2013 AWARDS AND ACHIEVEMENTS

THE EDGE BILLION RINGGIT CLUB

PETRONAS Gas Berhad (PGB) was recognised as one of Malaysia's top three Companies in the Industrial products sector in terms of return on equity.

ALPHA ANNUAL SOUTHEAST ASIA INSTITUTIONAL INVESTOR CORPORATE AWARDS

PGB won the Best Senior Management Investor Relations (IR) Support category in Malaysia.

MSOSH

The annual Malaysian Society for Occupational Safety and Health (MSOSH) awards recognises companies in Malaysia that demonstrated outstanding occupational safety and health performance.

Gold Merit

- MSOSH Gold Merit Award Winner 2012 for Segamat Operation Centre (SOC), Segamat Regional Office, Transmission Operations Division, (TOD)
- MSOSH Gold Merit Award Winner 2012 for Pasir Gudang Regional Office, TOD
- MSOSH Gold Merit Award Winner 2012 for Gas Processing Plant Paka (GPPB), Plant Operations Division (POD)
- MSOSH Gold Merit Award Winner 2012 for Export Terminal (ET), POD

Gold Class 1

- MSOSH Gold Class 1 Award Winner 2012 for Gurun Regional Office, TOD

OSH

The award is an initiative of the National Council for Occupational Safety and Health (NCOSH) under the Ministry of Human Resources to give recognition to employers and employees in various sectors in the industry that achieved excellence in managing safety and health systems in their organisations.

- OSH National Award Winner for Gurun Regional Office, TOD

NACRA

The National Annual Corporate Reports Award (NACRA) is jointly organised by Bursa Malaysia Securities Berhad, Malaysia Institute of Accountants (MIA), and the Malaysia Institute of Certified Public Accountants (MICPA) to promote excellence in corporate reporting, greater transparency and accountability by respective parties in their financial reporting and to acknowledge and recognise high quality corporate reporting.

- Industry Excellence Awards Merit Winner under the Industrial Products and Technology category in National Annual Corporate Reward Awards (NACRA 2013) for Annual Report Ending 31 December 2012

ICC

The Innovative and Creative Circle (ICC) Convention is organised by the Malaysia Productivity Corporation (MPC) to promote ICC activities as well as a culture of excellence at the work place and also provide an opportunity to share ICC best practices as well as to benchmark among the best ICC projects.

Team BUBBLE from PGB was awarded

- Best Young ICC Award at the Central Mini Regional Convention on Team Excellence ICC
- Gold Medal at the Central Regional Convention on Team Excellence ICC
- 3 Stars Gold Medal and Most Potential Group Award at the National Convention Team Excellence ICC

IKM EXCELLENCE AWARDS

The Institut Kimia Malaysia Laboratory Excellence Awards were introduced by the Institute to ensure the laboratory's commitment to achieve excellence in providing quality and competent testing services pertaining to local legislation, especially in the fields of health, safety and the environment.

- IKM Laboratory Excellence Award

CERTIFICATIONS

Certifications allow PGB to benchmark its systems, operations and procedures against internationally recognised benchmarks and ensure that the key elements are kept up to date to guarantee optimal standards of operations.

- SIRIM Certification of Occupational Health and Safety Assessment Series (OHSAS) 18001:2007, MS1722:2011 for Occupational Health and Safety Management System
- SIRIM Certification of MS ISO 9001:2008 for Quality Management System
- SIRIM Certification of MS ISO 14001 for Environmental Management System
- Certification of Quality Improvement Practices (5S) from the Malaysia Productivity Corporation (MPC) for Tanjung Sulong Export Terminal (TSET)

PAST AWARDS

AWARDS AND ACHIEVEMENTS 2012

During the year under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

Awards:

1. MSOSH 2011 Grand Award for GPPB, POD
2. MSOSH 2011 Gold Merit Award for Segamat Operation Centre (SOC), TOD
3. MSOSH 2011 Gold Merit Award for Centralised Utilities Facilities, Kertih (CUFK)
4. MSOSH 2011 Gold Class 1 Award for Kuantan Regional Office, Shah Alam Regional Office and Seremban Regional Office, TOD
5. MSOSH 2011 Gold Class 1 Award for Centralised Utility Facilities, Gebeng (CUFG)
6. MSOSH 2011 Gold Class 1 Award for Technical and Facilities Development Division (TFDD)
7. OSH 2011 National Award Winner for Gurun Regional Office, TOD
8. Industry Excellence Awards Winner under the Industrial Products and Technology Category in National Annual Corporate Reward Awards (NACRA 2012) for Annual Report Ending 31 December 2011

9 Gold Medal Three Stars for CUF Team (Fusion Ready–Energy) at the National ICC Convention

10. IKM Laboratory Excellence Award for POD

Certifications:

1. PGB Head Office received certifications for:
   a. OHSAS 18001:2007, MS1722: Part 1:2005
   b. Certification of Quality Improvement Practices (5S) from the Malaysia Productivity Corporation (MPC) for ET, POD

AWARDS AND ACHIEVEMENTS PE2011

During the period under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

Awards:

1. MSOSH 2010 Grand Award for GPPB, POD
2. MSOSH 2010 Grand Award For SOC, TOD
3. MSOSH 2010 Grand Award for CUFK
4. MSOSH 2010 Gold Merit Award for ET, POD
5. MSOSH 2010 Gold Merit Award for CUFK
6. MSOSH 2010 Gold Class I Award for GPPA, POD
7. MSOSH 2010 Gold Class I Award for Kertih Regional Office, TOD
8. MSOSH 2010 Gold Class I Award for Pasir Gudang Regional Office, TOD
9. MSOSH 2010 Gold Class I Award for Sitiawan Regional Office, TOD
10. MSOSH 2010 Gold Class III Award for TFDD
11. PETRONAS Global Learning Package (GLP) Top 5 Operating Unit/Holding Company Unit (OPU/HCU) Certificate of Achievement and Award
12. PETRONAS GHSE & SD Award FY 2009/10, Merit Award in Sustainable Development
13. Two (2) Institut Kimia Malaysia Laboratory Excellence Award 2011
14. Second Runner Up award for the Green Initiative Category for 4G Programme from Malaysian Business – the Chartered Institute of Management Accountants (CIMA) Enterprise Governance Award 2011
15. Malaysian Business – the Chartered Institute of Management Accountants (CIMA) Enterprise Governance Award 2011 – Overall Merit
16. National Annual Corporate Report Award (NACRA) 2011 Industry Excellence Award under the Industrial Products and Technology sector category

17. NCOSH Excellence Award under Gas Utility category for PGB Seremban Regional Office, TOD
18. National Occupational Safety and Health (OSH) Excellence Award under Electricity Utility category for CUFG
19. KPMG Shareholder Value Award 2011 – Finalist under Infrastructure sector category

Certifications:

1. PGB Head Office received certifications for:
    a. OHSAS 18001: 2007 Occupational Health and Safety Management Systems
    b. Malaysian Standards (MS) 1722:Part 1:2005 Occupational Health and Safety Management Systems (2008 version)
    c. MS ISO 14001:2004 Environmental Management Systems (2007 version)
2. TFDD received certification for MS ISO 14001:2004 Environmental Management Systems (2007 version)

AWARDS AND ACHIEVEMENTS 2011

During the year under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

Awards

1. MSOSH Grand Award for GPPB, POD
2. MSOSH Grand Award for CUFG
3 MSOSH Grand Award for TFDD
4. MSOSH Gold Merit Award for CUFK
5. MSOSH Gold Merit Award for ET
6. MSOSH Gold Merit Award for Kertih Regional Office, TOD
7. MSOSH Gold Merit Award for Segamat Regional Office, TOD
8. MSOSH Gold Class 1 Award for Miri Regional Office, TOD
9. PETRONAS Merit Award – Sustainability Development Category for Knowing TOD Programme
10. NCOSH Excellence Award for Kuantan Regional Office, TOD for Gas Utilities Category

Certifications

1. CUFK & CUFG and TOD sustained certifications for:
    a. OHSAS 18001:2007 Occupational Health and Safety Management Systems
    b. MS 1722:Part 1:2005 Occupational Health and Safety Management Systems (2008 version)
    c. MS ISO 14001:2004 Environmental Management Systems (2007 version)
2. POD:
    a. MS ISO 14001: 2004 Environmental Management Systems
3. National OSH Excellence Award – Certificate of Participation
4. Malaysian Productivity & Innovation Class Membership Certification

Achievements

1. National Annual Corporate Report Award (NACRA) 2010 Gold Award under the Industrial Products and Technology Category
2. Malaysian Business – the Chartered Institute of Management Accountants (CIMA) Enterprise Governance Award – Overall Merit
3. Malaysian Business – The Chartered Institute of Management Accountants (CIMA) Enterprise Governance Award – Best Return to Shareholders
4. The Edge Billion Ringgit Club Award for turnover of more than RM1 billion and also for achievements in profitability and shareholder wealth creation
5. Eight ranking among 10 companies in the world in the Wall Street Journal's Asia 200 Survey

PAST AWARDS

AWARDS AND ACHIEVEMENTS 2010

During the year under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

Awards:

1. MSOSH Awards Grand Award – GPPB, POD
2. MSOSH Gold Merit Award – ET, POD
3. MSOSH Gold Merit – CUFG
4. MSOSH Gold Merit Award – TFDD
5. MSOSH Gold Class 1 Award – Segamat Regional Office, TOD
6. MSOSH Gold Class 1 Award – Kuantan Regional Office, TOD
7. MSOSH Gold Class 1 Award – Bintulu Regional Office, TOD
8. MSOSH Gold Class 1 Award – CUFK
9. MSOSH Gold Class 1 Award – Shah Alam Regional Office, TOD
10. PETRONAS Group HSE Merit Award, in Health Category – PGB overall
11. Finalist Award: StarBiz-ICR Malaysia Corporate Responsibility Award 2009 - PGB overall

Certifications:

1. CUFK:
   a. OHSAS 18001:2007 Occupational Health and Safety Management Systems
   b. MS 1722:Part 1:2005 Occupational Health and Safety Management Systems (2008 version)
   c. MS ISO 14001:2004 Environmental Management Systems (2007 version)
2. CUFG:
   a. Upgrade OHSAS 18001:1999 Occupational Health and Safety Management Systems to OHSAS 18001:2007
   b. Surveillance Audit for MS 1722:Part1:2005 Occupational Health and Safety Management Systems (2008 version)
   c. Re-certification of MS ISO 14001:2004 Environmental Management Systems (2007 version)
3. TOD
   a. OHSAS 18001:2007 Occupational Health and Safety Management Systems
   b. MS 1722:Part 1:2005 Occupational Health and Safety Management Systems
   c. MS ISO 14001:2004 Environmental Management Systems

Achievements:

Finance Asia Awards on Malaysia's Public Listed Companies

1. Third for Best Managed Company
2. Third for Best Investor Relations
3. Fourth for Best Corporate Governance

AWARDS AND ACHIEVEMENTS 2009

During the year under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

Awards:

1. MSOSH Grand Award for CUFK
2. MSOSH Grand Award for GPPB, POD
3. MSOSH Grand Award for GPPA, POD
4. MSOSH Grand Award for CUFG
5. MSOSH Gold Merit Award for ET, POD
6. MSOSH Gold Merit Award for SOC, TOD
7. MSOSH Gold Merit Award for TFDD
8. OSH Gold Award for Segamat Regional Office, TOD
9. OSH Silver Award for Pasir Gudang Regional Office, TOD
10. OSH Bronze Award for Kertih Regional Office, TOD
11. PETRONAS Group HSE – Merit Award in Health
12. PETRONAS Group HSE Forum 2008– Special Category (HSE Awareness Theme)
13. PETRONAS Group HSE Forum 2008 – HSE Personality of the Year

Certifications:

1. Recertification for ISO 1400:2004, OHSAS 18001:1999 and MS 1722:2005 for CUFG
2. Certification of ISO 14001:2004, OHSAS 18001:1999 and MS 1722:2005 for CUFK

AWARDS AND ACHIEVEMENTS 2008

During the year under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

Awards:

1. MSOSH Grand Award for CUFK
2. MSOSH Gold Merit Award for CUFG
3. MSOSH Gold Award Class I for GPPA, POD
4. MSOSH Gold Award Class II for GPPB, POD
5. MSOSH Gold Award Class II for ET, POD
6. MSOSH Gold Award Class II for TOD
7. PETRONAS Group HSE Forum 2007 – Best HSE Poster
8. PETRONAS Group HSE Forum 2007 – Merit Award in Health

AWARDS AND ACHIEVEMENTS 2007

Human Resource Minister Award 2006 – Kuala Lumpur

AWARDS AND ACHIEVEMENTS 2006

During the year under review, PETRONAS Gas Berhad was accredited with several awards and certifications as a result of the high standards in its operations.

1. HSE Merit Award in Safety at the PETRONAS Group Health, Safety and Environment (HSE) Forum 2005
2. Three Gold Awards, two Silver Awards from the MSOSH
3. Merit Award at the National Annual Corporate Report Awards, under the Industrial Products Category
4. 2005 IKM Laboratory Excellence Award for CUFK and CUFG
5. National Excellent Occupation, Safety and Health Award 2005 for CUF

AWARDS AND ACHIEVEMENTS 2000

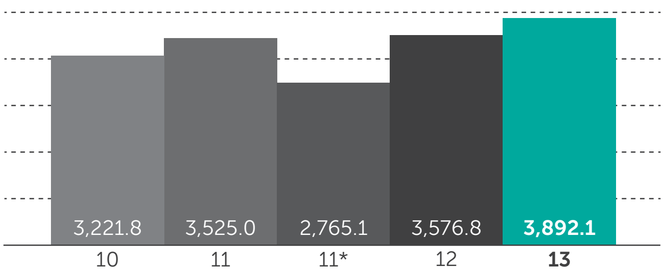
The Excellence Award in the Industrial Products category

FIVE YEAR FINANCIAL SUMMARY

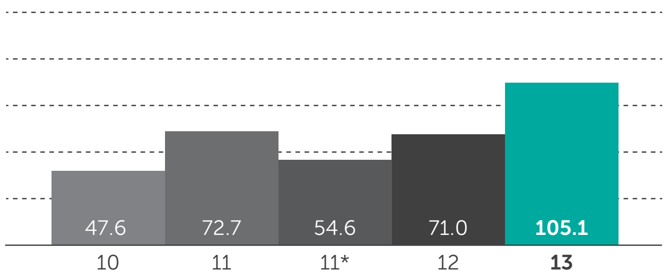
	2010	2011	2011*	2012	2013
REVENUE (RM million)					
Revenue	3,221.8	3,525.0	2,765.1	3,576.8	**3,892.1**
PROFIT (RM million)					
Profit After Tax (PAT)	940.7	1,439.1	1,080.8	1,404.9	**2,078.9**
Profit Before Tax (PBT)	1,243.8	1,900.3	1,433.0	1,851.3	**1,896.4**
TOTAL ASSETS (RM million)					
Total Assets	9,834.7	10,509.9	10,746.5	12,438.3	**13,222.4**
LONG TERM LIABILITIES (RM million)					
Long Term Liabilities	1,583.3	1,542.5	1,508.4	1,797.3	**1,817.4**
EARNINGS PER SHARE (sen)					
Earnings per Share	47.6	72.7	54.6	71.0	**105.1**
PROFIT AS % OF Revenue					
After Tax	29.2	40.8	39.1	39.3	**53.4**
Before Tax	38.6	53.9	51.8	51.8	**48.7**
TOTAL EQUITY (RM million)					
Total Equity	8,017.0	8,515.2	8,643.9	9,167.3	**10,265.5**
NET ASSETS PER SHARE (sen)					
Net Assets per Share	405.1	430.3	436.8	463.3	**518.8**

Note:
Financial year 2010 and 2011 comprise reporting period from 1 April to 31 March.
** For the nine months period ended 31 December 2011.*

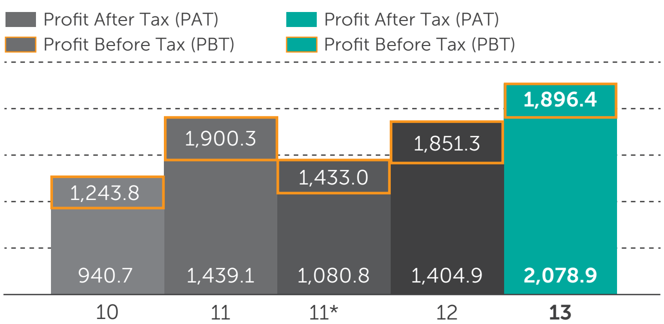
Revenue
RM million



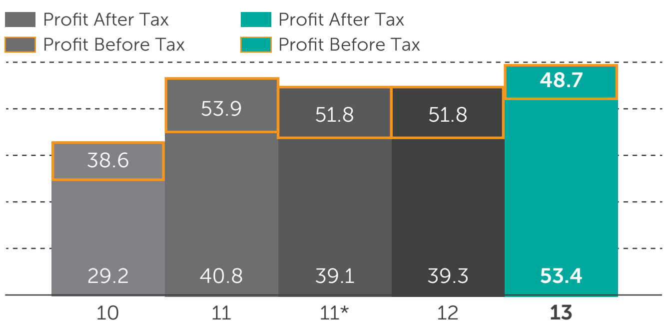
Earnings Per Share
sen



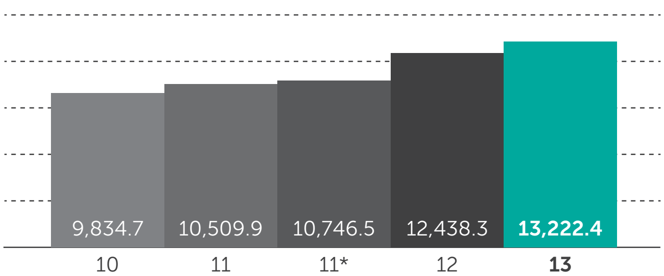
Profit
RM million



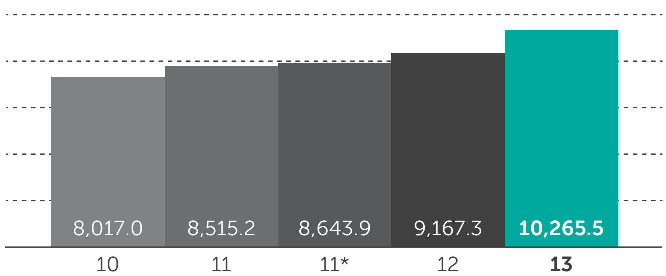
Profit as % of Revenue
%



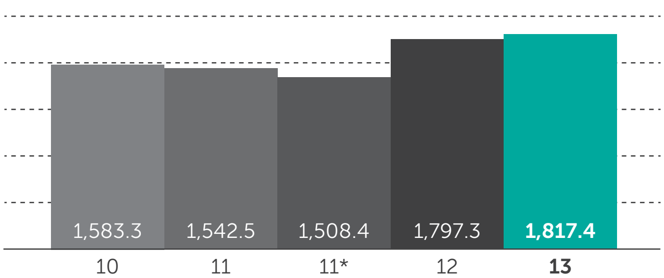
Total Assets
RM million



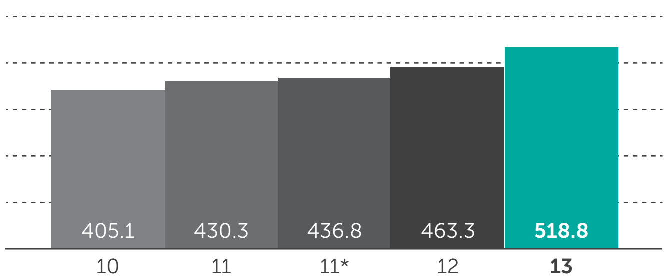
Total Equity
RM million



Long Term Liabilities
RM million



Net Assets per Share
sen



Note:

Financial year 2010 and 2011 comprise reporting period from 1 April to 31 March.

