35	9.95
Lowest Price	6.75	7.80	8.80

Analysis of Shareholdings

as at 31 May 2007

Category	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	61	0.49	897	0.00
100 - 1,000	9,204	73.31	8,973,349	0.45
1,001 - 10,000	2,762	22.00	9,293,200	0.47
10,001 - 100,000	374	2.98	12,676,675	0.64
100,001 to less than 5% of issued shares	151	1.20	213,018,894	10.77
5% and above of issued shares	3	0.02	1,734,768,900	87.67
Total	12,555	100	1,978,731,915	100

CLASSIFICATION OF SHAREHOLDERS

Category of Shareholders	No. of Shareholders		No. of Shares		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL	11,172	114	18,713,516	489,700	0.95	0.02
BODY CORPORATE						
a. Banks/Finance companies	31	2	563,836,500	352,200	28.49	0.02
b. Investment Trusts/Foundation/Charities	29	–	798,300	–	0.04	–
c. Other types of companies	269	7	16,352,904	240,500	0.83	0.01
GOVERNMENT AGENCIES/ INSTITUTIONS	13	–	1,895,000	–	0.09	–
NOMINEES	713	205	1,345,421,833	30,631,462	68.00	1.55
OTHERS	–	–	–	–	–	–
Total	12,227	328	1,947,018,053	31,713,862	98.40	1.60

LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name	No. of Shares	% of Total Shareholdings
1.	Tan Sri Dato Sri Mohd Hassan bin Marican	5,000	0.00
2.	Samsudin bin Miskon	–	–
3.	Dato' Sadasivan s/o N.N. Pillay	–	–
4.	Dato' Chew Kong Seng	–	–
5.	Datuk Mohd Zain bin Haji Abdul Majid	–	–
6.	Muri bin Muhammad *Mayban Securities Nominees (Tempatan) Sdn. Bhd.	7,000	0.00
7.	Datuk (Dr) Abdul Rahim bin Haji Hashim	–	–
8.	Wan Zulkiflee bin Wan Ariffin	2,000	0.00
9.	Mohammed Azhar bin Osman Khairuddin	5,000	0.00
10.	Abd Hamid bin Ibrahim	5,000	0.00

* Shares held in nominees' name

ANALYSIS OF SHAREHOLDINGS

as at 31 May 2007

LIST OF DIRECTORS' SHAREHOLDINGS IN PETRONAS DAGANGAN BERHAD

No.	Name	No. of Shares	% of Total Shareholdings
1.	Tan Sri Dato Sri Mohd Hassan bin Marican	2,000	0.00
2.	Samsudin bin Miskon	—	—
3.	Dato' Sadasivan s/o N.N. Pillay	—	—
4.	Dato' Chew Kong Seng	—	—
5.	Datuk Mohd Zain bin Haji Abdul Majid	—	—
6.	Muri bin Muhammad *Mayban Securities Nominees (Tempatan) Sdn. Bhd.	10,000	0.00
7.	Datuk (Dr) Abdul Rahim bin Haji Hashim	2,000	0.00
8.	Wan Zulkiflee bin Wan Ariffin	—	—
9.	Mohammed Azhar bin Osman Khairuddin	2,000	0.00
10.	Abd Hamid bin Ibrahim	2,000	0.00

* Shares held in nominees' name

LIST OF DIRECTORS' SHAREHOLDINGS IN KLCC PROPERTY HOLDINGS BERHAD

No.	Name	No. of Shares	% of Total Shareholdings
1.	Tan Sri Dato Sri Mohd Hassan bin Marican	50,000	0.00
2.	Samsudin bin Miskon	—	—
3.	Dato' Sadasivan s/o N.N. Pillay	—	—
4.	Dato' Chew Kong Seng	—	—
5.	Datuk Mohd Zain bin Haji Abdul Majid	—	—
6.	Muri bin Muhammad *Mayban Securities Nominees (Tempatan) Sdn. Bhd.	—	—
7.	Datuk (Dr) Abdul Rahim bin Haji Hashim	—	—
8.	Wan Zulkiflee bin Wan Ariffin	—	—
9.	Mohammed Azhar bin Osman Khairuddin	—	—
10.	Abd Hamid bin Ibrahim	—	—

* Shares held in nominees' name

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1.	Cartaban Nominees (Tempatan) Sdn. Bhd. (Petroleum Nasional Berhad (Strategic Inv))	1,199,768,000	60.63
2.	Kumpulan Wang Persaraan (Diperbadankan)	293,400,000	14.83
3.	Employees Provident Fund Board	241,600,900	12.21
4.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Skim Amanah Saham Bumiputera)	54,377,700	2.75
5.	Malaysia Nominees (Tempatan) Sdn. Bhd. (Great Eastern Life Assurance (Malaysia) Berhad (Par 1))	20,321,000	1.03
6.	Valuecap Sdn. Bhd.	17,512,700	0.89
7.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Wawasan 2020)	10,310,000	0.52
8.	Citigroup Nominees (Tempatan) Sdn. Bhd. (Exempt An For Prudential Assurance Malaysia Berhad)	10,076,900	0.51
9.	Citigroup Nominees (Asing) Sdn. Bhd. (Exempt An For American International Assurance Company Limited)	7,002,800	0.35

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares	% of Total Shareholdings
10.	Khazanah Nasional Berhad	6,136,000	0.31
11.	Pertubuhan Keselamatan Sosial	5,588,800	0.28
12.	Cartaban Nominees (Asing) Sdn. Bhd. (Investors Bank and Trust Company For Ishares, Inc.)	5,363,300	0.27
13.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Malaysia)	3,419,500	0.17
14.	HSBC Nominees (Tempatan) Sdn. Bhd. (Nomura Asset Mgmt Sg For Employees Provident Fund)	3,386,600	0.17
15.	HSBC Nominees (Asing) Sdn. Bhd. (BBH and Co. Boston for Vanguard Emerging Markets Stock Indexfund)	3,171,800	0.16
16.	Malaysia Nominees (Tempatan) Sdn. Bhd. (Great Eastern Life Assurance (Malaysia) Berhad (Par 2))	2,954,000	0.15
17.	Malaysia National Insurance Berhad	2,641,200	0.13
18.	Malaysia Nominees (Tempatan) Sdn. Bhd. (Great Eastern Life Assurance (Malaysia) Berhad (Non Par 1))	2,350,000	0.12
19.	Permodalan Nasional Berhad	2,288,900	0.12
20.	Cartaban Nominees (Tempatan) Sdn. Bhd. (MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404))	2,250,000	0.11
21.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Ittikal Fund (N14011970240))	2,170,800	0.11
22.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Didik)	2,149,800	0.11
23.	Lembaga Tabung Haji	2,083,600	0.11
24.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Investment Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja (N14011980810))	2,000,000	0.10
25.	Takaful Nasional Sdn. Bhd.	1,950,000	0.10
26.	Cartaban Nominees (Asing) Sdn. Bhd. (Investors Bank and Trust Company for MSCI Equity Index Fund B Malaysia (Barclays G Inv))	1,682,460	0.09
27.	Citigroup Nominees (Asing) Sdn. Bhd. (CBNY For DFA Emerging Markets Series)	1,304,200	0.07
28.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Alliance Investment Management Berhad for Employees Provident Fund)	1,279,000	0.06
29.	HSBC Nominees (Asing) Sdn. Bhd. (Sumitomo T&B NY For Asia High Dividend Equity Mother Fund)	1,190,000	0.06
30.	SBB Nominees (Tempatan) Sdn. Bhd. (Pertubuhan Keselamatan Sosial)	1,178,700	0.06
		1,910,908,660	96.58

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1.	Cartaban Nominees (Tempatan) Sdn. Bhd. (Petroleum Nasional Berhad (Strategic Inv))	1,199,768,000	60.63
2.	Kumpulan Wang Persaraan (Diperbadankan)	293,400,000	14.83
3.	Employees Provident Fund Board	241,600,900	12.21

Summary of Landed Property, Plant and Equipment

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2007 as set out below:-

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Net Book Value as at 31 March 2007 (RM'000)
TERENGGANU							
Gas Processing Plants, Kertih Km 105, Jalan Kuantan-Kuala Terengganu 24300 Kertih, Kemaman, Terengganu		Leasehold Expiry :	Leasehold land				1,163,084
Lot No. 1903	30.09.1991	28.02.2043 (Sub-Lease 60 years)	Plant GPP 1 GPP 2 GPP 3	89.9	22.5 14.6 14.4	95,998 123,310 123,310	
Lot No. 3541	30.09.1991	03.04.2050 (60 years)	GPP 4 / DPCU2 Compressor Station	34.6	12.7 15.3	266,400 65,010	
Lot No. 1902	30.09.1991	26.02.2082 (99 years)	Office Administration building 1 Administration building 2 Fire station	2.7	21.6 16.9 19.0	1,282 6,892 3,248	
Gas Processing Plants, Paka Km 8, Kg. Tok Arun, Off Jalan Santong 23100 Paka, Dungun, Terengganu		Leasehold Expiry :	Leasehold land				1,684,955
Lot No. 7346	03.08.1997	13.07.2058 (60 years)	Plant GPP 5 GPP 6 DPCU 3 Office Administration building	189.6	8.1 7.4 8.6 9.4	200,000 220,000 60,000 12,220	
Lot No. 7220	03.08.1997	20.06.2058 (60 years)	(Vacant)	27.0			
Export Terminal Operation Tanjung Sulong 24000 Kemaman, Terengganu		Leasehold Expiry :	Leasehold land				178,258
Lot No. 1314	24.07.1993	19.03.2025 (40 years)	Plant Unit 1,2,3,4 Office Administration building	9.3	22.4	1,146	
Lot No. 1333	24.07.1993	11.03.2027 (40 years)	Marine facility Breakwater Jetty	2.8	22.4		

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2007 as set out below (cont'd):-