** For the nine months period ended 31 December 2011.*

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION AND SEGMENTAL ANALYSIS

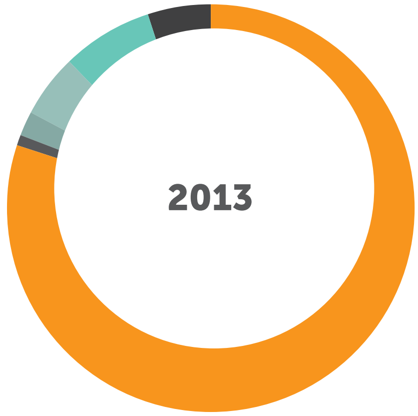
TOTAL ASSETS

- Property, plant and equipment **79%**
- Investment in associate **1%**
- Investment in joint ventures **1%**
- Trade and other inventories **0%***
- Trade and other receivables **4%**
- Fund and other investments **1%**
- Cash and cash equivalents **14%**

RM12,438.3 million

* *Insignificant percentage*

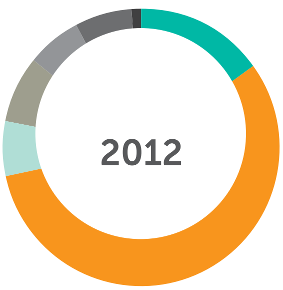
- Property, plant and equipment **80%**
- Investment in associate **1%**
- Investment in joint ventures **2%**
- Deferred tax assets **5%**
- Trade and other inventories **0%***
- Trade and other receivables **5%**
- Fund and other investments **0%***
- Cash and cash equivalents **7%**



RM13,222.4 million

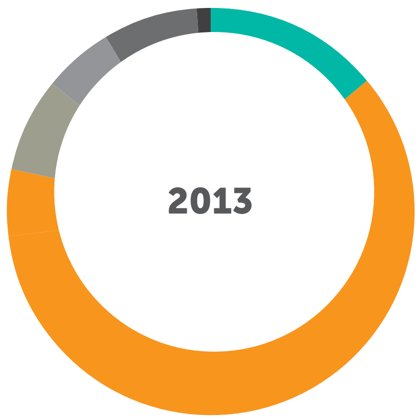
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

- Share capital **16%**
- Reserves **58%**
- Non-controlling interests **0%***
- Borrowings **4%**
- Deferred tax liabilities **8%**
- Deferred income **0%***
- Long term borrowings **6%**
- Trade and other payables **7%**
- Taxation **1%**



RM12,438.3 million

- Share capital **15%**
- Reserves **63%**
- Non-controlling interests **0%***
- Borrowings **0%***
- Deferred tax liabilities **7%**
- Deferred income **0%***
- Long term borrowings **6%**
- Trade and other payables **8%**
- Taxation **1%**

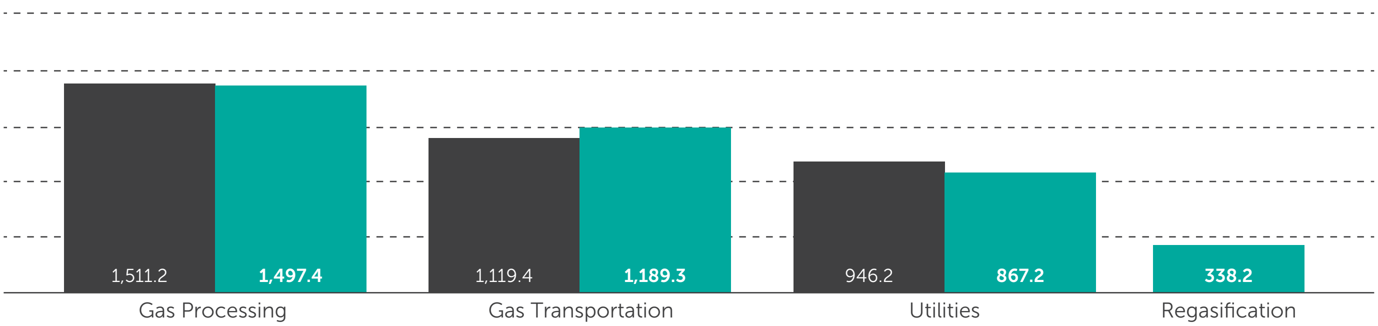


RM13,222.4 million

* *Insignificant percentage*

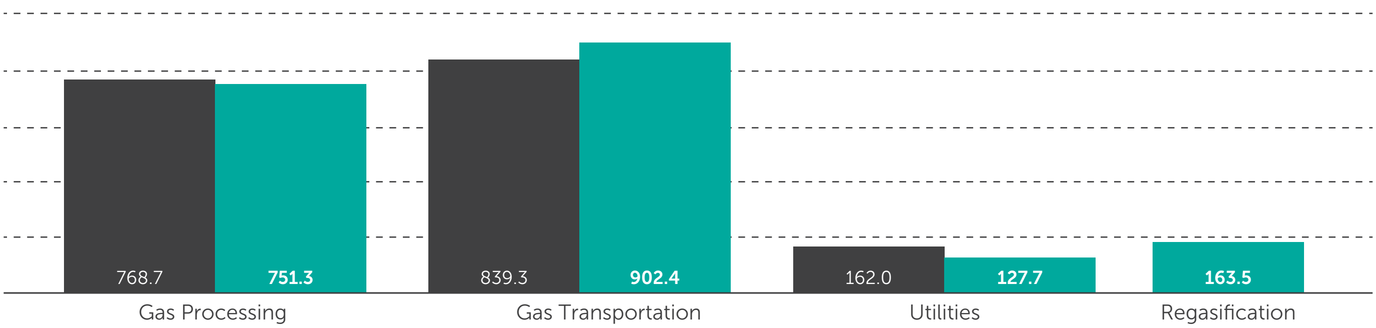
SEGMENT REVENUE
for the financial year ended 31 December

RM million



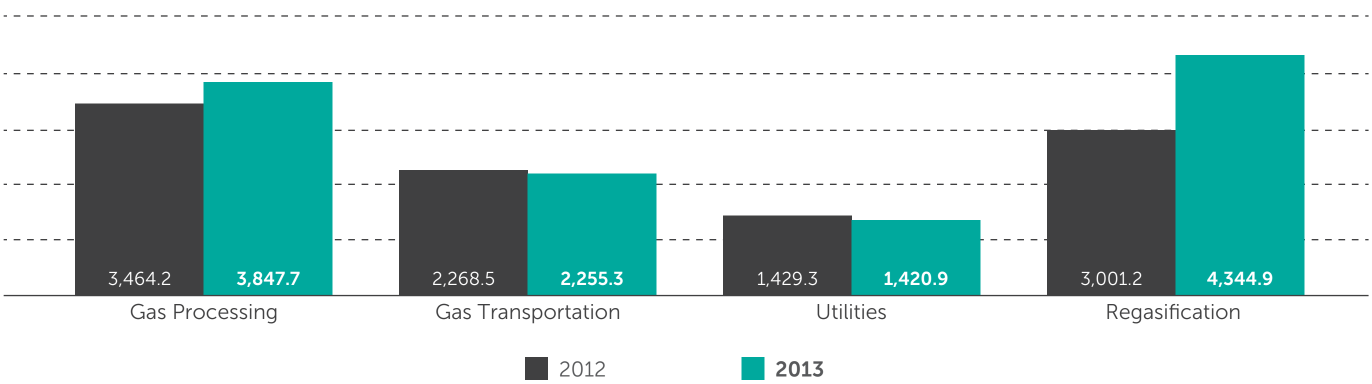
SEGMENT RESULTS
for the financial year ended 31 December

RM million



SEGMENT ASSETS
for the financial year ended 31 December

RM million



GROUP QUARTERLY FINANCIAL PERFORMANCE

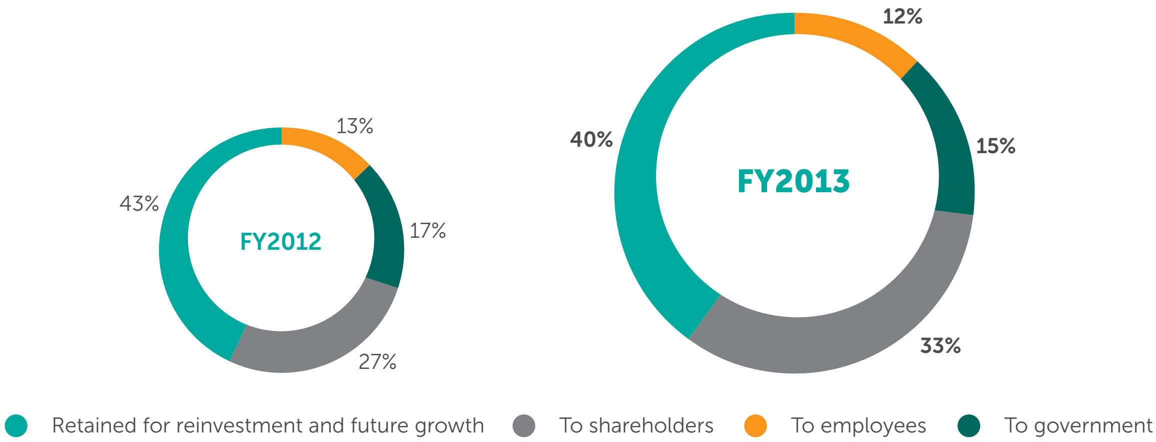
2013

In RM million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year
Revenue	**910.3**	**930.8**	**1,022.9**	**1,028.1**	**3,892.1**
Operating profit	**479.0**	**475.5**	**477.3**	**471.9**	**1,903.7**
Profit before taxation	**485.8**	**468.1**	**471.1**	**471.4**	**1,896.4**
Profit for the period/year	**360.5**	**944.9**	**379.8**	**393.7**	**2,078.9**
Basic and diluted earnings per ordinary share (sen)	**18.2**	**47.8**	**19.2**	**19.9**	**105.1**
Single tier dividend per share (sen)	**–**	**35.0**	**15.0**	**–**	**–**

2012

In RM million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year
Revenue	914.8	887.4	865.6	909.0	3,576.8
Operating profit	445.1	576.7	418.9	418.9	1,859.6
Profit before taxation	446.8	578.2	417.6	408.7	1,851.3
Profit for the period/year	333.2	458.9	317.7	295.1	1,404.9
Basic and diluted earnings per ordinary share (sen)	16.9	23.2	16.1	14.9	71.0
Single tier dividend per share (sen)	–	25.0	15.0	–	–

STATEMENT OF VALUE ADDED



		2012 RM million	2013 RM million
Revenue		3,576.8	**3,892.1**
Purchase of goods and services		(880.4)	**(958.9)**
Value added		2,696.4	**2,933.2**
Other income and expenses		245.6	**78.9**
Financing costs		(20.3)	**(50.1)**
Share of profit after tax of equity accounted associate and joint ventures		12.0	**42.8**
Value added available for distribution		2,933.7	**3,004.8**
DISTRIBUTION OF VALUE ADDED			
To employees	– Employment costs	389.1	**381.5**
To government	– Taxation	495.4	**443.6**
To shareholders	– Dividends	791.5	**989.4**
	– Non-controlling interest	(0.2)	**–**
Retained for reinvestment and future growth			
Depreciation and amortisation		693.3	**726.9**
Deferred tax		(49.0)	**(626.1)**
Retained profit		613.6	**1,089.5**
		2,933.7	**3,004.8**

GROUP FINANCIAL REVIEW

Financial year 2013 has seen PGB propelled its financial performance to greater heights. PGB has not only delivered better financial results, but also delivered the best so far in the history of the Company. This would not have come through without the drive to deliver more gas to the nation through our liquefied natural gas (LNG) Regasification Terminal (RGT) in Sungai Udang, Melaka.

TOTAL REVENUE
RM3,892.1 million

- Gas Processing, Gas Transportation & Utilities **RM3,553.9 million**
- Regasification **RM338.2 million**

Revenue growth by RM315.3 million (8.8%) from RM3,576.8 million in FY2012.

Commencement of RGT contributed RM338.2 million (8.7%) of the total revenue.

TOTAL ASSETS
RM13,222.4 million

Higher by RM784.1 million due to investments in major growth projects and rejuvenation and revamp of existing plants.

GROWTH IN PAT
48%

STRONGER PAT
RM2,078.9 million

Increase in Profit After Tax (PAT) by RM674.0 million (48%) from FY2012.

DIVIDEND PER SHARE
55 sen

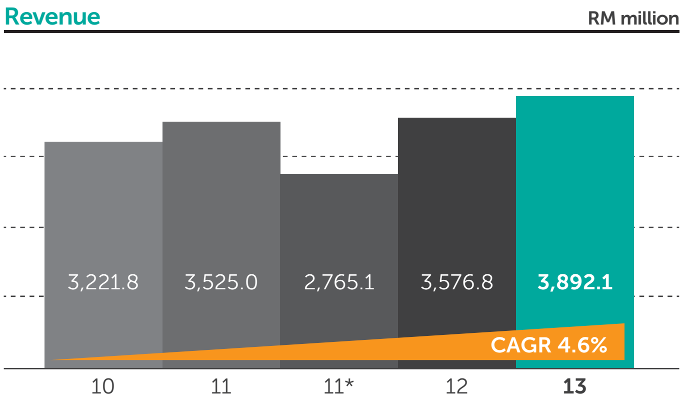
Higher dividend per share by 5 sen in respect of FY2013, translating to 75%* payout ratio.

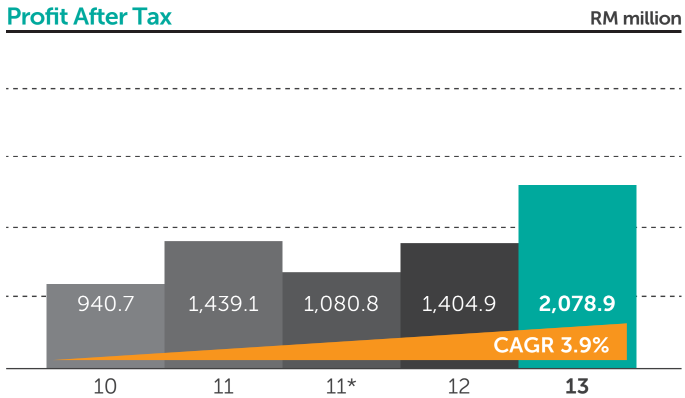
* *Excluding recognition of deferred tax assets arising from investment tax allowance granted for the RGT amounting to RM626.4 million.*

OVERVIEW

PETRONAS Gas Berhad (PGB) Group has delivered a solid financial performance for the year ended 31 December 2013 (FY2013) on the back of sustainable revenue streams from Gas Processing business, Gas Transportation business, Utilities business and new revenue stream from Regasification business. The revenue has a compounded annual growth rate (CAGR) of 4.6% per annum throughout the five years.

For FY2013, PGB has recorded the highest profit after tax of RM2,078.9 million, representing an increase of RM674.0 million (48%) from RM1,404.9 million in FY2012. Similarly, the CAGR for profit after tax shows an upward trend of 3.9% per annum.

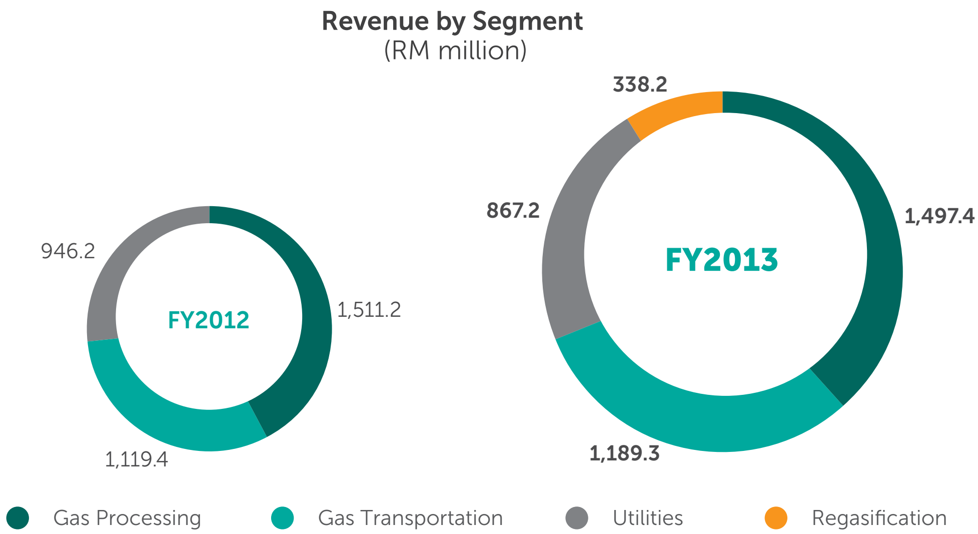




Note:
Financial year 2010 and 2011 comprise reporting period from 1 April to 31 March.
** For the nine months period ended 31 December 2011.*

GROUP FINANCIAL PERFORMANCE

REVENUE



GROUP FINANCIAL REVIEW

PGB has recorded its highest revenue in FY2013 since it was established in 1983 resulting from the successful commencement of RGT in second quarter and higher capacity reservation for Gas Transportation business

In the year under review, the Group recorded revenue of RM3,892.1 million, an increase of RM315.3 million (8.8%) from RM3,576.8 million recorded in FY2012 primarily due to new revenue stream contributed by Regasification segment of RM338.2 million and higher gas transportation revenue (GTR) by RM69.9 million (6.2%). The higher revenue however was partially offset by lower sales of utilities and gas processing revenue (GPR) by RM79.0 million (8.3%) and RM13.8 million (0.9%) respectively.