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Net Book Value as at 31 March 2007 (RM'000)
Centralised Utility Facilities (CUF) Operations, Kertih		Leasehold Expiry :	Leasehold land				1,366,514
Kertih Integrated Petrochemical Complex			<u>Plant</u>				
Km 105, Jalan Kuantan-Kuala Terengganu			CGN B		7.3	667	
24300 Kertih, Kemaman, Terengganu			CGN C		7.3	667	
			CGN D, E, F		6.8	2,000	
			Water Plant		6.8	2,000	
			CGN G		5.9	667	
			ASU		6.0	15,451	
			Lab & Workshop		6.0	729	
Lot No. PT8970	21.12.1999	19.08.2060 (60 years)	Control Room	37.1	5.8	1,820	
			<u>Office</u>				
			Administration building		6.1	514	
PAHANG							
Kuantan Regional Operations Office		Leasehold Expiry :	Leasehold land				9,430
Lot 1, Sector 1, Bandar Indera Mahkota							
25200 Kuantan, Pahang							
Lot No. PT16756	04.01.1989	04.01.2088 (99 years)	<u>Office</u>	11.2			
			Regional Office		15.4	2,428	
Kuantan Compressor Station		Leasehold Expiry :	Leasehold land				56,795
Kampung Mahkota, Km 19, Jalan Gambang							
26070 Kuantan, Pahang							
Lot No. PT60398	04.01.1989	26.08.2101 (99 years)	<u>Plant</u>	20.1			
			Compressor Station		13.3	1,142	
Centralised Utility Facilities (CUF) Operations, Gebeng	17.11.1999	Leasehold Expiry :	Leasehold land	18.8			637,934
Lot 139A, Gebeng Industrial Area Phase III		To be determined (possibly 99 years)	<u>Plant</u>				
26080 Kuantan, Pahang			CGN A		7.3	667	
			CGN B		7.3	667	
			CGN C		7.3	667	
			N2GEN		7.3	360	
			Water Plant		6.8	2,000	
			<u>Office</u>				
			Maintenance building		5.8	1,015	
			Warehouse		5.8	1,004	

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2007 as set out below (cont'd):-

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Net Book Value as at 31 March 2007 (RM'000)
JOHOR							
Segamat Operation Centre, Gas Transmission System Km 10, Lebuhraya Segamat-Kuantan, 85000 Segamat, Johor		Leasehold Expiry :	Leasehold land				96,938
Lot No. PTD564	22.09.1991	18.02.2102 (99 years)	<u>Plant</u> Compressor Station <u>Office</u> Operation Centre	61.3	9.2 15.6	2,792 8,080	
Pasir Gudang Regional Operations Office, PLO 332, Jalan Perak 4, Pasir Gudang Industrial Area, 81700 Pasir Gudang, Johor		Leasehold Expiry :	Leasehold land				6,592
Lot No. PTD84942	23.04.1989	22.04.2088 (99 years)	<u>Office</u> Regional Office	4.1	15.7	2,428	
NEGERI SEMBILAN							
Seremban Regional Operations Office, Km 11, Jalan Seremban-Tampin, 71450 Sg. Gadut, Seremban, Negeri Sembilan			Freehold land				8,007
Lot No. PT1131	16.02.1994	Freehold	<u>Office</u> Regional Office	15.1	15.6	2,428	
SELANGOR							
Shah Alam Regional Operations Office, Lot 1, Jalan Jemuju Lima 16/13E, Shah Alam Industrial Area, Section 16, 40200 Shah Alam, Selangor		Leasehold Expiry:	Leasehold land				7,970
Lot No. PT606	12.10.1990	11.10.2089 (99 years)	<u>Office</u> Regional Office	2.9	15.3	2,428	

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2007 as set out below (cont'd):-

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Net Book Value as at 31 March 2007 (RM'000)
Meru Compressor Station, Lot 1586 (G3907), Mukim of Jeram, District of Kuala Selangor	04.08.1998	Leasehold Expiry: To be determined (possibly 99 years)	Leasehold land (Vacant)	5.4	N/A	N/A	1,233
PERAK							
Sitiawan Regional Operations Office, Lot 33263, Jalan Dato' Ahmad Yunus, 32000 Sitiawan, Perak		Leasehold Expiry:	Leasehold land				5,112
Lot No. PT4535	04.11.1997	27.06.2101 (99 years)	Office Regional Office	3.2	9.4	1,604	
KEDAH							
Gurun Regional Operations Office, PO Box 31, Km 1, Jalan Jeniang, 08300 Gurun, Kedah		Leasehold Expiry:	Leasehold land				5,311
Lot No. PT5841	18.12.1997	22.04.2102 (99 years)	Office Regional Office	2.9	8.5	1,604	
SARAWAK							
Miri Operations Office, Lot 2075, Block 4, Jalan Cattleya 2B, Piasau Industrial Area, PO Box 1504, 98008 Miri, Sarawak	N/A		Pipeline Meter Station Pipeline across 42.2 km	N/A – located along road reserve area	17	2,066	11,425
Bintulu Gas Meter Station, Kidurong Industrial Area, Part of Lot 155 Block 20, Kemena Land District, 97007 Bintulu, Sarawak	N/A		Pipeline Meter Station Pipeline across 4.2 km	0.1	10.4	630	5,220
PIPELINES							
PGU I – total gas pipeline comprises 6 km from Kertih to Paka, Terengganu & 32 km from Kertih to Teluk Kalong, Terengganu and two 40 kms of lateral line from the GPPs to the Export Terminal in Tanjung Sulong, Terengganu	20.03.1985	Leasehold Expiry: (40.60.99 years)	Pipelines Pipelines in leasehold land Terengganu 49 lots	Terengganu 272.1	22.5	N/A	38,233

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2007 as set out below (cont'd):-

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Net Book Value as at 31 March 2007 (RM'000)
PGU II – total gas pipeline comprises Sector 1 – 233 km from Teluk Kalong, Terengganu to Segamat, Johor, Sector 2 – 241 km from Segamat, Johor to Kapar, Selangor, & Sector 3 - 211 km from Segamat, Johor to Singapore	01.01.1992	Leasehold Expiry: (99 years)	<u>Pipelines</u> Pipelines in leasehold land		15.3	N/A	617,833
			Terengganu 20 lots	Terengganu 81.1			
			Pahang 325 lots	Pahang 516.0			
			Johor 639 lots (Inclusive Loop 1 & Loop 2)	Johor 901.6			
			Melaka 141 lots	Melaka 192.3			
			Negeri Sembilan 265 lots	Negeri Sembilan 462.2			
			Selangor 141 lots	Selangor 290.3			
PGU III – total gas pipeline comprises Sector 1 - 184 km from Meru, Selangor to Lumut, Perak, Sector 2 - 176 km from Lumut, Perak to Gurun, Kedah, Sector 3 - 90 km of NPS 36" mainline from Gurun to Pauh, Perlis	06.01.1996	Leasehold Expiry: (99 years)	<u>Pipelines</u> Pipelines in leasehold land		Sector 1 11.3	N/A	713,604
			Selangor 92 lots	Selangor 177.8	Sector 2&3 9.4	N/A	
			WP Kuala Lumpur 14 lots	WP Kuala Lumpur 17.9			
			Perak 360 lots	Perak 543.6			
			Penang 96 lots	Penang 119.2			
			Kedah 263lots	Kedah 492.2			
			Perlis 74 lots	Perlis 87.3			

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2007 as set out below (cont'd):-

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Net Book Value as at 31 March 2007 (RM'000)
PGU Loop 1 – total gas pipeline of 265 km from Kertih, Terengganu to Segamat, Johor	04.10.1999		<u>Pipelines</u> Pipelines in leasehold land		7.6	N/A	440,258
			Terengganu 77 lots	Terengganu 142.2			
			Pahang 363 lots	Pahang 127.6			
PGU Loop 2 – total gas pipeline of 226 km from Segamat, Johor to Meru, Selangor	01.11.2000		<u>Pipelines</u> Pipelines in leasehold land (Part of PGU's document of title)		6.6	N/A	476,405
TOTAL							7,531,111

Abbreviations:

CGN : Cogenerator Plant
DPCU : Dew Point Control Unit Plant
GPP : Gas Processing Plant
N2GEN : Nitrogen Generator
ASU : Air Separation Unit

Corporate Directory

PETRONAS GAS BERHAD

Level 49-51, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Telephone : + 6 03 2051 5000
Fax : + 6 03 2051 6987 (Corporate Secretary)
+ 6 03 2051 6992 (General)

OPERATIONS/REGIONAL OFFICES

Gas Processing Plants, Kertih

Km 105, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 831 2345
Fax : + 6 09 827 1710

Gas Processing Plants, Paka

Km 8, Kg. Tok Arun, Off Jalan Santong
23100 Paka, Dungun
Terengganu Darul Iman
Telephone : + 6 09 831 5656
Fax : + 6 09 827 4578

Export Terminal Operation

Tanjung Sulong
24000, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 862 4321
Fax : + 6 09 863 1146

Centralised Utility Facilities (CUF) Operations, Kertih

Kertih Integrated Petrochemical Complex
Km 105, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 830 5500
Fax : + 6 09 830 5514

Centralised Utility Facilities (CUF) Operations, Gebeng

Lot 139A, Gebeng Industrial Area
Fasa III, 26080 Kuantan
Pahang Darul Makmur
Telephone : + 6 09 586 3300
Fax : + 6 09 586 3311

Segamat Operation Centre, Gas Transmission System

Km 10, Lebuh raya Segamat-Kuantan
85000 Segamat
Johor Darul Takzim
Telephone : + 6 07 935 3000 (20 lines)
Fax : + 6 07 931 6521

Pasir Gudang Regional Operations Office

PLO 332, Jalan Perak 4
Pasir Gudang Industrial Area
81700 Pasir Gudang
Johor Darul Takzim
Telephone : + 6 07 251 0333 (10 lines)
Fax : + 6 07 251 0400

Seremban Regional Operations Office

Km 11, Jalan Seremban-Tampin
71450 Sg. Gadut, Seremban
Negeri Sembilan Darul Khusus
Telephone : + 6 06 677 6777 (10 lines)
Fax : + 6 06 677 7799

Shah Alam Regional Operations Office

Lot 1, Jalan Jemuju Lima 16/13E
Shah Alam Industrial Area, Section 16
40200 Shah Alam
Selangor Darul Ehsan
Telephone : + 6 03 5510 6222 (10 lines)
Fax : + 6 03 5510 1528

Sitiawan Regional Operations Office

Lot 33263, Jalan Dato' Ahmad Yunus
32000 Sitiawan
Perak Darul Ridzuan
Telephone : + 6 05 692 5611/12/13/14
Fax : + 6 05 692 5615

Gurun Regional Operations Office

P.O.Box 31, Km 1, Jalan Jeniang
08300 Gurun
Kedah Darul Aman
Telephone : + 6 04 468 5518
Fax : + 6 04 468 5519

Kuantan Regional Operations Office

Lot 1, Sector 1, Bandar Indera Mahkota
25200 Kuantan
Pahang Darul Makmur
Telephone : + 6 09 573 2802 (10 lines)
Fax : + 6 09 573 2813

Kertih Regional Operations Office

Level 1, PETRONAS East Coast Regional
Office, 24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : + 6 09 864 3423
Fax : + 6 09 864 0375