The revenue stream contributed by Regasification segment was following commencement of the RGT operations in second quarter of FY2013.

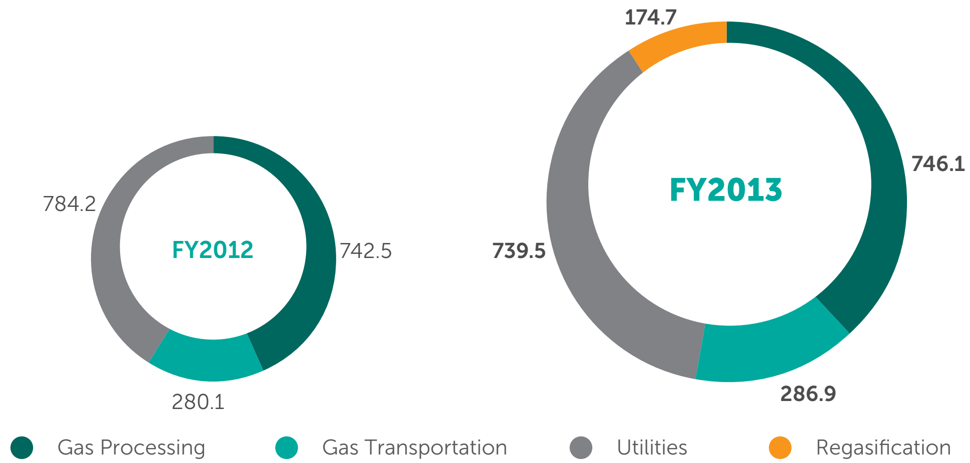
During the year, PETRONAS made 13% higher capacity reservation for the Peninsular Gas Utilisation (PGU) pipeline in line with additional gas supply through RGT. This has resulted in increase of GTR by RM69.9 million (6.2%) from RM1,119.4 million recorded in the previous year.

These increase in revenues were partially offset by decrease in utilities revenue by RM79.0 million (8.3%) from RM946.2 million to RM867.2 million in the previous year mainly due to lower revenue from electricity, steam and industrial gases, in line with lower offtake by customers.

In addition, GPR had also decreased by RM13.8 million (0.9%) mainly contributed by lower performance based structure (PBS) income as a result of lower volume exported for butane in line with the decrease in production. The impact of lower production was however cushioned by PBS income from propane attributable to higher export volume.

COST OF REVENUE

Cost of Revenue by Segment
(RM million)



PGB has reached another milestone in FY2013 with Profit After Tax of RM2,078.9 million, highest in the history of PGB, showing significant growth of 48% from FY2012

Cost of revenue (COR) for the Group increased by RM140.4 million (7.8%) from RM1,806.8 million in FY2012 to RM1,947.2 million in FY2013, in line with commencement of RGT operations during the year by RM174.7 million. However, these were cushioned by lower depreciation expense of RM47.5 million arising from property, plant and equipment review last year.

GROSS PROFIT

Gross profit for the year was higher by RM174.9 million (9.9%) from RM1,770.0 million in the corresponding year to RM1,944.9 million this year primarily attributable to contribution from Regasification segment of RM163.5 million and Gas Transportation segment by RM63.1 million. Gross profit for Utilities and Gas Processing segments decreased by RM34.3 million (21%) and RM17.4 million (2.3%) respectively.

OTHER INCOME AND ADMINISTRATIVE EXPENSES

Other income and administrative expenses for the Group were lower by RM130.7 million. This was primarily contributed by RM100.0 million gain arising from partial disposal of investment in the Group's associate, Gas Malaysia Berhad (GMB) through initial public offering (IPO) in previous year but partially offset by lower administrative expenses by RM36.0 million.

PROFIT

The Group recorded higher profit before tax of RM45.1 million (2.4%) from RM1,851.3 million to RM1,896.4 million.

The Group's associate, GMB contributed share of profit after tax of RM27.3 million whilst the joint ventures, Industrial Gases Solutions Sdn Bhd (IGS), Kimanis Power Sdn Bhd (KPSB) and Kimanis O&M Sdn Bhd contributed share of profit after tax of RM3.4 million, RM8.5 million and RM3.7 million respectively. The total share of profit after tax of equity accounted associate and joint ventures amounted to RM42.8 million, an increase of RM30.8 million (257%) as compared to FY2012 mainly resulting from realised and unrealised foreign exchange gain on fair valuation of KPSB forward contracts.

Tax expenses were lower by RM628.9 million (141%) as compared to RM446.4 million in FY2012 primarily due to recognition of deferred tax assets arising from RGT's investment tax allowance (ITA) granted by Malaysian Investment Development Authority (MIDA) amounting to RM626.4 million.

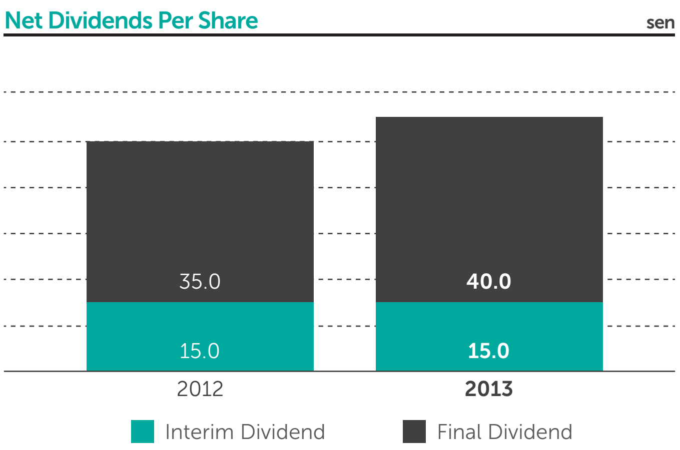
As a result, the Group recorded profit after tax of RM2,078.9 million for the year, an increase of RM674.0 million (48%) from RM1,404.9 million recorded in the previous year. Earnings per share (EPS) for the Group increased by 34.1 sen (48%) from 71.0 sen to 105.1 sen in line with higher profit after tax. Excluding deferred tax assets, EPS of 73.4 sen is higher by 2.4 sen (3.4%) over FY2012.

GROUP FINANCIAL REVIEW

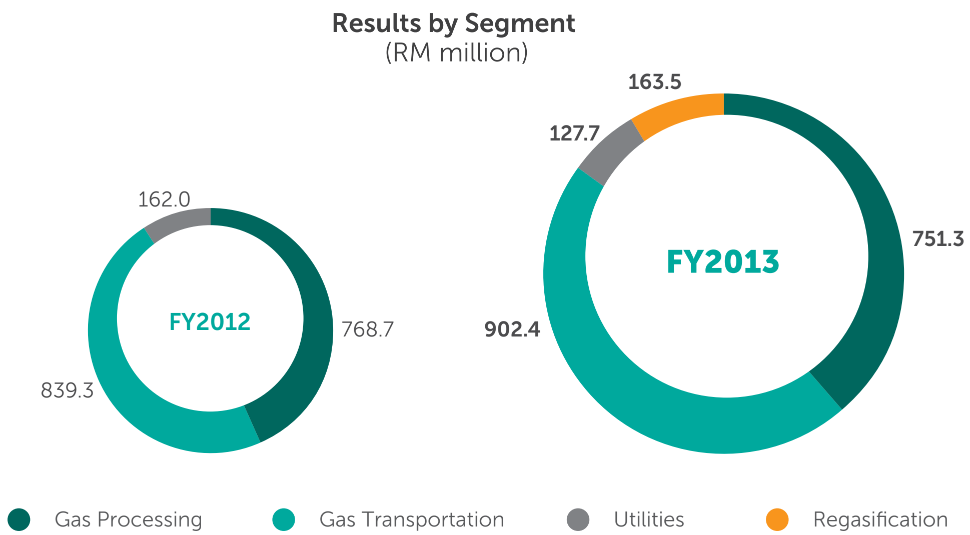
The Board proposed the highest dividend at 55 sen per share in respect of the financial year ended 31 December 2013, representing a dividend payout ratio of 75%

DIVIDENDS

During the year, the Company paid an interim dividend of 15 sen per share under single tier system amounting to RM296.8 million. The Board of Directors is recommending a final dividend of 40 sen per share under single tier system amounting to RM791.5 million in respect of the financial year ended 31 December 2013. This, together with the interim dividend, will result in net dividend of 55 sen per share, representing a dividend payout ratio of 75% on the profit after tax attributable to the shareholders of the Company for the financial year ended 31 December 2013.

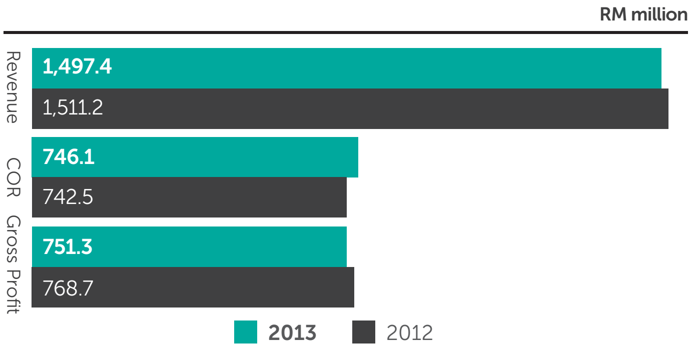


SEGMENT FINANCIAL PERFORMANCE



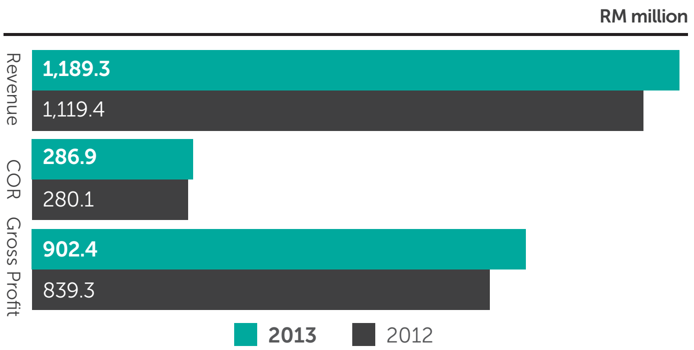
Gas Processing

The Gas Processing segment contributed RM751.3 million (39%) of the Group's gross profit. Segment results dropped slightly by RM17.4 million (2.3%) as compared to FY2012 due to lower revenue of RM13.8 million (0.9%).



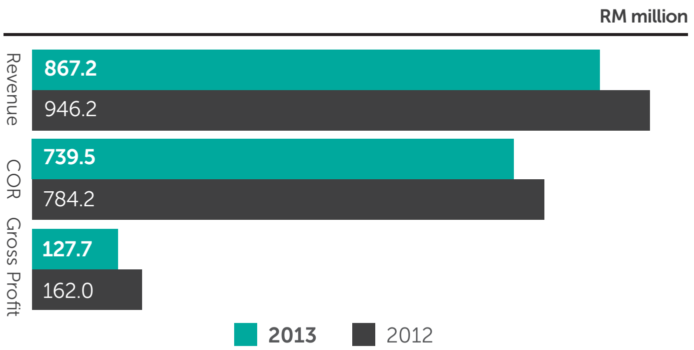
Gas Transportation

The Gas Transportation segment continued to be the key contributor to the Group, accounting for RM902.4 million (46%) of the Group's gross profit. Segment revenue for the year at RM1,189.3 million, represents an increase of RM69.9 million (6.2%) on the back of higher transportation capacity booked by PETRONAS. Accordingly, segment results improved by RM63.1 million (7.5%) in tandem with the higher revenue.



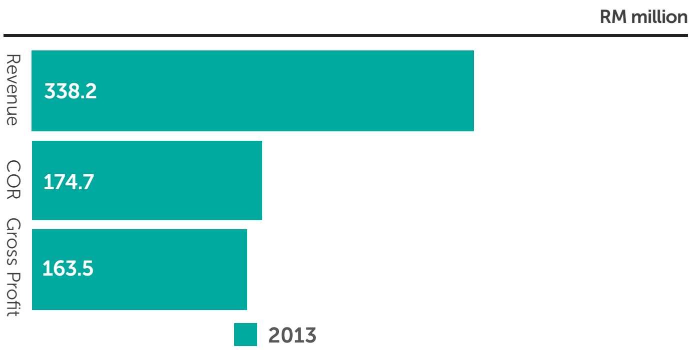
Utilities

The Utilities segment contributed RM127.7 million (6.6%) of the Group's gross profit on the back of RM867.2 million revenue. Segment revenue was lower by RM79.0 million (8.3%) compared to FY2012 due to lower offtake by customers. The Utilities segment results decreased by RM34.3 million (21%) in line with lower revenue, partially offset by lower consumption of fuel gas and depreciation charges.



Regasification

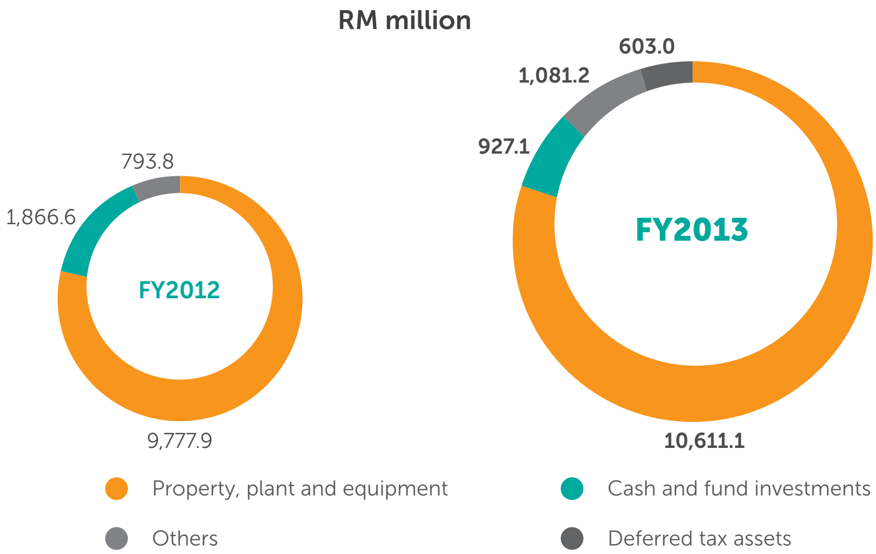
Revenue for the year ended 31 December 2013 was RM338.2 million as a result of commencement of RGT operations in the second quarter of FY2013. The segment registered profit of RM163.5 million for the year.



GROUP FINANCIAL REVIEW

GROUP FINANCIAL POSITION

ASSETS



The Group's total assets strengthened by RM784.1 million (6.3%) from RM12,438.3 million as at 31 December 2012 to RM13,222.4 million as at 31 December 2013.

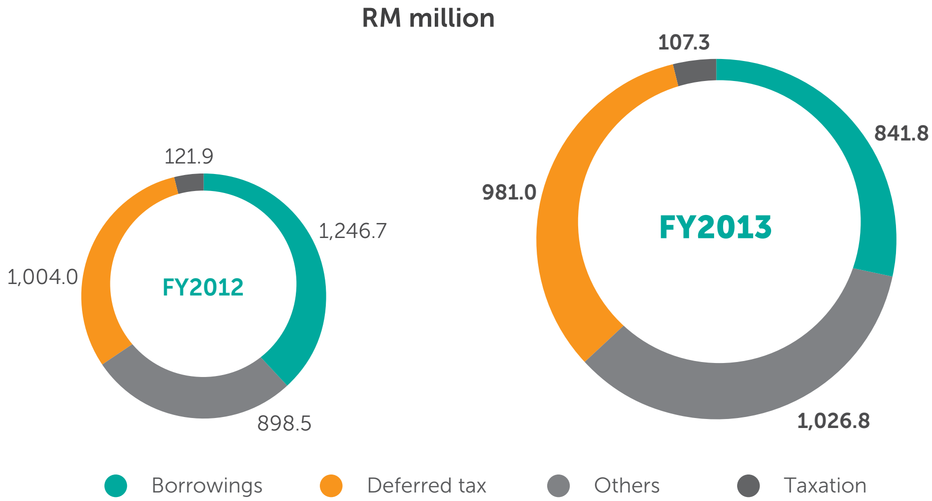
During the year under review, the Group recognised deferred tax assets amounting to RM626.4 million originating from ITA granted by MIDA for RGT.

Property, plant and equipment increased by RM833.2 million (8.5%) from RM9,777.9 million as at 31 December 2012 to RM10,611.1 million as at 31 December 2013 mainly resulting from further investments in major growth projects and improvements to maintain the integrity of the Group's assets amounting to RM1,560.5 million partially offset by depreciation expense of RM723.9 million.

Other current assets increased by RM210.7M (38%) from RM554.4 million as at 31 December 2012 to RM765.1 million as at 31 December 2013 mainly due to increase in trade receivables in tandem with the increase in business activities.

The Group generated RM2.2 billion in cash from operations. This was sufficient to sustain the current year dividend payments to the shareholders of RM989.4 million and significant portion of the Group's capital investments. During the year, the Group has made full repayment of term loan (Samurai Bond) from PETRONAS totalling RM454.1 million. Consequently, the Group's cash and cash equivalents decreased by RM794.1 million (47%) from RM1,706.2 million as at 31 December 2012.

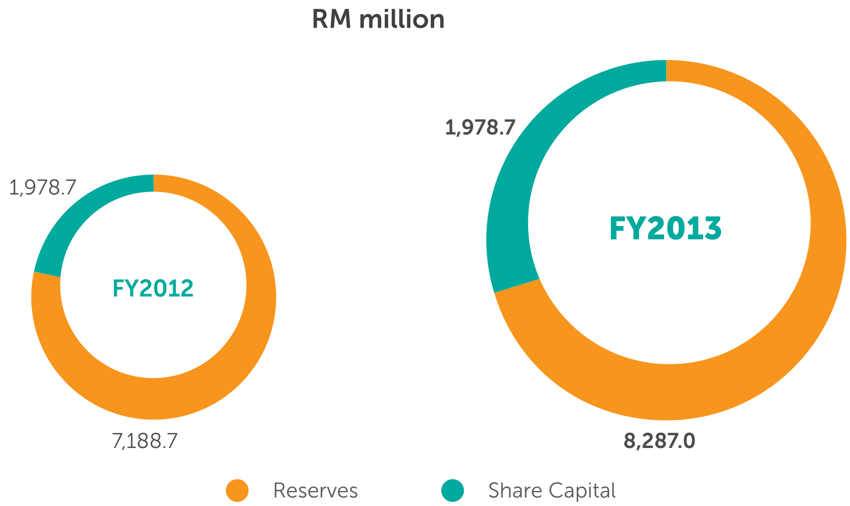
LIABILITIES



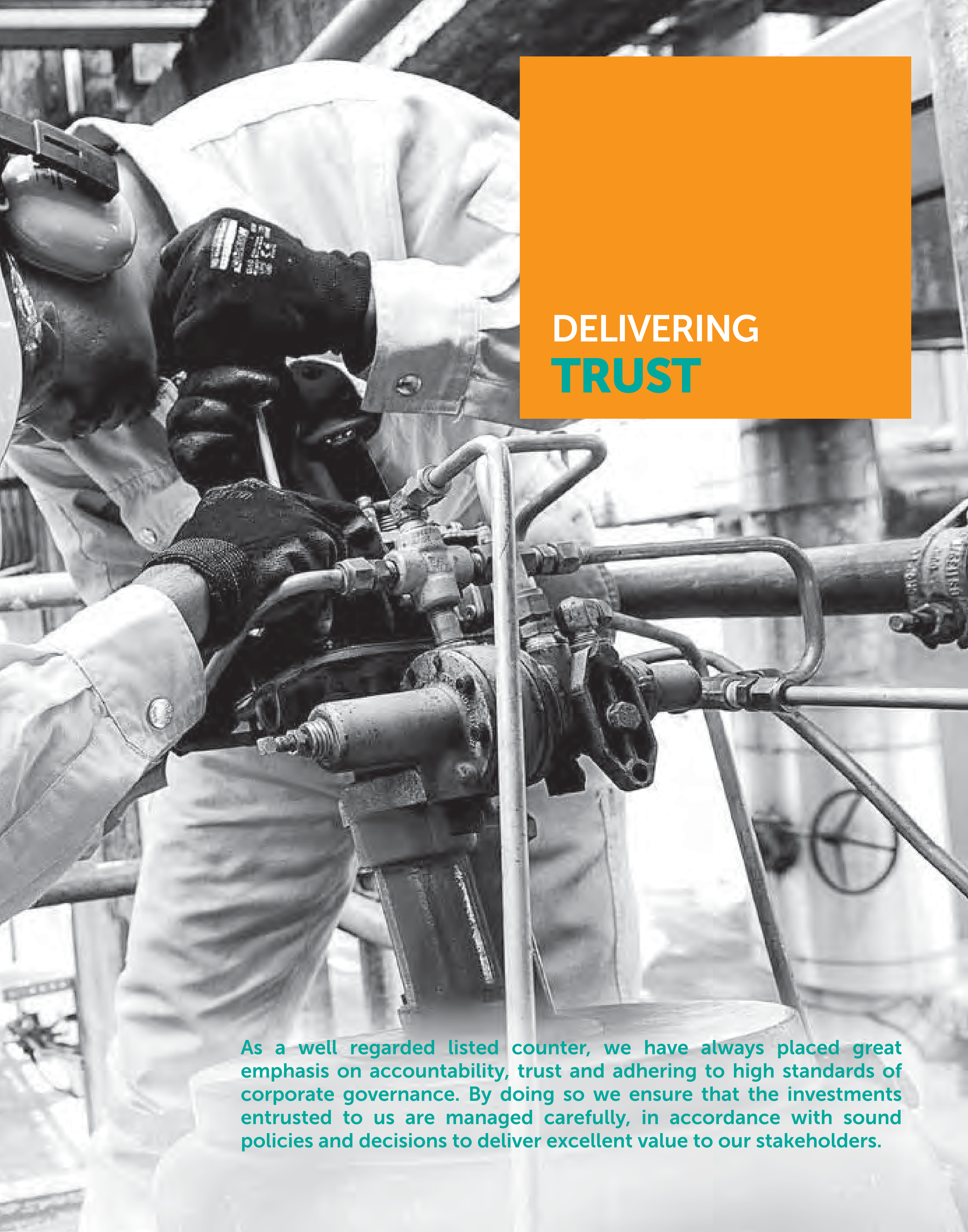
Total liabilities for the Group decreased by RM314.2 million (9.6%) from RM3,271.1 million as at 31 December 2012 to RM2,956.9 million as at 31 December 2013. The decrease was mainly due to full repayment of term loan of RM454.1 million (100%) and lower taxation by RM14.6 million (12%).

However, the decrease in liabilities was offset by higher finance lease liabilities of RM40.6 million (5.0%) due to unrealised foreign exchange losses arising from year end translation following weakening of RM against USD.

EQUITY



Total equity of the Group attributable to the shareholders of the Company as at 31 December 2013 of RM10,265.7 million increased by RM1,098.3 million (12%) from RM9,167.4 million as at 31 December 2012 primarily contributed by profit for the year, partially offset by dividend payments.



DELIVERING TRUST

As a well regarded listed counter, we have always placed great emphasis on accountability, trust and adhering to high standards of corporate governance. By doing so we ensure that the investments entrusted to us are managed carefully, in accordance with sound policies and decisions to deliver excellent value to our stakeholders.

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS (BOARD) OF PETRONAS GAS BERHAD 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 in this Corporate Governance Statement complies with the disclosure requirement of Paragraph 15.25 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and the Amendments to the MMLR in relation to Corporate Governance and has adopted and complied with the Principles of Corporate Governance and the Best Practices in Corporate Governance as set out in the Malaysian Code on Corporate Governance 2012 (MCCG 2012).

THE BOARD OF DIRECTORS

1. Principal Responsibilities of the Board

The Board is generally entrusted with the overall governance of the Company and its Group (Group, wherever it appears in this Corporate Governance Statement, shall mean the Company and its subsidiaries), the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its shareholders as well as to safeguard the Company's assets.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership function as recommended by MCCG 2012. In this regard, the Board has assumed the following responsibilities:

a) Review and approve annual corporate plan, which includes overall corporate strategy, operational plan, marketing plan, human resources plan, financial plan and budget, risk management plan and information technology plan.

b) Oversee the conduct of business, and to evaluate whether the business is being properly managed.

c) Identify principal risks and ensure the implementation of appropriate systems to control, monitor and manage these risks.

d) Oversee the succession planning and appointment of senior management, including ensuring senior management personnel are of sufficient calibre.

e) Review the adequacy and integrity of internal control systems and management information systems, ensuring the establishment of sound framework of reporting on internal controls, including regulatory compliance.

f) Review and approve quarterly results and year end financial statements.

The roles and responsibilities of the Directors are documented in the Board Charter which sets out the strategic intent, key values, principles and guidelines that are to be applied by the Chairman, Managing Director and Chief Executive Officer (MD/CEO), Board and the Board Committees, as well as identifying their functions in the Company and/or Group. This Board Charter shall be periodically reviewed, as and when necessary. A copy of the Board Charter is available at the Company's corporate website.

2. An Effective Board Composition

A. Composition

The Board comprises eight (8) Directors of which four (4) are Independent Non-Executive Directors who have been selected based on their character, integrity, experience and expertise in a wide range of industries, as well as their ability to add strength to the stewardship of the Company.

The Board consists of members who have the mix of skills, knowledge, experience and strength in qualities which are relevant to enable the Board to carry out its responsibilities in an effective and competent manner as well as providing balance and independence of the Board. The composition of the Board is in compliance with Paragraph 15.02 of the MMLR as half of the Board composition consists of Independent Directors.

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

Executive Director (also the MD/CEO)	1/8	(12.5%)
Independent Non-Executive Directors	4/8	(50%)
Non-Independent Non-Executive Directors (including the Chairman)	3/8	(37.5%)

The profile of each Director is presented in the Board of Directors' Profile on pages 34 to 43 of the Annual Report.

Given the Company's synergetic business and operational integration with the PETRONAS group of Companies, the Chairman of the Company would have to be and is a Non-Independent Non-Executive Director.

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 the smooth functioning of the Board and ensuring that all Directors have full and timely access to all relevant information, which is 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, and ensures the Group strengthened the sustainability governance of its businesses and promotes awareness on environmental and social aspects. The MD/CEO 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 (MC). The MC serves in an advisory capacity to the MD/CEO in accomplishing the vision, mission, strategies and objectives set for the Company. The distinct and separate roles of the Chairman and the MD/CEO ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

All Non-Executive Directors have the necessary expertise and skills to ensure that the strategies proposed by the Management are fully evaluated, taking into account the long-term interests of the shareholders. They review and engage with the Management and provide input to the strategy development and the planning process of the Company. In doing so, the Non-Executive Directors consider and rationalise the initiatives and priorities towards developing value proposition for the Company to enhance its competitiveness in achieving the Company's target.

CORPORATE GOVERNANCE STATEMENT

In addition, they contribute to policy formulation and are actively involved in decision-making. They provide guidance and promote professionalism and competence amongst the Management and employees.

The Directors, who are nominated as the representatives of Petroliam Nasional Berhad (PETRONAS), when making any decisions, always act in the best interest of the Company in line with Section 132(1E) of the Companies Act, 1965, Malaysia.

During deliberation of the Board papers at the Board meetings, any director who is in any conflict of duties or conflict of interests declares his interests and refrains himself from participating in the discussions of such Board papers.

During the financial year under review, En Samsudin bin Miskon resigned from his position as MD/CEO of the Company, effective 1 July 2013 and Dato Mohammad Medan bin Abdullah resigned from his position as a Director of the Company, effective 1 September 2013.

En Yusa' bin Hassan was subsequently appointed as MD/CEO of the Company effective 1 July 2013, whilst Cik Habibah binti Abdul filled a casual vacancy effective 13 September 2013.

B. Independence

The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent views, advice and judgement, as well as in safeguarding the interests of other stakeholders including minority shareholders' of the Company. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director as set out in Paragraph 1.01 of the MMLR.

Dato' N. Sadasivan N.N. Pillay has been appointed as the Senior Independent Non-Executive Director to whom any concerns pertaining to the Company may be conveyed. Dato' N. Sadasivan N.N. Pillay has served as Senior Independent Director for nineteen (19) years.

Recommendation 3.2 of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, following an assessment by the Nomination and Remuneration (NomRem) Committee and the Board, the Board recommends that Dato' N. Sadasivan N.N. Pillay continues to serve as an Independent Director subject to shareholders' approval at the forthcoming AGM of the Company on the basis of the following justification:

a) His appointment is made in accordance with the requirements of the MMLR.

b) He provided effective check and balance in the proceedings of the Board and the Board Committees.

c) He provided objectivity in decision making through unbiased and independent views as well as advice and judgement, to the Board.

d) He exhibited high commitment and devoted sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company.

e) He exercised due care in the interest of the Company and shareholders during his tenure as an Independent Non-Executive Director of the Company.

In consideration of the above, the Board has concluded to seek shareholders' approval to retain Dato' N. Sadasivan N.N. Pillay as an Independent Non-Executive Director of the Company at the forthcoming Annual General Meeting.

The remaining three (3) Independent Non-Executive Directors, Dato' Ab. Halim bin Mohyiddin, En Lim Beng Choon and Cik Habibah binti Abdul are professionals in their own right with wide ranging experiences, skills and expertise in various fields.

Pursuant to the recommendation of MCCG 2012, the performance assessment of both Non-Independent and Independent Directors was undertaken and reported to the Board. A specific assessment of the 'independence' of the Independent Directors is included in the annual performance assessment for the financial year ended 31 December 2013. The NomRem Committee and the Board have conducted an assessment on the independence of the Independent Directors and undertake to perform such assessment annually.

C. Gender Diversity

Pursuant to the recommendation of MCCG 2012, The Board is continuously looking into inviting to the Board, people of talent based on merits including skills, knowledge and experience bearing in mind the need for diversity, including gender diversity. On this basis, taking into consideration the skills, experience and expertise of the candidate, the Board welcomed Cik Habibah binti Abdul to the Company during financial year 2013, as an Independent Non-Executive Director, to further enhance the effectiveness of the Board.

D. Time Commitment

Pursuant to Paragraph 15.06 of the MMLR, each member of the Board must not hold more than five (5) directorships in public listed companies.

The NomRem Committee has obtained time commitment from the new Board members before their appointments to the Board. The existing Directors are required to notify the Chairman before accepting any new directorships to ensure that such appointments would not affect their time commitments and responsibilities to the Board.

3. Board Structures and Procedures

A. Board and Board Committee Meetings

Board meetings are scheduled in advance before the beginning of the new financial year to enable the Directors to plan ahead their schedules to fit the series of meetings during the year. Board meetings are held at a minimum of quarterly intervals with additional meetings, including special meetings, held whenever necessary. There were nine (9) meetings held during the financial year under review, consisting of Scheduled and Special meetings. Most of the Directors attended all of the Board meetings. The details of the attendance of the Directors for the financial year under review are as follows:

Table 1: Attendance Record

Name of Directors	Attendance
Datuk Anuar bin Ahmad	9/9
Dato' N. Sadasivan N.N. Pillay	9/9
Dato Mohammad Medan bin Abdullah**	5/7
Datuk Rosli bin Boni	9/9
Samsudin bin Miskon*	6/6
Ir. Pramod Kumar Karunakaran	8/9
Dato' Ab. Halim bin Mohyiddin	9/9
Lim Beng Choon	9/9
Yusa' bin Hassan***	3/3
Habibah binti Abdul****	2/2

* Vacated office on 1 July 2013
** Vacated office on 1 September 2013
*** Appointed on 1 July 2013
**** Appointed on 13 September 2013

CORPORATE GOVERNANCE STATEMENT

B. Supply of and Access to Information

In discharging their duties with reasonable care, skill and diligence, the Directors will be accorded with sufficient information on any subject matter so as to enable the Directors to make the business judgment in the best interest of the Company and shareholders.

Prior to the Board meetings, every Director is given an agenda and a set of Board papers covering the agenda items to facilitate informed decision making. The agenda and the Board papers which contain quantitative information and other related performance factors are circulated prior to the Board meetings and this will enable the Directors to have a good assessment of the subject at hand prior to arriving at any decision.

The MD/CEO 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 the Companies Act, 1965, Malaysia. Minutes of the Board meetings which records decisions and resolutions are properly retained by the Company Secretary.

The Board is kept updated on the Group's activities and operations on a regular basis. All Directors have full access to information, including monthly reports on the Company's overall activities, both financial and operational.

In addition, whenever independent professional advice is required by the Directors, outside experts may, and have been engaged by the Company.

The Directors have access to the advice and services of the Company Secretaries, whose appointments and resignations are subject to Board's approval. The Chairman is always accorded strong and positive support of the Company Secretaries in ensuring the effective functioning of the Board.

The Company Secretaries attended all Board and Committee meetings and have ensured that accurate and adequate records of the proceedings of the Board and Committee meetings and decisions made are properly kept. The Company Secretaries also ensure that the Board members receive briefings on changes in regulation or law, as circumstances require.

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.

C. Board Committees

As provided by the Articles of Association of the Company, the Board has set up specific Board Committees delegated with specific powers and responsibilities. The Board has put in place the Board Audit Committee and Nomination and Remuneration Committee as further detailed below:

Board Audit Committee (BAC)

The BAC comprising mainly the Independent Non-Executive Directors have specific terms of reference including the review of quarterly results, full year financial statements, corporate announcements, internal control system and the reports of the Group Internal Audit Division of PETRONAS. It also ensures the adequacy, integrity and effectiveness of the Company's internal control system and management information system and that both are in compliance with the Company's policies and procedures, applicable laws, regulations and MMLR. The BAC monitors the effective implementation of programmes to ensure compliance to the Company's Risk Management 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. The BAC Report and the BAC Terms of Reference are detailed out on pages 112 to 115 and 116 to 117 respectively in the Annual Report.

Nomination And Remuneration Committee (NomRem)

The NomRem Committee of the Company was established on 14 November 2011 and is made up of entirely Independent Non-Executive Directors. In line with the MCCG 2012, all NomRem Committee members including the Chairman are Non-Executive Directors and the majority including the Chairman are Independent Directors. The members of the NomRem Committee are appointed by the Board from amongst themselves and consist of not less than three members.

A report on the membership of the NomRem Committee, its Terms of Reference and its duties, responsibilities as well as its activities are detailed out on pages 106 to 109 and 110 to 111 respectively in the Annual Report.

D. Training of Directors

In compliance with the MMLR, 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 under review, the members of the Board have attended the relevant development and training programmes, either attended by the Directors according to their individual needs or as arranged by the Company Secretary, to enhance their ability in discharging their duties and responsibilities more effectively. The details of trainings attended by the Directors are set out on pages 128 to 129 of the Annual Report.

Any new Director is given a comprehensive understanding on the operations of the Company through regular briefings on Company history and financial control systems. In addition, plant visits are also arranged to ensure a first-hand understanding of the Group's operation.

E. Re-election of Directors

Pursuant to Article 93 of the Company's Articles of Association, an election of Directors shall take place each year at the Annual General Meeting (AGM) of the Company where one-third of the Directors who are longest in office shall retire and, if eligible, may offer themselves for re-election. In accordance with the Company's Articles of Association, at the 30th AGM held on 16 May 2013, two Directors retired by rotation and were re-elected to the Board by the shareholders.

Pursuant to Article 96 of the Company's Articles of Association, any Director so appointed shall hold office only until the next following AGM of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. At the 30th AGM held on 16 May 2013, no Directors retired in accordance with this provision.

Pursuant to Section 129 of the Companies Act, 1965, Malaysia, a Director who is over 70 years of age must retire at the AGM of the Company, and may be re-appointed by shareholders with not less than a three-fourth majority. At the 30th AGM held on 16 May 2013, one Director was re-appointed pursuant to this provision.

The Director who attained the age of 70 years was reappointed pursuant to Section 129 of the Companies Act, 1965, Malaysia, as he is a highly regarded personality in the business community. He has demonstrated to the Board that he exercises independent judgment and has acted in the best interest of the Company and ensured that the varied competing interests of all stakeholders are respected without compromising financial performance and accountability of the Company.