Miri Operations Office

Lot 2075, Block 4, Jalan Cattleya 2B
Piasau Industrial Area, P.O. Box 1504
98008 Miri
Sarawak
Telephone : + 6 085 661 144
Fax : + 6 085 656 362

Bintulu Operations Office

Lot 1622 & 1623, Ground Floor
Jalan Sommerville, P.O.Box 2190
97011 Bintulu
Sarawak
Telephone : + 6 086 316 517
Fax : + 6 086 311 960

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth Annual General Meeting of the Company will be held at Nirwana Ballroom 1, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Thursday, 26 July 2007 at 10.00 a.m. to consider the following matters:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 March 2007 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of final dividend of 20% per ordinary share tax exempt and 10% per ordinary share less 27% tax in respect of the year ended 31 March 2007. **(Resolution 2)**
3. To re-elect the following Directors pursuant to:-
 - (i) Article 93 of the Company's Articles of Association:
 - (a) Dato' Sadasivan s/o N.N. Pillay **(Resolution 3)**
 - (b) Datuk Mohd Zain bin Haji Abdul Majid **(Resolution 4)**
 - (c) Mohammed Azhar bin Osman Khairuddin **(Resolution 5)**
 - (ii) Article 96 of the Company's Articles of Association:
 - (a) Samsudin bin Miskon **(Resolution 6)**
4. To approve the Directors' fees in respect of the year ended 31 March 2007. **(Resolution 7)**
5. To re-appoint Messrs. KPMG Desa Megat & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

As Special Business

6. To consider and, if thought fit, to pass the following Resolution:

Notes:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote in his stead and he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar, and shall be entitled to vote on a show of hands on any question at any General Meeting.
2. Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or if the member is a corporation, either under seal or under the hand of an officer or attorney duly authorised and shall be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, at least 48 hours before the meeting, or if the meeting is adjourned at least 48 hours before the time fixed for the adjourned meeting.

If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.

4. Explanatory Notes on Special Business:

Proposed Amendments to the Articles of Association of the Company

The proposed Resolution 9 will bring the Articles of Association of the Company in line with the amendments to Listing Requirements of Bursa Malaysia Securities Berhad, in line with the Companies Act, 1965 and to enhance administrative efficiency.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT alterations, modifications, additions or deletions to the Articles of Association of the Company contained in Appendix of the Annual Report 2007 be and are hereby approved."

(Resolution 9)

7. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of members at the Twenty Fourth Annual General Meeting to be held on 26 July 2007, a final dividend of 20% per ordinary share tax exempt and 10% per ordinary share less 27% tax will be paid on 23 August 2007 to shareholders whose names appear in the Register of Depositors on 2 August 2007.

A Depositor shall qualify for entitlement only in respect of :

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 2 August 2007 in respect of ordinary transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Noryati binti Mohd Noor (LS 0008877)

Yeap Kok Leong (MAICSA 0862549)

Company Secretaries

Kuala Lumpur

4 July 2007

Appendix

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The existing Articles of Association of the Company ("the existing Articles") are amended by the alterations, modifications, deletion and/or additions, wherever necessary whereby the affected existing Articles are reproduced here with the proposed amendments to the Articles of Association of the Company alongside it:

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES*		Rationale(s)
1	Interpretations :		Interpretations :		
	WORDS	MEANINGS	WORDS	MEANINGS	
1(aa)	Rules	The Rules of the Central Depository	Rules	The Rules of the Central Depository.	Pursuant to Para 1.01 of the Listing Requirements.
1(b)	Approved Market Place	a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption)(No. 2) Order 1998	Approved Market Place	a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption)(No. 2) Order 1998.	Pursuant to Para 1.01 of the Listing Requirements.
1(f)	Beneficial Owner	in relation to the Deposited Securities, the ultimate owner of the Deposited Securities who is the person who is entitled to all rights, benefits, powers and privileges and is subject to all liabilities, duties and obligations in respect of, or arising from, the Deposited Securities and does not include a nominee of any description.	Beneficial Owner	in relation to the Deposited Securities, the ultimate owner of the Deposited Securities who is the person who is entitled to all rights, benefits, powers and privileges and is subject to all liabilities, duties and obligations in respect of, or arising from, the Deposited Securities and does not include a nominee of any description.	Word is not referred to in the Articles of Association.

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES*		Rationale(s)
	WORDS	MEANINGS	WORDS	MEANINGS	
1(g)	Book Closing Date	the specified time and date set by the Company for the purpose of determining persons entitled to dividends, interest, or new securities, or rights to a priority of application of issues of securities or other distributions.	Book Closing Date	the specified time and date set by the Company for the purpose of determining persons entitled to dividends, interest, or new securities, or rights to a priority of application of issues of securities or other distributions.	Word is not referred to in the Articles of Association.
1(i)	Central Depository	Malaysian Central Depository Sdn. Bhd.	Central Depository	Malaysian Central Depository Sdn. Bhd. Bursa Malaysia Depository Sdn. Bhd.	Pursuant to Para 1.01 of the Listing Requirements.
1(j)	Commission	Securities Commission established under Section 3 of The Securities Commission Act 1993.	Commission	Securities Commission established under Section 3 of The Securities Commission Act 1993.	Word is not referred to in the Articles of Association.
1(q)	Exchange	Kuala Lumpur Stock Exchange	Exchange	Kuala Lumpur Stock Exchange Bursa Malaysia Securities Berhad.	Pursuant to Para 1.01 of the Listing Requirements.
1(v)	Member/ Members	any person/ persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Sdn. Bhd.) including depositors whose names appear on the Record of Depositors.	Member/ Members	any person/ persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Sdn. Bhd. Bursa Malaysia Depository Sdn. Bhd.) including depositors whose names appear on the Record of Depositors.	Pursuant to Para 1.01 of the Listing Requirements.