CORPORATE GOVERNANCE STATEMENT

INTEGRITY AND ETHICS

The Board further acknowledges its role in establishing a corporate culture comprising ethical conduct within the Group. In line with this principle, the Board has adopted the PETRONAS Code of Conduct and Business Ethics (CoBE) which sets out the standards of behaviour and ethical conduct for the Board and Group and for external parties liaising with the Group. This CoBE shall be periodically reviewed, as and when necessary. In addition, the Board has also adopted the PETRONAS Whistleblowing Policy and the Anti Bribery and Corruption Manual so as to ensure that the conduct of business and the Company's employees are consistently carried out ethically and with integrity.

1. Code of Conduct and Business Ethics (CoBE)

The Company has adopted the PETRONAS CoBE to safeguard the integrity and credibility of the Company. The CoBE places significant importance in upholding the principles of good conduct, discipline, professionalism, integrity, loyalty and cohesiveness, all of which form the foundation for the success of the Company.

The CoBE was implemented by the Company as part of the Group's corporate enhancement programme and reflects the importance of an effective corporate governance and compliance culture within the Group.

The CoBE contains a detailed policy on the standards of conduct expected from each employee as well as the Directors of the Company. The Company also enforces the CoBE on all its contractors, sub-contractors, agents, consultants, representatives and any other persons performing works or services for and on behalf of the Company. A copy of the CoBE is available on the Company's corporate website, for viewing by the public and any third parties dealing with the Company.

2. Whistleblowing Policy

In line with its on going commitment to transparency and integrity, the Company has also adopted PETRONAS' Whistleblowing Policy to provide an avenue for all employees of the Company to disclose any improper or unprofessional conduct at the workplace.

The policies under the Whistleblowing Policy maintain the confidentiality of the whistleblower, to the extent which is reasonably practicable, to ensure the protection of the whistleblower from any adverse reactions in his course of disclosing any improper conduct committed or about to be committed within the Company. Any report submitted under the Whistleblowing Policy shall be subjected to a thorough investigation to determine a reasonable course of action.

A copy of the Whistleblowing Policy is available on the Company's corporate website, for viewing by the public and any third parties dealing with the Company.

3. Anti Bribery and Corruption Manual

In compliance with the CoBE, the Company has adopted the PETRONAS Anti Bribery and Corruption Manual which governs the prevention of corruption and unethical practices within the Group.

The Company has also adopted and implemented the 'No Gift Policy' as a means to avoid any conflict of interest situations for either party or potential business dealings between the Company and third parties.

THE BOARD CONTINUOUSLY STRIVES AND IS FULLY COMMITTED TO MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE THROUGHOUT THE ORGANISATION AND SAFEGUARDING THE INTERESTS OF THE SHAREHOLDERS.

RELATIONSHIPS WITH SHAREHOLDERS

1. **Engagements with Shareholders**

The Company recognises the importance of timely, fair and equal dissemination of information to shareholders and public generally. In this regard, it adheres strictly to the disclosure requirements of Bursa Malaysia Securities Berhad. Besides the announcement via Bursa LINK, the Company communicates regularly with the shareholders through the annual report and the quarterly financial reports.

Institutional investors and analysts are also given the opportunity to meet the Management on briefings relating to financial performance, corporate governance and other matters affecting shareholders' interests.

In providing certain stakeholders the opportunity to gain first-hand exposure on the Company's operations, several visits to Gas Processing Plants located in Kertih and Paka, Terengganu, as well as its Utilities Plants located in Kertih, Terengganu and Gebeng, Pahang, were organised during the year under review. The stakeholders 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. Through this, the Management believes that the stakeholders will gain a better understanding of the Company's activities. Such two-way communication increases corporate transparency and helps the stakeholders take a longer term view of their investment based on acquired information of the Company's corporate strategy and operations.

2. **Disclosures**

The Board recognises the need to fully disclose to shareholders all major developments in relation to the Group on a timely basis. In addition to the mandatory disclosures requirement by Bursa Malaysia Securities Berhad as well as other corporate disclosures, the Company has long established its corporate website www.petronasgas.com to allow the public, particularly the shareholders, investors and analysts to have access to information such as corporate profile, policies and guidelines, contact details of designated persons and announcements made to Bursa Malaysia Securities Berhad.

The Company has established an internal Corporate Disclosure Guide to facilitate disclosure of information. This guide is based on the requirements as set out in the MMLR.

In all circumstances, the Company preserves confidentiality with regard to undisclosed material information about the Company and continuously stresses the importance of timely, fair and equal dissemination of information to the shareholders and the public generally.

CORPORATE GOVERNANCE STATEMENT

3. AGM

The 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 meeting. At each AGM, the Board provides shareholders with an opportunity to ask questions 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 resolutions. The Chairman informs on the availability of poll voting by shareholders on matters raised during the AGM.

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 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 where there is special business included in the notice of the Annual or Extraordinary General Meeting, each item of the special business is accompanied by a full explanation of the effects of the proposed resolution.

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 on page 169 of the Annual Report.

2. Risk Management and Internal Control

The Board continues to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Company's assets. The principle is further elaborated under the Statement on Risk Management and Internal Control by the Directors on pages 120 to 127 of the Annual Report.

3. Related Party Transactions (RPT), Recurrent Related Party Transactions (RRPT) and Conflict of Interests (COI)

a) Compliance Monitoring

The Company's corporate structure and integrated business operations amongst companies within the PETRONAS Group makes it susceptible to certain RPT/RRPT situations. It is the responsibility of the Company to ensure that all transactions entered into that involve related parties complies with all relevant regulations and are appropriately evaluated based on fairness, reasonableness and consistency.

b) Policies

The Board has adopted the RPT Policies & Procedures (P&P) to ensure that all transactions that involve RPT or COI are determined on a fair, reasonable and consistent basis.

The P&P was developed to ensure compliance throughout the Group with any relevant regulations pertaining to RPTs and to ensure that all RPTs entered into by the Group are subject to adequate and effective monitoring and documentation processes.

The Company monitors the reporting thresholds and percentage ratios of all RPT/RRPTs of the Group. For transactions that exceed the reporting threshold, or when an announcement is required under the MMLR, the Company makes prompt and complete announcements to Bursa Malaysia Securities Berhad. The Company adheres to relevant requirements as prescribed under the MMLR in the reporting of its transactions.

c) Bursa Malaysia Securities Berhad Waiver

The Company may apply to Bursa Malaysia Securities Berhad for specific waivers on certain RPTs/RRPTs that may be entered into by the Group with the related parties from complying with certain paragraphs of the MMLR. The waiver is normally very specific in nature, and the Group must strictly comply with the terms and conditions stated in the approval letter of Bursa Malaysia Securities Berhad if such waiver was granted by Bursa Malaysia Securities Berhad.

d) Disclosure of Interests

The Directors are required to complete the annual declaration forms, for the purposes of identifying potential relationships and/or COI situations. The interested Directors must also declare in writing on an annual basis, if there are any undisclosed RPT or COI situations involving their interest, either directly or indirectly.

The interested Director must then abstain from participating in all Board deliberation and voting involving the RPTs/RRPTs at all relevant Board meetings. The interested Director and interested major shareholder must also ensure that persons connected with them with any interest, direct or indirect, shall abstain from participating in all deliberation and voting involving the RPT/RRPT at the relevant general meetings.

e) BAC Review and Endorsement

The BAC reviews all RPTs/RRPTs to ensure that the Management has established a comprehensive framework for the purposes of identifying, monitoring, evaluating, reporting and approving RPTs/RRPTs. In reviewing the RPTs/RRPTs, the BAC shall consider factors it deems appropriate, including but not limited to the following:

i) The benefits of the transactions to the Group;

ii) The arm's length basis maintained during negotiations and the commercial reasonableness of the terms of the transactions;

iii) The materiality of the RPTs/RRPTs to the Group;

CORPORATE GOVERNANCE STATEMENT

iv) Justification as to why the transaction must be undertaken with the related party, for example that the goods/services sourced from the related party cannot be obtained elsewhere;

v) The extent of the related party's interest in the RPT/RRPT;

vi) The impact of the transaction on an employee's or director's independence;

vii) The actual or apparent COI of the related party's participating in the RPT/RRPT; and

viii) Any other matters the BAC deems appropriate.

f) Process Flow

The process flow in the P&P is a guide to assist in the identification of RPTs/RRPTs and the administration of such transactions. The process flow is broken down into 3 sections:

i) Verification Stage: The initial stage to identify whether the transaction is RPT/RRPT;

ii) Review/Approval Stage: The administration stage where the transaction is reviewed/endorsed by its various stakeholders/relevant departments prior to approval/execution from the relevant personnel/authority based on the Group's Limits of Authority; and

iii) Monitoring Stage: The post-execution stage where the transaction is to be monitored to ensure compliance with the MMLR and filed with its relevant custodian.

4. 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 doing so, 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 BAC and the Board, matters that require the Board's attention. The report by the BAC on the review of audit reports is enclosed on pages 114 and 117 of the Annual Report.

The Board continuously reviews and monitors the suitability and independence of its external auditors. The BAC also obtains assurance from the external auditors on their independence in discharging their duties.

This statement is made in accordance with the resolution of the Board of Directors dated 19 February 2014.

Datuk Anuar bin Ahmad
Chairman

Yusa' bin Hassan
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 December 2013 was RM15,000.

2. Sanctions

During the period, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

3. Material Contracts

During the financial year, the Company's subsidiary Regas Terminal (Sungai Udang) Sdn Bhd (RGTSU) had entered into the Regasification Services Agreement (RSA) with the Company's substantial shareholder, Petroliam Nasional Berhad (PETRONAS), for the provision of regasification services at RGTSU's regasification facilities at Sungai Udang, Melaka, for a period of twenty (20) years.

Other than the above, the Gas Processing and Transmission Agreement (GPTA) is a material contract which was entered since 1 April 1994 between the Company and its substantial shareholder, PETRONAS, for the provision of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee.

NOMINATION AND REMUNERATION COMMITTEE REPORT

IN COMPLIANCE WITH PARAGRAPH 15.08A OF THE MAIN MARKET LISTING REQUIREMENT (MMLR), THE NOMINATION AND REMUNERATION (NOMREM) COMMITTEE OF THE COMPANY WAS ESTABLISHED ON 14 NOVEMBER 2011. THE NOMREM IS PLEASED TO PRESENT THE NOMREM COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013.

COMPOSITION

As at 31 December 2013, the NomRem Committee comprises of three Independent Non-Executive Directors. In line with the Malaysian Code on Corporate Governance 2012 (MCCG 2012), all NomRem Committee members including the Chairman shall comprise of Non-Executive Directors.

The NomRem Committee is chaired by an Independent Director, En Lim Beng Choon. Whilst the MMLR has recommended that the NomRem Committee be chaired by the Senior Independent Director, the Senior Independent Director, Dato' N. Sadasivan N.N. Pillay is currently the Chairman of the Board Audit Committee. The Board has instead elected En Lim Beng Choon as the Chairman of the NomRem Committee so as to have different Directors chairing the committees to leverage on different perspectives and dynamics as well as to ensure that each Independent Director has equitable roles and responsibilities.

The members of the NomRem Committee as at 31 December 2013 are:

No.	Name of Members
1	Lim Beng Choon (Chairman)
2	Dato' N. Sadasivan N.N. Pillay
3	Habibah binti Abdul *(Appointed to the NomRem Committee on 22 November 2013)*
4	Dato Mohammad Medan bin Abdullah *(Resigned on 1 September 2013)*

The Managing Director/Chief Executive Officer (MD/CEO), Company Secretaries, General Manager of Human Resources and any other persons deemed necessary by the NomRem Committee are invited to attend and are present for deliberations which require their input or advice. The Company Secretaries and General Manager of Human Resources act as joint secretaries to the NomRem Committee.

Lim Beng Choon (Chairman)

Dato' N. Sadasivan N.N. Pillay

Habibah binti Abdul

RESIGNATION OF NOMREM MEMBERS

Any NomRem Committee member may resign effective upon the date of the member giving oral or written notice to the Chairman of the Board, the Company Secretary or the Board (unless the notice specifies a later time for the effectiveness of such resignation). The Board will elect a successor to take office once the resignation becomes effective.

Due to the resignation of Dato Mohammed Medan bin Abdullah during financial year 2013, Cik Habibah binti Abdul was elected by the Board as a member of the NomRem Committee during the financial year.

The appointment of a NomRem Committee member shall automatically be terminated if the member ceases to be a Director for any reason whatsoever or as determined by the Board.

ROLES AND RESPONSIBILITIES

The following shall be the common recurring duties and responsibilities of the NomRem Committee in carrying out its purposes. These duties and responsibilities are set forth as a guide to the NomRem Committee with the understanding that the NomRem Committee may amend or supplement them as appropriate under the circumstances to the extent permitted by applicable laws:

a) Assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

b) Review regularly the selection criteria for Board membership, the Board structure, size and composition and make recommendations for any adjustments thereto.

c) Develop membership qualifications for the Board, including defining specific criteria for Director independence and committee membership.

d) Review annually the Board's mix of skills, education and experience and other qualities including core competencies which Directors should bring to the Board, taking into account the current and future needs of the Company.

e) Establish and recommend the remuneration structure and policy for Directors and senior management and review changes to the policy, as necessary.

f) Implement/maintain a reward system for Directors and senior management based on their performance against the Company's financial results.

The Terms of Reference governing the NomRem Committee is stipulated on pages 110 to 111 of the Annual Report.

MEETINGS AND ACTIVITIES

The NomRem Committee will deliberate on the above matters during meetings which shall be held at least twice a year or at such other times as the Chairman of the NomRem Committee deems necessary. In addition to the schedule of regular meetings established by the NomRem Committee, the Chairman of the NomRem Committee may call for a special meeting at any time. In order to form a quorum, two of the members of the NomRem Committee must be present, one of whom must be an Independent Director.

During the financial year under review, the NomRem Committee met twice and the attendance of the members are as follows:

Name of Directors	No. of meetings attended
Lim Beng Choon (Chairman)	2/2
Dato' N. Sadasivan N.N. Pillay	2/2
Dato Mohammad Medan bin Abdullah	2/2

SUMMARY OF ACTIVITIES OF THE NOMREM COMMITTEE

The following activities were carried out by the NomRem Committee during the financial year ended 31 December 2013:

a) Carried out an assessment on the effectiveness of the Board as a whole, the Committees of the Board as well as the contribution of each individual Director through a Board Effectiveness and Directors Evaluation exercise, the report of which has been tabled to the Board.

b) Implemented a skills mapping exercise for the Directors to review the mix of skills, education and business experience and other qualities including core competencies of the Directors. This exercise will enable the NomRem Committee to assess and review the selection criteria for future board membership and make recommendations for adjustments.

NOMINATION AND REMUNERATION COMMITTEE REPORT

c) Reviewed the Key Performance Indicators, the Performance Management System and the Remuneration Structures as set up for the Senior Management Level.

d) Reviewed the performance reviews and rewards of the Senior Management. In addition, all changes made at the Management Committee level have been presented to the NomRem Committee for input.

e) Reviewed the Company's Board Selection Criteria and Policy on Independent Directors which entails the following:

   i) A process flow for the appointment and re-appointment of the Board members;

   ii) A selection criteria for the appointment and re-appointment of the Board members;

   iii) Independent Director Guidelines; and

   iv) An Independence Review Process.

f) Reviewed proposed High Level Organisation Structure of the Company as part of the Company's organisational restructuring in financial year 2013.

DIRECTORS' FEES

With the exception of the MD/CEO, 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 financial year under review, the breakdown is as follows:

Directors' Name	Directors' Fees (RM)	Board Meeting Attendance Fees (RM)	Board Audit Committee Meeting Attendance Fees (RM)	NomRem Meeting Attendance Fees (RM)	Total (RM)
Datuk Anuar bin Ahmad	Nil	Nil	Nil	Nil	Nil
Dato' N. Sadasivan N.N. Pillay	72,000	27,000	18,000	4,000	121,000
Dato Mohammad Medan bin Abdullah *(Resigned on 1 September 2013)*	48,000	15,000	Nil	4,000	67,000
Datuk Rosli bin Boni	72,000	27,000	12,000	Nil	111,000
Ir. Pramod Kumar Karunakaran	Nil	Nil	Nil	Nil	Nil
Dato' Ab. Halim bin Mohyiddin	72,000	27,000	12,000	Nil	111,000
Lim Beng Choon	72,000	27,000	Nil	6,000	105,000
Habibah binti Abdul *(Appointed on 13 September 2013)*	22,000	6,000	Nil	Nil	28,000
Samsudin bin Miskon (MD/CEO) *(Resigned on 1 July 2013)*	Nil	Nil	Nil	Nil	Nil
Yusa' bin Hassan (MD/CEO) *(Appointed on 1 July 2013)*	Nil	Nil	Nil	Nil	Nil
Total	**358,000**	**129,000**	**42,000**	**14,000**	**543,000**

Fees for certain directors appointed by PETRONAS are paid directly to PETRONAS as Board of Directors representation fees. During the year, the Company paid RM240,000 as Board of Directors representation fees for PETRONAS. A formal written policy and procedures for directors' remuneration is currently being developed.

The MD/CEO, an employee of PETRONAS, is seconded to the Company as an Executive Director. The MD/CEO, as well as the other Directors representing PETRONAS, possess a mix of skills, knowledge, expertise and experience, each contributing towards safeguarding the interests of the Company. At the same time, their presence 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 service of the MD/CEO, 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 RM737,000 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 MD/CEO, other Management staff have also 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. The Board further ensures that the members of the Management Committee of the Company are rewarded based on performance.

REPORTING PROCEDURES

The Chairman of the NomRem Committee reports on key issues deliberated at the NomRem Committee to the Board and minutes of the meetings of the NomRem Committee are circulated to all members of the Board for the Board's notation.

Lim Beng Choon
Chairman
Nomination and Remuneration Committee
19 February 2014

NOMINATION AND REMUNERATION COMMITTEE'S TERMS OF REFERENCE

CONSTITUTION

The Nomination and Remuneration (NomRem) Committee was formed by the Board pursuant to its meeting on 14 November 2011.

MEMBERSHIP

The members of the NomRem Committee shall be appointed by the Board from amongst their number and shall consist of not less than three members. In line with the Malaysian Code of Corporate Governance 2012 (MCCG 2012), all NomRem Committee members including the Chairman shall be Non-Executive Directors. The majority of the NomRem Committee members including the Chairman shall be Independent Directors.

The members of the NomRem Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

The actual number of members shall be determined from time to time by resolution of the Board.

The terms of office and performance of the NomRem Committee and each of its members shall be reviewed by the Board periodically to whether the NomRem Committee and/or its members have carried out its duties in accordance with its Terms of Reference.

RESIGNATION OF MEMBERS

Any NomRem Committee member may resign effective upon the date of the member giving oral or written notice to the Chairman of the Board, the Company Secretary or the Board (unless the notice specifies a later time for the effectiveness of such resignation). The Board will elect a successor to take office once the resignation becomes effective.

The appointment of a NomRem Committee member shall automatically be terminated if the member ceases to be a director for any reason whatsoever or as determined by the Board.

MEETING

To form a quorum, two of the members of the NomRem Committee must be present, one of whom must be an Independent Director.

The Chairman of the NomRem Committee will be designated by the Board based upon recommendation by the Members. In the absence of the Chairman, the remaining members present shall elect one of their members from the independent directors as Chairman of the meeting. Other Directors, key executives and employees may attend any particular meeting only at the NomRem Committee's invitation.

The Company Secretary or in his/her absence, his/her deputy shall be the Secretary of the NomRem Committee. Minutes of the meetings shall be duly entered in the books provided therefor.

Meetings shall be held at least twice a year or at such other times as the Chairman of the NomRem Committee deems necessary. In addition to the schedule of regular meetings established by the Committee, the Chairman of the NomRem Committee may call for a special meeting at any time.

Meetings of the NomRem Committee shall be arranged by the Secretary at the request of the Chairman or any other member of the NomRem Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be issued to each NomRem Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers.

The NomRem Committee shall regulate its own detailed procedure, in particular:

a) The calling of meetings;

b) The notice to be given for meetings;

c) The voting and proceedings of meetings;

d) The keeping of minutes; and

e) The custody, production and inspection of minutes.

AUTHORITY

The NomRem 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 employees, company officers and external parties.

The NomRem Committee is authorised to engage external consultants and other advisers, or otherwise obtain such independent legal or other professional services it requires.

The NomRem Committee will have or be provided with sufficient resources undertaking its duties, including access to the company secretariat.

DUTIES AND FUNCTIONS

The following shall be the common recurring duties and responsibilities of the NomRem Committee in carrying out its purpose. These duties and responsibilities are set forth as a guide to the NomRem Committee with the understanding that the NomRem Committee may amend or supplement them as appropriate under the circumstances to the extent permitted by applicable laws:

a) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

b) To review regularly the selection criteria for Board membership, the Board structure, size and composition and make recommendations to the Board with regard to any adjustments which are deemed necessary.

c) To develop membership qualifications for the Board and all Board Committees, including defining specific criteria for director independence and committee membership.

d) To look into suggestions for candidates for membership on the Board, recommend prospective Directors, with a view, to provide an appropriate balance of knowledge, experience and capability on the Board, including shareholder's nominations to the Board and assess the suitability of potential candidates against the set criteria.

e) To review annually the Board's mix of skills, education and experience and other qualities including core competencies which Directors should bring to the Board, taking into account the current and future needs of the Company.

f) To review and recommend to the Board appropriate corporate governance policies and procedures of the Company.

g) To monitor compliance with corporate governance standard.

h) To annually convene a meeting with the Chairman of any Committee appointed by the Board for purpose of reviewing their roles and responsibilities and facilitating appropriate coordination.

i) 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.

j) To carry out other actions and do such other things as may be referred to it from time to time by the Board.

The NomRem Committee shall also, amongst others, establish and recommend the remuneration structure and policy for directors and review changes to the policy, as necessary.

REPORTING PROCEDURES

Draft minutes of each meeting shall be distributed to all members of the NomRem Committee. The minutes of the NomRem Committee meeting shall be confirmed at the next meeting of the NomRem Committee and shall be available on request from the Company Secretary to all Non-Executive Directors. The confirmed minutes of the meeting will be tabled to the Board for notation succeeding the NomRem Committee meeting.

Any decision shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

BOARD AUDIT COMMITTEE REPORT

Dato' N. Sadasivan N.N. Pillay
(Chairman)

Dato' Ab. Halim bin Mohyiddin

Datuk Rosli bin Boni

THE BOARD AUDIT COMMITTEE (BAC) OF PETRONAS GAS BERHAD (PGB) IS PLEASED TO PRESENT THE BOARD AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 IN COMPLIANCE WITH PARAGRAPH 15.15 OF MAIN MARKET LISTING REQUIREMENT (MMLR).

COMPOSITION

The BAC was formed by the Board pursuant to its meeting held on 14 August 1995. The BAC comprises three Directors, in compliance with Paragraph 15.09(1)(a) of the MMLR. The members are as follows:

No.	Name of Members
1	Dato' N. Sadasivan N.N. Pillay (Chairman) (Senior Independent Non-Executive Director)
2	Dato' Ab. Halim bin Mohyiddin (Independent Non-Executive Director)
3	Datuk Rosli bin Boni (Non-Independent Non-Executive Director)

In line with the MCCG 2012 and Paragraph 15.09(1)(b) of the MMLR, all the three BAC members are Non-Executive Directors, two of whom are Independent Directors. Both the Independent Directors satisfy the test of independence under Paragraph 1.01 of the MMLR.

Dato' Ab. Halim bin Mohyiddin is currently a Council Member of The Malaysian Institute of Certified Public Accountants (MICPA) and also serves as the Chairman of the Education and Training Committee of the Institute of MICPA. He is also a member of the Malaysian Institute of Accountants. In this regard, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the MMLR.

TERMS OF REFERENCE

The BAC is governed by the Terms of Reference as stipulated on pages 116 to 117 of the Annual Report. All the requirements under the Terms of Reference were fully complied with.

MEETINGS

During the financial year under review, the BAC held six (6) meetings. The Meeting attendance record of the members are as follows:

Name of Members	No. of meetings attended
Dato' N. Sadasivan N.N. Pillay	6/6
Dato' Ab. Halim bin Mohyiddin	6/6
Datuk Rosli bin Boni	6/6

By invitation, the Managing Director/Chief Executive Officer (MD/CEO), Company Secretaries, General Manager of Finance Division, Head of Risk Management Department, external and internal auditors were also present during deliberations which required their inputs and advice.

The Head of Group Internal Audit Division of PETRONAS (GIAD) presents the internal audit reports to the BAC. Relevant members of the Management are invited to brief the BAC on specific issues arising from the audit findings. The external auditors also attend the BAC meeting to present the external audit plan for the year as well as the outcome of the statutory audit conducted on the Company and its subsidiaries. In addition, the BAC meets with the external auditors at least twice during the year without the presence of the Management.

Deliberations during the BAC meetings included performance review of the Company, the proposed annual and interim financial reporting to Bursa Malaysia Securities Berhad, the status of open audit findings together with the agreed corrective actions and risk management activities.

It is common practice that the draft BAC minutes are circulated to the Board members prior to the Board meeting subsequent to the BAC meeting. This assists the BAC Chairman to effectively convey to the Board, matters deliberated at the BAC meeting. Minutes of the BAC meeting are tabled for confirmation during the next BAC meeting, after which it is distributed to the Board for notation. In addition to communicating to the Board on matters deliberated during the BAC meeting, the BAC Chairman also recommends to the Board the approval of annual financial statements and quarterly results.

BOARD AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE BAC

The following activities were carried out by the BAC during the financial year ended 31 December 2013:

a) Reviewed the annual internal audit plan for the year including its scope, basis of assessments and risk ratings of the proposed areas of audit.

b) Reviewed and deliberated on reports of audits conducted by the GIAD.

c) Monitored all corrective actions on audit findings identified by the GIAD until all issues are resolved.

d) Reviewed the quarterly results for announcements to Bursa Malaysia Securities Berhad before recommending the same for approval by the Board upon being satisfied that, it complies with applicable approved Malaysian Financial Reporting Standards (MFRS) issued by the Malaysian Accounting Standards Board, MMLR and other relevant regulatory requirements.

e) Reviewed potential impact of implementation of new MFRS's to the Company's quarterly results and financial statements.

f) Reviewed the Company's annual and quarterly management accounts.

g) Reviewed the appointment of external auditors and their remuneration thereof.

h) Reviewed with the external auditors audit strategy and scope for the statutory audit of the Company's financial statements for the financial year ended 31 December 2013.

i) Reviewed with the external auditors the results of the statutory audit and the audit report.

j) 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 MFRS issued by the Malaysian Accounting Standards Board. The review also included relevant statements in relation to the financial statements, being the Corporate Governance Statement, Statement on Risk Management and Internal Control, Statement of Directors Responsibilities and BAC Report.

k) Reviewed the Company's Enterprise Risk Report and Status of Risk Monitoring and deliberated on the risk exposures and the required mitigation plans.

INTERNAL AUDIT

The internal audit function of the Company was carried out by the GIAD. They maintained at all times their impartiality, proficiency and due professional care by having their plans and report 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 were carried out to provide assurance that internal controls are established and operating as intended to achieve effective and efficient operations and adherence to applicable policies, guidelines and procedures. The audits conducted during the year were:

- Audit on PGB Corporate and Commercial Services Department Overall Governance and Activities.
- Audit on Project Management of Regasification Terminal 1 Project Package 2.
- Audit on PGB Production Planning.
- Audit on PGB (Plant Operations Division) Project Surplus Management.
- Audit on PGB Turnaround Management Activities.

The resulting reports from the audits were reviewed by the BAC and subsequently forwarded to the Management for the necessary corrective actions. The Management is responsible for ensuring that corrective actions are taken within the required time frame.

BAC STATEMENT ON RECURRENT RELATED PARTY TRANSACTIONS (RRPTS)

The BAC in reviewing the PGB RPT Policies & Procedures (P&P), as mentioned on pages 102 to 104 of the Annual Report, is satisfied that the Company has put in place an adequate P&P framework to monitor, track and identify RRPTs so as to ensure the transactions are at all times carried out on arms length basis and are not to the detriment of minority shareholders.

The above statement is also based on the Independent Advisors' Opinion, being Messrs PriceWaterhouseCoopers Capital Sdn Bhd who was appointed by the BAC, to carry out an independent review of PGB's P&P relating to RRPTs. The Letter of Opinion of the Independent Advisors is set out under pages 118 to 119 of the Annual Report.

REVIEW PROCEDURES IN DETERMINING AND REVIEWING THE TRANSACTION PRICE AND TERMS OF THE RRPT

Details of such review procedures and threshold limits are set out in PGB's Related Party Transactions Policies and Procedures document as approved by the BAC on 10 February 2014. These procedures are summarised in the Statement of Corporate Governance of this Annual Report, and shareholders are advised to read the information carefully.

In the review of procedures for determining the transaction prices of the RRPT, the following were considered:

(a) The Directors' rationale for, and the benefits accruing to PGB arising from the RRPT.

(b) The review procedures for the RRPT.

Bursa Malaysia Securities Berhad had on 2 March 2011 granted PGB a waiver from complying with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, of having to seek shareholders approval in relation to the liquefied natural gas regasification services provided by PGB to PETRONAS.

During the period under review, PGB undertook a process which primarily involved determining suitable tariffs, negotiations and obtaining proper approvals from the BAC and Board, which were aligned for the subsequently approved policies and procedures. Based on the result of the test, there were no exceptions as it relates to the price determination process for the RRPT.

Based on work performed, improvement areas have been discussed and agreed with the BAC and incorporated in the Related Party Transactions Policies and Procedures document.

REPORTING TO THE EXCHANGE

For the year under review, the BAC was of the view that the Company was in compliance with the MMLR and as such, the reporting to Bursa Malaysia Securities Berhad under paragraph 15.16 of the MMLR was not required.

Dato' N. Sadasivan N.N. Pillay
Chairman
Board Audit Committee
19 February 2014

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

CONSTITUTION

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

MEMBERSHIP

The members of the BAC shall be appointed by the Board from amongst their number and shall consist of not less than three members. In line with the Malaysian Code on Corporate Governance 2012 (MCCG 2012), all BAC members including the Chairman shall be Non-Executive Directors. The majority of the BAC members including the Chairman shall be Independent Directors. An Independent Director shall be a director who fulfils the requirements as provided in the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR).

All BAC members must be financially literate with at least one member of the BAC:

(a) Shall be a member of the Malaysian Institute of Accountants; or

(b) If he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience; and

    i) passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or

    ii) is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; and

(c) Fulfils such other requirements as prescribed or approved by Bursa Malaysia.

The members of the BAC shall elect a Chairman from amongst their number who shall be an Independent Director.

If a member of the BAC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to 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.

No alternate director can be appointed as a member of the BAC.

The terms of office and performance of the BAC and each of its members shall be reviewed by the Board periodically to whether the BAC and/or its members have carried out its duties in accordance with its Terms of Reference.

MEETING

To form a quorum, the majority of the members present must be Independent Directors and one of whom shall be the Chairman of the BAC. The BAC shall be able to convene meetings with the external auditors, internal auditors or both without the presence of any other directors or employees whenever it deems necessary. The external auditors and internal auditors have the right to appear and be heard at any meeting of the BAC and shall appear before the Committee when required to do so by the BAC.

The Company Secretary or in his/her absence, his/her deputy shall be the Secretary of the BAC. Minutes of the meetings shall be duly entered in the books provided therefor.

Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider it necessary. The Chairman of the BAC shall convene a meeting of the Committee to consider any matters the external auditor believes should be brought to the attention of the Board or shareholders.

AUTHORITY

The BAC 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 BAC.

The BAC 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.

The BAC is authorised by the Board to communicate directly with internal and external auditors, as well as the members of Management such as the Chairman of the Company and the Managing Director/Chief Executive Officer on a continuous basis in order to be informed and updated with matters related to the Company.

DUTIES AND FUNCTIONS

The duties and functions of the BAC shall be:

1) External Audit

a) To consider the appointment of the external auditors, the audit fees, and any question in relation to resignation or dismissal of the external auditors before making recommendation to the Board.

b) To review and 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.

2) Internal Audit

a) To review the internal audit plan, consider the major findings of internal audits and Management's responses, and ensure coordination between the internal and external auditors.

b) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

c) To review the audit reports.

d) To direct and where appropriate supervise any special project or investigation considered necessary.

e) To prepare periodic reports to the Board summarising the work performed in fulfilling the BAC's primary responsibilities.

f) To determine the remit of internal audit function which reports directly to the BAC. The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care.

3) Financial Reporting Review

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:

a) Any change in accounting policies and practices.

b) Significant and unusual events.

c) Major judgmental areas.

d) Significant adjustments resulting from the audit.

e) The going concern assumption.

f) Compliance with accounting standards.

g) Compliance with other legal requirements and MMLR.

4) Related Party Transactions

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 the questions of management integrity.

5) Risk Management

To review the adequacy and effectiveness of risk management practices and procedures as well as conducting risk profiling reviews on the Company, on a quarterly basis.

6) Internal Control

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.

7) Other Matters

a) 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.

b) To discuss problems and reservations arising from the internal audits, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of Management where necessary).

c) Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the BAC must promptly report such matter to the Securities Commission.

d) Carrying out any other functions that may be mutually agreed upon by the BAC and the Board.

REPORTING PROCEDURES

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

INDEPENDENT FINANCIAL ADVISOR'S REPORT

Board Audit Committee
PETRONAS Gas Berhad
Level 51, Tower 1,
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

19 February 2014

Dear Sirs,

REVIEW ON METHODS OR PROCEDURES IN DETERMINING AND REVIEWING TRANSACTION PRICES AND TERMS OF RECURRENT RELATED PARTY TRANSACTIONS

1 INTRODUCTION

PETRONAS Gas Berhad (PGB), a subsidiary of Petroliam Nasional Berhad (PETRONAS), is listed on the Main Market of Bursa Malaysia since 1995. PGB primarily engages in the processing, regasification and transmission of natural gas in Malaysia.

This letter has been prepared for the purpose of inclusion in the Annual Report for the financial year ended 31 December 2013 pursuant to the waiver for compliance with Paragraph 10.09 of Bursa Malaysia Main Market Listing Requirements granted by Bursa Malaysia based on its letter to PGB dated 2nd March 2011 ('the Waiver').

As part of the Waiver which was granted on the Regasification Services Agreement (RSA) with Petroliam Nasional Berhad (PETRONAS) to provide liquefied natural gasification services via its Regasification Terminal in Sungai Udang, Melaka (RGT 1), PGB is required to disclose in its Annual Report after the listing date, an independent financial adviser's opinion that the methods or procedures in determining the transaction price and terms of the Recurring Related Party Transaction (RRPT) are sufficient to ensure that the transaction will be carried out on normal commercial terms and will not be to the detriment of its minority shareholders (the Minority Shareholders).

2 TERMS OF REFERENCE

To comply with the condition attached to the waiver as described above, PricewaterhouseCoopers Capital Sdn Bhd (PwCC) has been appointed as the independent financial adviser to provide an opinion on whether the methods or procedures in determining the transaction price and terms of the RRPT (i.e. the RSA) are sufficient to ensure that the transaction will be carried out on normal commercial terms and will not be to the detriment of Minority Shareholders.

PwCC's views as set forth in this letter are based on the prevailing market and economic conditions, and our analysis of the information provided to us by PGB up to the date of this letter. Accordingly, this opinion shall not take into account any event or condition which occur after that date.

The scope of our review for the purposes of this letter covers the RRPT in respect of the RSA with PETRONAS to provide liquefied natural gasification services via its RGT as detailed in Section 1.

PwCC's work is solely in respect of the review of methods or procedures in determining the transaction prices of the RRPT and we were not involved in the formulation of these procedures adopted by the Company.

2 TERMS OF REFERENCE (CONTINUED)

In the course of our evaluation of the procedures, we have performed the following:

- Desktop reviews of documented standard operating procedures and relevant Board and Management reports that were used to determine and review the transaction prices and terms of the RRPT;
- Performed a walkthrough on the RRPT, the procedures undertaken to determine the transaction price and terms of the RRPT;
- Discussions with selected members of Senior Management on the methods and procedures employed by PGB to determine and review the transaction price and terms of the RRPT; and
- Interviews with the Audit Committee to understand the Board's role in reviewing the RRPT.

We have not conducted any procedures on information included in PGB 2013 Annual Report.