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES	PROPOSED ARTICLES*	Rationale(s)
4(b)	<p>Issue of Shares to Directors:</p> <p>No Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in an executive capacity.</p>	<p>Issue of Shares to Directors:</p> <p>No Director shall participate in an issue of shares to a share scheme for employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in an executive capacity.</p>	Pursuant to Para 7.04 of the Listing Requirements.
6(a)	<p>Issue of Preference Shares:</p> <p>Subject to the Act, the provision of these Articles and the requirements of the Exchange, the Company shall have power to issue preference shares on such terms and conditions and carrying such rights or restrictions provided that the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time. The company shall not, unless with consent of existing preference shareholders at a class meeting, issued preference shares ranking in priority to the preference shares already issued but may issue preference shares ranking equally therewith.</p>	<p>Issue of Preference Shares:</p> <p>Subject to the Act, the provision of these Articles and the requirements of the Exchange, the Company shall have power to issue preference shares on such terms and conditions and carrying such rights or restrictions provided that the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time. The Company shall not, unless with consent of existing preference shareholders at a class meeting, issued preference shares ranking in priority to the preference shares already issued but may issue preference shares ranking equally therewith.</p>	Pursuant to the removal of Para 7.05 of the Listing Requirements.
8	<p>Waiver from Exchange for convening Extraordinary General Meeting for New Issue of Shares:</p> <p>Notwithstanding Article 7 above, the Company may apply to the Exchange to waive the convening of a general meeting to obtain Members' approval for further issues of shares (other than bonus or rights issues) where :-</p> <p>(a) the aggregate issues of which in any one financial year do not exceed ten per cent (10%) of the issued share capital of Shares of the Company; and</p> <p>(b) there is still in effect a resolution under Section 132D of the Act approving the issuance of shares by the Company.</p>	<p>Waiver from Exchange for convening Extraordinary General Meeting for New Issue of Shares:</p> <p>Notwithstanding Article 7 above, the Company may apply to the Exchange to waive the convening of a general meeting to obtain Members' approval for further issues of shares (other than bonus or rights issues) where :-</p> <p>(a) the aggregate issues of which in any one financial year do not exceed ten per cent (10%) of the issued share capital of Shares of the Company; and</p> <p>(b) there is still in effect a resolution under Section 132D of the Act approving the issuance of shares by the Company.</p>	Application to the Exchange to waive convening a general meeting for the purpose of issuance of shares is not a requirement in the Listing Requirements.

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES	PROPOSED ARTICLES*	Rationale(s)
36(a)	<p>Suspension of Registration :</p> <p>The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least twelve (12) market days after the date of announcement to the exchange or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.</p>	<p>Suspension of Registration :</p> <p>The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least twelve (12) ten (10) market days after the date of announcement to the Exchange or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.</p>	Pursuant to Para 9.19 (1) of the Listing Requirements.
44A	<p>Transmission of Securities from Foreign Register:</p> <p>(1) Where:</p> <p>a) the securities of a company are listed on an Approved Market Place; and</p> <p>b) such company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,</p>	<p>Transmission of Securities from Foreign Register:</p> <p>(1) Where:</p> <p>a) the securities of the Company are listed on an Approved Market Place another stock exchange; and</p> <p>b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,</p>	Pursuant to Para 7.14 of Listing Requirements.

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES	PROPOSED ARTICLES*	Rationale(s)
	<p>such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in ownership of such securities.</p> <p>(2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.</p>	<p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register") other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") and vice versa provided that there shall be no change in ownership of such securities.</p> <p>(2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.</p>	<p>Pursuant to Para 7.14 (1) of Listing Requirements.</p> <p>Pursuant to Para 7.14 (1) of the Listing Requirements.</p> <p>Pursuant to removal of Para 7.14 (2) of the Listing Requirements.</p>
57	<p>Notice of Meetings :</p> <p>The notices of convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting of every such meeting shall be given by advertisement in daily press and in writing to each Stock Exchange upon which the company is listed.</p>	<p>Notice of Meetings :</p> <p>The notices of convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting of every such meeting shall be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.</p>	<p>Pursuant to Para 7.17 of the Listing Requirements.</p>

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES	PROPOSED ARTICLES*	Rationale(s)
59(b)	<p>Request to Central Depository For Record of Depositors:</p> <p>The company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than 3 market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”).</p>	<p>Request to Central Depository For Record of Depositors:</p> <p>The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date the latest date which is reasonably practicable which shall in any event be not less than 3 market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”).</p>	Pursuant to Para 7.18(2) of the Listing Requirements.
70	<p>Voting Rights of Members:</p> <p>Subject to any rights or restrictions for the time being attaching to any class or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney and on a show of hands, every person present who is a Member or a representative of a Member or a proxy shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorized representative shall have one vote for each share he holds.</p>	<p>Voting Rights of Members:</p> <p>Subject to any rights or restrictions for the time being attaching to any class or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney and on a show of hands. A holder of ordinary shares or preference shares who is present as a member or member's representative or proxy or attorney and entitled to vote shall be entitled to one vote. Every person present who is a Member or a representative of a Member or a proxy shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorized representative shall have one vote for each share he holds.</p>	Pursuant to the insertion of new provision Para 7.19A of the Listing Requirements.
73	<p>Appointment of Proxies:</p> <p>A holder may appoint more than two (2) proxies to attend the same meeting. Where a holder appoints two or more proxies, he shall specify the proportion of his share-holding to be represented by each proxy.</p>	<p>Appointment of Proxies:</p> <p>A holder may appoint not more than two (2) proxies to attend the same meeting. Where a holder appoints two or more proxies, he shall specify the proportion of his share-holding to be represented by each proxy.</p>	The Article is to be amended for practicality.