3 REVIEW PROCEDURES IN DETERMINING AND REVIEWING THE TRANSACTION PRICE AND TERMS OF THE RRPT

Details of such review procedures and threshold limits are set out in PGB's Related Party Transactions Policies and Procedures document as approved by the Board Audit Committee ('BAC') on 10 February 2014. These procedures are summarised in the Statement of Corporate Governance of this Annual Report, and Shareholders are advised to read the information carefully.

In our review of procedures for determining the transaction prices of the RRPT, we have considered the following:

(a) The Directors' rationale for, and the benefits accruing to PGB arising from the RRPT; and

(b) The review procedures for the RRPT.

Bursa Malaysia had on 2 March 2011 granted PGB a waiver from complying with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia, of having to seek shareholders approval in relation to the liquefied natural gas regasification services provided by PGB to PETRONAS.

During the period under review, PGB undertook a process which primarily involved determining suitable tariffs, negotiations and obtaining proper approvals from the BAC and Board, which were aligned for the subsequently approved policies and procedures. Based on the result of our test, there were no exceptions as it relates to the price determination process for the RRPT.

Based on work performed, improvement areas have been discussed and agreed with the BAC and incorporated in the Related Party Transactions Policies and Procedures document.

4 OPINION

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, PWCC is of the opinion that the review procedures for determing the transactions prices of the RRPTs, as set out in the Statement of Corporate Governance of this Annual Report are sufficient to ensure that the RRPTS will be carried out on normal commercial terms and will not be detrimental to the interests of PGB and its Minority Shareholders.

We have prepared this letter for the use of PGB in connection with the conditions of the Waiver imposed by Bursa Malaysia. A copy of the letter may be reproduced in the Annual Report.

Yours faithfully,

PricewaterhouseCoopers Capital

PricewaterhouseCoopers Capital Sdn Bhd

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE GROUP ADOPTS PETRONAS' SHARED VALUES OF LOYALTY, INTEGRITY, PROFESSIONALISM AND COHESIVENESS WHICH SET THE TONE FOR A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL.

The Board is committed to maintain and continuously improve the Group's system of risk management as well as internal control and is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the year under review.

BOARD'S ACCOUNTABILITY

The Board acknowledges the importance of a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding shareholders' investments and the Group's assets. The Board affirms its overall responsibility for the Group's system of risk management and internal controls and has undertaken a review of the adequacy and effectiveness of those systems and compliance with relevant laws and regulations.

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 or the occurrence of unforeseeable circumstances.

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing all significant risks faced by the Group and its achievement of objectives and strategies for the year under review and up to the date of approval of this Statement on Risk Management & Internal Control for inclusion in the Annual Report. This process is regularly reviewed by the Board in accordance with the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.*

RISK MANAGEMENT

Risk Management is regarded by the Board to be an integral part of the Group's organisational processes, with the objective of maintaining a sound system and ensuring its continuing adequacy and integrity. Risk Management is firmly embedded in the Group's management system. The Group's Risk Management policy is to adopt an effective and progressive enterprise risk management system to identify, analyse, appraise and monitor the risks faced by the Group and to take specific measures to mitigate these risks.

The Planning and Risk Management Department (PRMD) is entrusted with the responsibility of ensuring effective risk governance and implementation in the Group. The risk profile of the Group has been established based on the enterprise risk management concept with principal risks identified and regular reviews of key risk indicators and risk mitigations.

PRMD provides regular updates to both the Company's Management Committee (MC) and Board Audit Committee (BAC) in the form of quarterly Enterprise Risk Report (ERR). The report covers the risk profile and status of risk mitigation implementation, i.e. event mitigation, risk management framework implementation and risk initiatives.

During the year under review, the Company has completed the Enterprise Risk Management (ERM) Compliance Assessment in collaboration with PETRONAS Group Risk Management Unit (GRMU) as part of the overall risk assurance programme. The ERM Compliance Assessment (ECA) is a mechanism to assess the Company's compliance to the requirements of PETRONAS ERM frameworks.

Event Mitigation

Detailed risk events arising from the Company's business, together with existing controls and risk levels are discussed and approved by the BAC together with the appropriate risk mitigations to address the risks. The risk mitigations identified are monitored for completion and the resultant residual risks are determined and reduced to an acceptable risk level as approved by the BAC.

In addition, risk assessments are also conducted for new business ventures. The Business Risk Assessments Report which covers risk profile and mitigations are included in the business development proposal presented to the Commercial Steering Committee (CSC) (formerly known as Business Development Committee, established during the year with extended terms of reference and scope).

RISK MANAGEMENT FRAMEWORK IMPLEMENTATION

Project Risk

The Group continues to implement Project Risk Management processes in line with the PETRONAS Project Management System (PPMS) requirements. The Group carries out Project Risk Assessments, Independent Reviews and Lessons Learnt for all its major and critical projects.

Project risk report which includes project status and areas of concerns are incorporated into the ERR and submitted to the MC and BAC on a quarterly basis.

During the year under review, the Project Steering Committee and dedicated steering committee for major projects were established to strengthen the overall monitoring of major and critical projects. These committees which are chaired by Managing Director/Chief Executive Officer (MD/CEO) meet on a regular basis to deliberate project progress, risk areas and their mitigations. In addition, updates on project progress have been incorporated as an agenda deliberated in the monthly MC meetings and quarterly Board meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Contractor Risk

Contractor risk is managed through technical and commercial tendering evaluation exercises facilitated by the Company's Project Supply Chain Management (PSCM) Department, PETRONAS Group Technology & Engineering Division and PETRONAS Group Shared Material and Services Organisation (SMSO) prior to the award of contracts in compliance with the PETRONAS Group tendering and contract policy and procedures. The Contractor Risk Assessment (CoRA) process is an integral part of the contractor selection process which is being applied prior to awarding contracts to the contractor.

Finance Risk

The Group has adopted PETRONAS Corporate Financial Policy (CFP) which sets forth the governing policy in effecting the practice of financial risk management across the Group. The policy stipulates a consistent framework in which financial risk exposures are identified and strategies developed to mitigate such risks. The Group has established CFP supporting guidelines to manage its finance risk exposures that include counterparty risk, liquidity risk, foreign exchange risk and interest rate risk.

During the year under review, the Group adopted the enhanced version of CFP which includes additional guidelines in relation to Cash Repatriation, Credit and Group Tax.

Credit Risk

To reduce its credit risk exposure, the Group continues to apply the Credit Risk Management processes based on PETRONAS Credit Risk Rating methodology whereby the customers are assessed using the PETRONAS Credit Risk Rating System (PCRRS) to ensure alignment with the credit assessment process adopted by the PETRONAS Group. The system evaluates the credit worthiness and assigns credit risk ratings to all of the Group's external customers. In addition, annual reviews are conducted on the assigned credit risk ratings of these customers while the trend of the customers' financials are also analysed to detect early signs of financial distress and to provide early warning to the Management. The Group used Credit Risk Tolerance Limit to minimise potential loss from credit exposure for utilities customers.

The credit risk report includes Credit Value at Risk which measures potential loss from customers' overdue balances against Credit Risk Tolerance Limit. On a quarterly basis, the report is incorporated into the ERR and submitted to the Management and BAC.

The trade and non-trade receivables ageing are also deliberated by the MC as well as Commercial Steering Committee.

Contingency Planning & Business Continuity Management

The Group has in place Contingency Planning that defines the structure and processes for managing emergencies at operational and company level. There is a three-tier response system in place which provides a clear demarcation of roles and responsibilities between emergency site management, operating division management and MC. Business Continuity Plan (BCP) is also in place to ensure business continuity in the event of a crisis or business disruption.

The above contingency & business continuity plans should enhance the Group's readiness in dealing with disruptive incidents and reduce the impact of crisis as well as to recover and restore the Group's critical functions within a reasonable period of time towards sustaining the operational survival thus protecting business, partners and customers during crisis or disaster.

During the year under review, the Company conducted one BCP drill and table-top exercise for Head Office (HO) and participated in the PETRONAS Integrated Simulation Exercise to test the Company's readiness in the event of a crisis at PETRONAS Twin Towers.

Plant & Facilities Risk Assessments were also conducted at Gas Processing & Utilities (GPU), Gas Transmission & Regasification (GTR), and the Group's new facility i.e. liquefied natural gas (LNG) Regasification Terminal (RGT) in Sungai Udang, Melaka.

Health, Safety and Environment (HSE) Risk

The Group leverages on the PETRONAS HSE Management System (HSEMS) to manage HSE risk and ensure that operations are in tandem with the HSE regulatory requirements. The HSEMS process ensures that HSE risk within the business is managed effectively. In ensuring effective implementation of HSEMS, a Mandatory Control Framework was deployed to strengthen the HSE governance within the Group.

The Group reviews its HSE risk register on a regular basis in addressing the changes that are triggered from past incidents, plant modifications activities and amendments of the PETRONAS Technical Standard (PTS). HSE assurance is carried out to provide independent assurance on the effectiveness of HSE controls and presented to the Management.

During the year under review, HSEMS Tier 3 Assurance was conducted at GPU by PETRONAS Group HSE and external audits were conducted for SIRIM recertification for ISO 14001:2004, OSHAS 18001:2007 and MS1722:2011 at Head Office and GTR in line with the Group's initiative to integrate its various management systems under the Company's Integrated Management System.

Risk Initiatives

The Group continues to enhance risk management awareness and capability building across the Group through various sharing of information and best practices.

The Group benefits from being part of the PETRONAS Group, which has an established Board Governance and Risk Committee that primarily provides guidance and recommends strategies and policies, as well as groupwide risk management awareness and capability building programme.

Moving Forward

The Group will continue its focus in implementing key risk management strategies and initiatives towards institutionalisation of risk management as a business culture throughout the Group.

INTERNAL AUDIT FUNCTION

The Board recognises that the internal audit function is an integral part of the governance process. Group Internal Audit Division (GIAD) PETRONAS undertakes the internal audit function of the Group and provides independent assurance on the adequacy and effectiveness of the internal control systems implemented by the Group, and reports its findings directly to the BAC.

The internal audit function includes undertaking reviews of the Group's system of internal controls, its operations and selected key activities based on risk assessment and in accordance with the annual internal audit plan which is presented and approved by the BAC.

BAC receives and reviews all GIAD audit reports including the agreed corrective actions to be undertaken by the auditees. GIAD monitors status of the agreed corrective actions through Quarterly Audit Report submitted by auditees which will be assessed and verified by GIAD. The consolidated status of the audit issues is submitted and presented to the BAC for deliberations on a quarterly basis.

GIAD adopts the standards and principles outlined in the International Professional Practices Framework of the Institute of Internal Auditor.

The key activities of the internal audit function are set out in the BAC Report on pages 112 to 115.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEM

The other significant elements of the Group's internal control system are tabulated below.

Board

The Board meets at least once a quarter, in order to maintain its full and effective supervision on the overall governance of the Group. The MD/CEO leads the presentation of Board Papers and provides comprehensive explanation on pertinent issues. In arriving at any decisions, based 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 Group's activities and its operations on a regular basis.

The Board reviews all significant issues arising from changes in the business environment, which may result in significant risks to the Group. The General Manager of Finance Division provides the Board with quarterly performance report.

Where areas for improvement in the system are identified, the Board will consider the views and recommendations made by the BAC and Management.

Organisation Structure

An organisational structure which defines the formal lines of responsibility and delegation of authority is in place to assist in implementing the Group's strategies and day-to-day business activities. A process of hierarchical reporting has been established which provides a documented and auditable trail of accountability. The Company's organisational structure is set out on page 30 of the Annual Report.

The Company has a Management Committee which serves as an advisory capacity to the MD/CEO in accomplishing the vision, mission, strategies and objectives set for the Group.

Various functional committees have also been established across the Group to ensure the Group's activities, major projects and operations are properly aligned towards achieving the organisation's goals and objectives.

During the year under review, the Group has undertaken the Strategic Organisational Review and Alignment to strengthen its core business operational excellence, HSE performance and engineering services. The new organisational structure has been effective since 1 December 2013.

Budget Approval

Budgets are an important control mechanism used by the Group to ensure an agreed allocation of Group resources and that the operational managers are sufficiently guided in making business decisions. The Group undertakes a comprehensive annual planning and budgeting exercise which includes the development of business strategies for a five-year period and establishment of performance indicators against which operating units and subsidiaries are evaluated.

Variances against budget are analysed and reported to the MC and BAC/Board on a monthly and quarterly basis respectively. The Management is responsible to monitor major variances and take corrective actions, where necessary.

Limits of Authority

A documented Limits of Authority (LOA) with clear lines of accountability and responsibility serves as a tool of reference to identify the appropriate approving authority at various levels of management including matters that require the Board's approval.

System and Control

Systems and Control Unit of Finance Division conducts scheduled governance and compliance audits in addition to the internal audits conducted by GIAD. The audits are meant to provide assurance to the Management on the Group's internal control effectiveness and compliance to the PGB Enterprise Resource Planning (ERP) system's established roles and segregation of duties, LOA, policies and work procedures. At the end of each audit, a report is presented to the MC highlighting findings and the agreed corrective actions. The status of the audit issues are monitored and reported to the MC on a quarterly basis.

Procurement

The Group has clearly defined authorisation procedures and authority limits set for awarding tenders and all procurement transactions covering both capital and revenue expenditure items.

Tender Committee structure with defined level of responsibilities is in place to review all major contracts. Subsequent to the review by the relevant Tender Committees, the contracts will be subject to approval by the relevant approving authority who is independent from the Tender Committee. Tenders are called for and are awarded based on factors such as capability, quality, track record, speed of delivery and cost.

Operating Procedures and Guidelines

Internal control procedures are documented in standard operating procedure manuals with established guidelines on business planning, capital expenditure, financial operations, performance reporting, plant and transmission operations, supply chain management, human resource, information technology and health, safety and environment.

Financial Control Framework

The Group has adopted PETRONAS Financial Control Framework (FCF) with the principal objective of enhancing the quality and integrity of the Group's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of key controls, remediation of control gaps as well as a regular testing of control operating effectiveness.

On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable. Subsequently, the MD/CEO and General Manager of Finance provide overall assurance to the Board on the adequacy and effectiveness of key internal controls of the Group.

Information and Communication Technology

The Group leverages on Information and Communication Technology (ICT) as key enabler to enhance productivity and decision making process. Being part of PETRONAS Group, the Group adheres to PETRONAS Group ICT Policy and adopts PETRONAS Group ICT Strategy and roadmap. Internal ICT audit and system reviews are conducted periodically to ensure compliance with PETRONAS Group policies and procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Related Party Transaction

The Group has a policy and procedure in place with regards to all related party transactions and conflict of interest situations, including recurrent related party transactions, to ensure that such commercial transactions entered into are conducted in a fair manner and are not detrimental to the Company's minority shareholders.

The Corporate Governance Statement includes an overview of the Group's policy and procedures on related party transactions as set out on pages 102 to 104 of this Annual Report.

Employee Performance Management (EPM)

In order to maintain the Group as a high performing organisation, the Group continues to strengthen and enhance its Employee Performance Management. The Group has established a systematic and wholesome assessment of staff's performance against the set performance indicators which is reviewed on a half yearly basis.

Accelerated Capability Development

The Group invests a lot of efforts in accelerating the capability of its staff. The Group aligns its capability development efforts to the PETRONAS Accelerated Capability Development framework for its technical staff, where their capabilities are continuously developed and periodically assessed. Non-technical staff are appraised through an annual Functional Assessment.

Code of Conduct and Business Ethics (CoBe)

The Group subscribes to PETRONAS Code of Conduct and Business Ethics (CoBe) which sets the policy and standards of behaviour and ethical conduct expected of each individual not only by employees and directors, but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group. Benchmarked to internal standards, the CoBe together with PETRONAS shared values serve as the guide as to how all staff are expected to conduct themselves in maintaining an ethical, law abiding culture in the Group.

Anti – Bribery and Corruption Policy

The Group has a zero tolerance policy against all forms of bribery and corruption. The Group adopts the PETRONAS Anti – Bribery and Corruption Policy and Guidelines which provides guidance to employees concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

Human Resource (HR) Policies and Procedures

The Group's HR policies are aligned to the PETRONAS policy & procedures on all areas of human resources. This is to ensure that the Group practices best in class HR policies and procedures especially with regards to Human Capital Development. Other HR areas which are well established in the Group include Job Management, Succession Planning and Leadership Development.

MANAGEMENT ROLE

The Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control as prescribed above. The MD/CEO and General Manager of Finance Division have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively.

WEAKNESSES IN RISK MANAGEMENT AND INTERNAL CONTROL THAT RESULT IN MATERIAL LOSSES

There were no material losses incurred during the year as a result of weaknesses in risk management and internal control. The Management continues to take measures to strengthen the control environment and monitor the risk management and internal control framework. Accordingly, the Board is satisfied that the Group's risk management and internal control system is adequate and effective.

REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management & Internal Control pursuant to the scope set out in Recommended Practice Guide (RPG) 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the year ended 31 December 2013, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report of the Group, in all material aspects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement on Risk Management & Internal Control is made in accordance with the resolution of the Board dated 19 February 2014.