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES	PROPOSED ARTICLES*	Rationale(s)
73A	<p>Where Member is an Authorised Nominee:</p> <p>Where a member of the company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.</p>	<p>Where Member is an Authorised Nominee:</p> <p>Where a Member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.</p>	Amendment done to be consistent with the amendment made to Article 73.
98(a)	<p>Ipso Facto Vacation of Office:</p> <p>The office of a Director shall ipso facto be vacated if the Director :-</p> <ul style="list-style-type: none"> (i) ceases to be a Director by virtue of the Act ; (ii) becomes bankrupt or makes any arrangement or composition with his creditors generally; (iii) becomes prohibited from being a director by reason of any order made under the Act; (iv) becomes unsound mind or person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; (v) is absent from more than 50% of the total board of directors' meetings held during a financial year save and except in a case where the Exchange has granted a waiver to the director from compliance with this requirement; 	<p>Ipso Facto Vacation of Office:</p> <p>The office of a Director shall ipso facto be vacated if the Director :-</p> <ul style="list-style-type: none"> i) ceases to be a Director by virtue of the Act ; (ii) becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office; (iii) becomes prohibited from being a director by reason of any order made under the Act; (iv) becomes unsound mind or person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office; (v) is absent from more than 50% of the total board of directors' meetings held during a financial year save and except in a case where the Exchange has granted a waiver to the director from compliance with this requirement; 	<p>Pursuant to Para 7.29 of the Listing Requirements.</p> <p>Pursuant to Para 7.29 of the Listing Requirements.</p>

* Additions as in bold and deletions as struck through.

Article No.	EXISTING ARTICLES	PROPOSED ARTICLES*	Rationale(s)
	<p>(vi) is removed by a resolution of the company in general meeting and is the case of an alternate or substitute Director by a resolution of the Director; or</p> <p>(vii) resigns his office by notice in writing to the Company.</p>	<p>(vi) is removed by a resolution of the Company in general meeting and in the case of an alternate or substitute Director by a resolution of the Director; or</p> <p>(vii) resigns his office by notice in writing to the Company.</p>	
153(a)	<p>Persons Entitled to Receive Notice:</p> <p>Notice of every general meeting shall be given in any manner herein before authorized to :</p> <p>(i) every Member;</p> <p>(ii) every person entitled to a share in consequence of the death or bankruptcy of a Member who but, for his death or bankruptcy, would be entitled to receive notice of the meeting;</p> <p>(iii) the auditor for the time being of the Company;</p> <p>(iv) the Exchange; and</p> <p>(v) Commission</p>	<p>Persons Entitled to Receive Notice:</p> <p>Notice of every general meeting shall be given in any manner herein before authorized to :</p> <p>(i) every Member;</p> <p>(ii) every person entitled to a share in consequence of the death or bankruptcy if a Member who but, for his death or bankruptcy, would be entitled to receive notice of the meeting;</p> <p>(iii) the auditor for the time being of the Company; and</p> <p>(iv) the Exchange;and</p> <p>(v) Commission</p>	Not a requirement to send a copy of the notice of general meeting to the Securities Commission under the Securities Commission Act 1993, Securities Industry (Central Depositories) Act 1991, Companies Act 1965 and the Listing Requirements.
158	<p>Articles of Subsidiary Company:</p> <p>Subject to the Act and the rules of the Exchange, the Articles each subsidiary company of the Company must contain similar provisions as contained in Articles 98(a)(ii), 98(a)(iv), 98(a)(v), 114 and 121 herein.</p>	<p>Articles of Subsidiary Company:</p> <p>Subject to the Act and the rules of the Exchange, the Articles each subsidiary company of the Company must contain similar provisions as contained in Articles 98(a)(ii), 98(a)(iv), 98(a)(v), 114 and 121 herein.</p>	Pursuant to removal of Para 7.03 of the Listing Requirements.

* Additions as in bold and deletions as struck through.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Listing Requirements appended hereunder are:-

DIRECTORS STANDING FOR RE-ELECTION

Directors who are standing for re-election at the Twenty Fourth Annual General Meeting of the Company which will be held at Nirwana Ballroom 1, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Thursday, 26 July 2007 at 10.00 a.m. of the Company are:-

- (a) Dato' Sadasivan s/o N.N. Pillay
- (b) Datuk Mohd Zain bin Haji Abdul Majid
- (c) Mohammed Azhar bin Osman Khairuddin
- (d) Samsudin bin Miskon

Details of Directors standing for re-election as in Agenda 3 of the Notice of Annual General Meeting

(a) Dato' Sadasivan s/o N.N. Pillay

Age	67
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">• Bachelor of Economics from University of Malaya
Position in the Company	Independent Non-Executive Director
Number of board meetings attended during the year	4/4 (100%)
Working experience	<ul style="list-style-type: none">• Economic Development Board Singapore.• Head of various divisions of Malaysian Industrial Development Authority (MIDA).• Executive Chairman of SKA Management Consultants Sdn. Bhd.
Directorships in other public companies	<ul style="list-style-type: none">• Chemical Company of Malaysia Berhad• Malaysian Industrial Development Finance Berhad• Leader Universal Holdings Berhad• APM Automotive Holdings Berhad• Malaysian Airline System Berhad• Yeo Hiap Seng (Malaysia) Berhad
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-election as in Agenda 3 of the Notice of Annual General Meeting (Cont'd)**(b) Datuk Mohd Zain bin Haji Abdul Majid**

Age	68
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> • Bachelor in Economics from University of Glasgow • Bachelor in Law from University of London • Fellow of the Economic Development Institute of World Bank in Washington • Attended the Senior Executive Programme, London Business School
Position in the Company	Independent Non-Executive Director
Number of board meetings attended during the year	4/4 (100%)
Working experience	<ul style="list-style-type: none"> • He has served for 37 years in several positions in the public and private sectors • Director-General of the Malaysian Industrial Development Authority • Executive Chairman of the Urban Development Authority • Chief Executive of the Malaysian Employers Federation • Executive and Non-Executive Director of various companies in the manufacturing, finance and property sectors • Director of Malaysia LNG Sdn. Bhd. • Director of Malaysia LNG Dua Sdn. Bhd. • Director of Malaysia LNG Tiga Sdn. Bhd.
Directorships in other public companies	Nil
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-election as in Agenda 3 of the Notice of Annual General Meeting (Cont'd)

(c) Mohammed Azhar bin Osman Khairuddin

Age	51
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> • LLB (Honours) from University of Malaya • Member of the International Bar Association • Member of the Inter-Pacific Bar Association
Position in the Company	Non-Independent Non-Executive Director
Number of board meetings attended during the year	4/4 (100%)
Working experience	<ul style="list-style-type: none"> • Senior General Manager in charge of the three main areas of PETRONAS' group operations, namely Legal Services Unit, Corporate Affairs Unit and the Facilities Management and Services Unit.
Directorships in other public companies	Nil
Securities holdings in the Company	5,000
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-election as in Agenda 3 of the Notice of Annual General Meeting (Cont'd)**(d) Samsudin bin Miskon**

Age	46
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> • Bachelors of Science in Chemical Engineering from University of Aston, Birmingham • Master of Science in Project Management from University of Reading • Diploma in International Management, from INSEAD • Advance Management Programme from Harvard Business School
Position in the Company	Managing Director/Chief Executive Officer
Number of board meetings attended during the year	Nil
Working experience	<ul style="list-style-type: none"> • Process Engineer in PETRONAS. • General Manager of Plant Division, OGP Technical Services Sdn. Bhd. • General Manager of Malaysia LNG Dua Sdn. Bhd. • Senior General Manager of Malaysia LNG Sdn. Bhd. • Senior General Manager of Leadership and Capability Development Department of Human Resource Management Division of PETRONAS
Directorships in other public companies	Nil
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Proxy Form

No. of Shares Held

I/We _____
(Full Name In Capital Letters)

of _____
(Full Address)

being a *Member/Members of PETRONAS GAS BERHAD, do hereby appoint _____
(Full Name In Capital Letters)

_____ of _____
(Full Address)

_____ or failing him _____
(Full Name In Capital Letters)

of _____
(Full Address)

or failing him, the CHAIRMAN OF MEETING, as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty Fourth Annual General Meeting to be held at Nirwana Ballroom 1, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 26 July 2007 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his discretion.

No. Resolutions	For	Against
ORDINARY BUSINESS		
1. To receive the Audited Financial Statements for the year ended 31 March 2007 together with the Report of the Directors and Auditors		
2. To approve the payment of final dividend of 20% per ordinary share tax exempt and 10% per ordinary share less 27% tax in respect of the year ended 31 March 2007		
3. To re-elect Director under Article 93 of the Company's Articles of Association:- Dato' Sadasivan s/o N.N. Pillay		
4. To re-elect Director under Article 93 of the Company's Articles of Association:- Datuk Mohd Zain bin Haji Abdul Majid		
5. To re-elect Director under Article 93 of the Company's Articles of Association:- Mohammed Azhar bin Osman Khairuddin		
6. To re-elect Director under Article 96 of the Company's Articles of Association:- Samsudin bin Miskon		
7. To approve the Directors' fees in respect of the year ended 31 March 2007		
8. To re-appoint Messrs. KPMG Desa Megat & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS		
9. To consider and, if thought fit, to pass the following Resolution: PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY		
10. To transact any other business for which due notice has been given		

* Strike out whichever not applicable.

As witness my/our hand this _____ day of _____ 2007.

Signature of Member/Common Seal

NOTES:

- A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote in his stead and he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar, and shall be entitled to vote on a show of hands on any question at any General Meeting.
- Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or if the member is a corporation, either under seal or under the hand of an officer or attorney duly authorised and shall be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, at least 48 hours before the meeting, or if the meeting is adjourned at least 48 hours before the time fixed for the adjourned meeting.

If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.

fold here

Affix
Stamp

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

fold here

PETRONAS GAS BERHAD (101671-H)

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