Datuk Anuar bin Ahmad
Chairman

Yusa' bin Hassan
Managing Director/Chief Executive Officer

TRAINING PROGRAMMES ATTENDED BY DIRECTORS 2013

NO.	NAME OF DIRECTOR	TRAININGS ATTENDED
1	Datuk Anuar bin Ahmad	• Asia Oil & Gas Conference 2013
2	Yusa' bin Hassan	• Mandatory Accreditation Programme for Directors of Public Listed Companies
3	Dato' N. Sadasivan N.N. Pillay	• Audit Committee Conference 2013 – Powering for Effectiveness by Malaysian Institute of Accountants & Institute of Internal Auditors Malaysia • Advocacy Sessions on Corporate Disclosure for Directors, Bursa Malaysia Securities Berhad • Breakfast Session with Board Chairmen: Discussion on Corporate Governance Practices by Bursa Malaysia Securities Berhad • Corporate Integrity Advocacy Programme themed : 'Designing Corruption out of the Business Eco-System' by PETRONAS • KPMG Audit Committee Institute Breakfast Roundtable 2013
4	Datuk Rosli bin Boni	• 5th Annual Corporate Governance Summit • ICLIF Seminar on Leadership
5	Lim Beng Choon	• The Nomination and Remuneration Committee – FIDE • Enterprise Risk Management by Boston Consulting Group • Asia Oil & Gas Conference 2013 • SHELL New Lens Scenario • Advocacy Session on Corporate Disclosure for Directors • Corporate Finance Program – FIDE • MISC Board of Directors Training : Understanding Strategic Planning, Ethics & Board of Directors • Site Visit to Akademi Laut Malaysia (ALAM) • Site Visit to Regasification Terminal, Melaka

NO.	NAME OF DIRECTOR	TRAININGS ATTENDED
6	Ir. Pramod Kumar Karunakaran	• Asia Oil & Gas Conference 2013
7	Dato' Ab. Halim bin Mohyiddin	• Audit Committee Conference 2013 • Nominating Committee Programme • Risk Management Forum : Embracing Long Term Corporate Success, Risk Governance • Advocacy Sessions on Corporate Disclosure, Bursa Malaysia Securities Berhad • Board Chairman Session, Bursa Malaysia Securities Berhad • Regional Business Outlook : What's Next? • Leadership Energy Summit I Asia (LESA) 2013
8	Habibah binti Abdul	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Internal Capital Adequacy Assessment (ICAAP) • Briefing on Financial Services Act • Shariah Governance Framework Briefing • Risk Posture Workshop • Group Annual Management Summit

DELIVERING PERFORMANCE

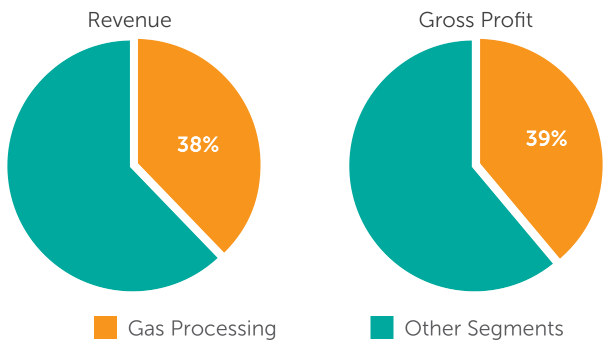
As a high performing organisation, we remain focused on delivering results. With a strong desire to succeed, we are constantly pushing boundaries and overcoming challenges. This proactive stance has enabled PGB to ensure sustained growth and enhance long-term value in all that we do.

GAS PROCESSING

HIGHLIGHTS

- Achieved 99.9% sales gas reliability
- On track for the implementation of Flare Gas Recovery Unit to substantially reduce greenhouse gases emission
- Recorded 2.6 million safe manhours
- Revenue decreased marginally by 0.9% mainly contributed by lower performance based structure (PBS) income.

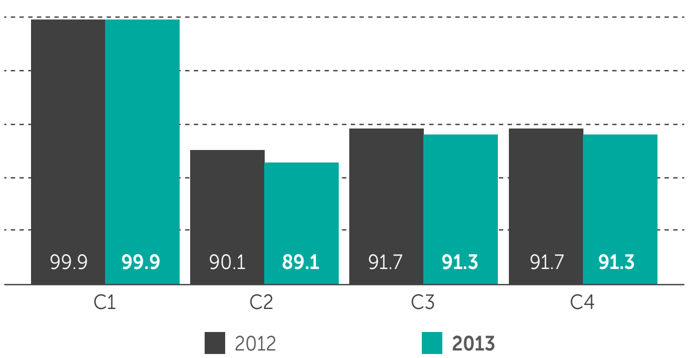
Gas Processing contributions to PGB Group



Gas Processing is one of PGB's primary business segments, operated by our Gas Processing and Utilities (GPU) division. Operating six plants in Terengganu, our Gas Processing business processes raw gas delivered from offshore Peninsular Malaysia into methane (C1), which is also known as sales gas, as well as other by-products such as ethane (C2), propane (C3) and butane (C4). These products are supplied to PETRONAS' customers in the power and non-power sectors, as well as export customers.

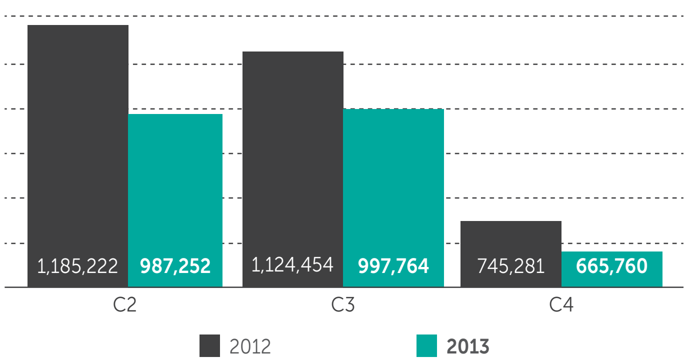
OPERATIONAL HIGHLIGHTS

Gas Processing Reliability (%)



During the year, our plant's sales gas reliability was recorded at 99.9%, while our reliability for ethane was recorded at 89.1%. The plant's propane and butane reliability were both recorded at 91.3%.

Gas Production Volume (Mt)



In terms of production volumes, we have achieved 987,252 Mt for ethane, 997,764 Mt for propane and 665,760 Mt for butane.

While we have strived to achieve world class performance, our Gas Processing Plants' (GPP) Overall Equipment Effectiveness (OEE) and reliability have been impacted by the delays in Plant Rejuvenation and Revamp 2 (PRR2), following delays in the completion of certain segments of the PRR2 parcels. Additionally, an internal slowdown has also impacted the performance of C2, C3 and C4 gas production volume.

In terms of our safety performance, we have achieved 2.6 million safe manhours since the last lost time incident (LTI) in September 2013.

Revenue for the Gas Processing business was lower by RM13.8 million as compared to the previous year, mainly driven by lower performance based structure (PBS) income for butane and ethane resulting from lower production. The impact was partially negated by higher performance based structure income for propane, primarily driven by higher export volume.

Accordingly, Gas Processing results were decreased by RM17.4 million, mainly attributed by lower revenue.

BUSINESS REVIEW

OTHER HIGHLIGHTS

Plant Rejuvenation & Revamp

Despite the challenges faced during the year to execute PRR2, which comprised the rejuvenation and revamp of facilities at our GPP2, GPP3 and Kertih Compressor Station at the Gas Processing Kertih (GPK) and Tanjong Sulong Export Terminal (TSET) Units 3 and 4 in Kemaman, Terengganu, the project team has achieved the following:

- GPP3 Initial Acceptance (IA) achieved on 19 July 2013
- GPP2 Mechanical Completion (MC) achieved on 20 November 2013

Meanwhile, our project team is currently gearing up to carry out PRR4, which involves GPP4, Kertih Compressor Station B (KCS B) and Dew Point Control Unit 2 (DPCU2) within the GPK complex. During the year under review, the engineering and procurement works have been successfully executed while construction work will commence in 2014. The completion of PRR4, which is expected in 2015 would allow us to sustain PGB's plant reliability and integrity for additional 20 years while generating major savings in capital investment.

Other Initiatives

GPU has continuously undertaken efforts and initiatives to improve its plant efficiency and reliability towards advantageous cost competitiveness.

One of the initiatives undertaken is a project to reduce plant flaring through the implementation of the Flare Gas Recovery Unit (FGRU) at our GPK and Gas Processing Santong (GPS) complexes. Upon the commissioning of this project, GPU is expected to be able to substantially reduce greenhouse gases emissions and improve our gas processing efficiency and ultimately raise PGB's image as a responsible industry player. The project is expected to complete by mid 2014.

Another significant project executed during the year is the installation of the cogeneration system (COGEN) to generate electricity for GPP's internal consumption. While experiencing a slight delay, this project is expected to improve GPK and GPS complexes reliability as well as its efficiency.

In terms of recognition, we were awarded the IKM Laboratory Excellence Award, which signified the achievement of MS ISO/IEC 17025 by our laboratories. We have also clinched the MSOSH Gold Merit Awards for our GPP plants and Export Terminal.

MOVING FORWARD

Moving forward, we expect our Gas Processing business to continue to deliver steady returns, consistent with the parameters established in the new Gas Processing Agreement which has been recently concluded.

For FY2014, Gas Processing will execute the 2014 Strategies and Initiatives which focus on reducing slowdown and unplanned shutdown and regaining its pole position in delivering world class performance and reliability. This includes efforts to improve ethane recovery, which is expected to also raise the performance of our liquids production.

To support our Strategies and Initiatives, following PGB's restructuring exercise, we have adopted the methodology known as the Production Centred Organisation (PCO) which is expected to enhance ownership, accountability and responsiveness at our line operations and elevate the levels of technical capability that will help us improve our overall performance in years to come.

GAS TRANSPORTATION

HIGHLIGHTS

- Achieved 99.98% systems reliability during FY2013
- Maintained zero NCR during SIRIM Surveillance Audit
- Signed three-year SSGP O&M agreement with PETRONAS Carigali Sdn Bhd
- Revenue increased by 6.2% on the back of higher capacity reservation for the PGU

OPERATIONAL HIGHLIGHTS

Gas Transportation Reliability and Availability %

During the year, our Gas Transportation business achieved 99.98% and 99.95% systems reliability and availability respectively.

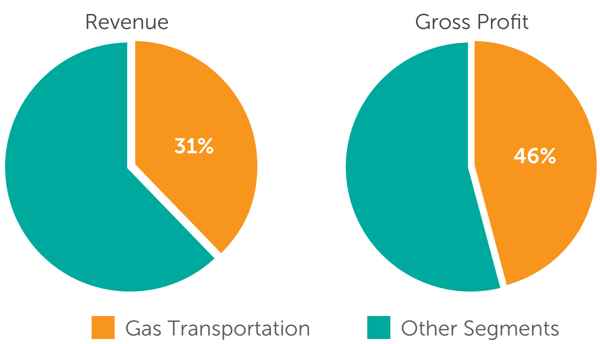
We delivered a total of 2,334 mmscfd of sales gas to PETRONAS' customers.

This is supported by our continuous effort to conduct pipeline integrity programmes throughout our 2,583 km grid, such as by carrying out in-line inspection and pipe rehabilitation. During the year, we have also implemented a maintenance strategy to improve our engine change out intervals, resulting in longer operating hours.

In managing gas supplies to PETRONAS' customers, we have successfully managed the supply-demand balancing and ensured sustainable gas delivery, resulting in improved gas delivery. This was achieved through close collaboration and daily communications with stakeholders to ensure minimum interruption to PETRONAS' customers.

In the area of safety, we continued to demonstrate our full commitment and effort in sustaining our Health, Safety and Environment (HSE) performance. We ensure that HSE standards, compliance and practices at our Gas Transportation operations are in the league of world-class companies.

Gas Transportation contributions to PGB Group



Our Gas Transportation business is operated by our Gas Transmission and Regasification (GTR) division. Through this business, we manage the gas transmission pipelines covering much of West Malaysia known as the Peninsular Gas Utilisation (PGU) grid, as well as smaller transmission operations (gas distribution systems) in Miri and Bintulu in East Malaysia, which transports gas to PETRONAS' customers.

We also acted as the operations and maintenance (O&M) consultant to PETRONAS' subsidiary, PETRONAS Carigali Sdn Bhd (PCSB) for the Sabah-Sarawak Gas Pipeline (SSGP).

BUSINESS REVIEW

During the year under review, we maintained zero non-conformance requirements (NCR) during SIRIM Surveillance Audit for OHSAS 18001:2007 Occupational Health and Safety Management Systems, MS 1722: Part 1:2005 Occupational Health and Safety Management Systems (2008 version), and MS ISO 14001:2004 Environmental Management Systems (2007 version).

The Gas Transportation business also cumulatively achieved 28.9 million safe man-hours as of December 2013, despite handling various in-house projects as well as routine and non-routine operational and maintenance activities across 11 Regional Offices.

We are proud to achieve commendable overall Health, Safety and Environment Management System (HSEMS) rating and sustained zero lost time incident (LTI) and infringement via various initiatives and proactive measures.

The Gas Transportation business recorded revenue of RM1,189.3 million, an increase of RM69.9 million on the back of higher transportation capacity booked by PETRONAS. Consequently, results for the year improved by RM63.1 million in tandem with the higher revenue.

OTHER HIGHLIGHTS

We continuously pursued opportunities to expand the breadth of our services to clients within the PETRONAS Group. Thanks to our nearly three decades of experience, we were able to provide our gas pipeline related services to support PETRONAS' value chain wherever we operate.

During the year, we have inked the Three-Year SSGP Technical O&M Agreement (TOMA) with PCSB to support the operations of the SSGP pipeline.

We also took stewardship in implementing the operations readiness activities for SSGP through the establishment of the required pipeline management infrastructure and organisation, as well as providing support to the project team, towards the commencement of O&M activities.

We continued to play an advisory role to PCSB on the overall SSGP operational management in the various technical, commercial and organisational areas.

As a follow through of these agreements, as well as our existing role in the SSGP project, we have expanded our operations in East Malaysia by establishing a new regional operations office in Kimanis, Sabah and Bintulu, Sarawak, as well as strengthening the role of our existing Miri Operation to support the future O&M activities. We have also established a new centralised Gas Control Centre for East Malaysia at the Bintulu Operations Centre as part of this new establishment.

During the year under review, we have successfully provided pipeline O&M services to PETRONAS' associate, Trans Thai-Malaysia Sdn Bhd with zero gas supply interruption and zero customer complaints.

In Sabah, we have expanded our business activities through the operation of two new pipeline facilities in Kimanis for supplying natural gas from the Sabah Oil and Gas Terminal (SOGT) to the Kimanis Power Plant (KPP) and SPR Energy Power Plant (SPR).

In supporting the development of PETRONAS' gas business globally, during the year we have provided On the Job Training (OJT) opportunity for a group of staff of PETRONAS' joint-venture (JV) company in Australia. The staff were given in-depth exposure on the overall gas transmission operation and O&M requirements for pipelines, meter stations and gas compressors. In addition, we continued to support the transmission activities of PETRONAS' JV company in Indonesia.

In terms of recognition, we clinched the MSOSH Gold Merit Awards for our Segamat Operations Centre and Segamat Regional Office, as well as MSOSH Gold Class 1 Award for our Gurun Regional Office. Our Gurun Regional Office also won the DOSH Gas Utility Sector Award for 2013.

MOVING FORWARD

We expect our Gas Transportation business to continue generating steady returns based on the new fee structure as outlined in the new Gas Transportation Agreements.

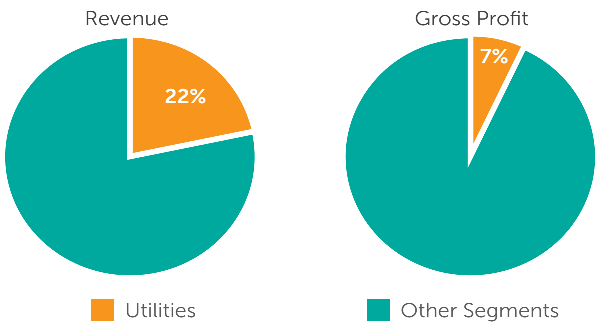
We will continue to focus on sustaining our world-class reliability by rolling out the next stage of our pipeline integrity programme throughout our PGU network.

UTILITIES

HIGHLIGHTS

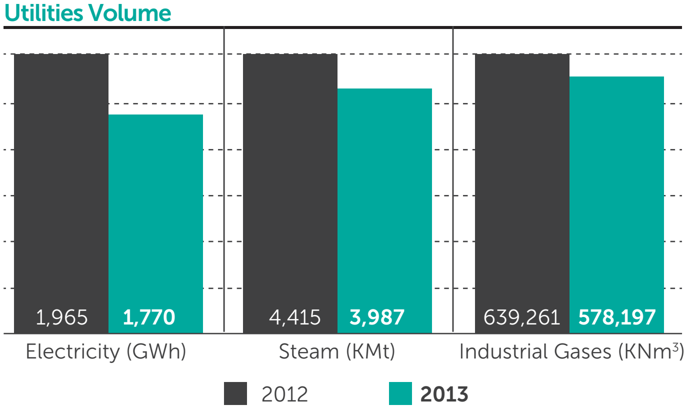
- Achieved 99.0% reliability for electricity
- Recorded 1.3 million safe manhours
- Commenced electricity supplies to two new customers
- Revenue decreased by 8.3% mainly due to lower offtake by customers

Utilities contributions to PGB Group



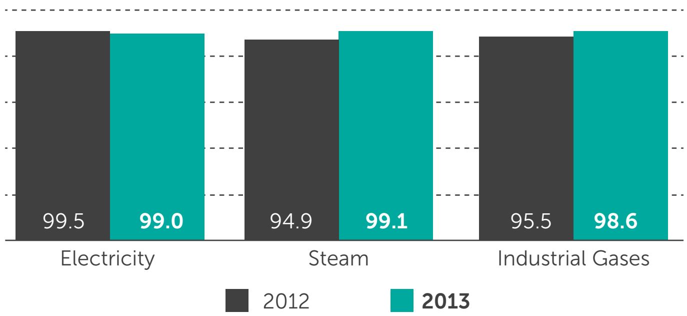
Our Utilities plants in Kertih and Gebeng operated by our GPU division supply a range of industrial utilities to the petrochemical businesses located in the Kertih Integrated Petrochemical Complex in Terengganu and Gebeng Integrated Petrochemical Complex in Pahang. The industrial utilities are electricity, steam, industrial gases and other by-products such as liquid oxygen, liquid nitrogen, demineralised water, raw water, cooling water and boiler feed water.

Utilities Volume



OPERATIONAL HIGHLIGHTS

Utilities Reliability



Our Utilities plants in Kertih, Terengganu and Gebeng, Pahang continued to deliver relatively good performance, despite experiencing some plant-related issues and project-related challenges. The issues contributed to lower reliability and Overall Equipment Effectiveness (OEE) for electricity.

Utilities charted 99.0% reliability for electricity, 99.1% reliability for steam and 98.6% reliability for industrial gases.

Our Utilities plants production stood at 1,770 GWh of electricity, 3,987 KMt of steam and 578,197 KNm^3 of industrial gases.

In terms of safety, our Utilities plants recorded 1.3 million safe manhours for FY2013 and exhibited a positive and consistent HSE performance throughout the year. The Utilities business had sustained certification for OHSAS 18001:2007 Occupational Health and Safety Management Systems, MS 1722: Part 1:2005 Occupational Health and Safety Management Systems (2008 version) and MS ISO 14001:2004 Environmental Management Systems (2007 version) with zero non-conformance requirements (NCR).

During the year, as an effort to improve safety practices at work, our Utilities Kertih (UK) plant had also implemented the electronic permit-to-work (e-PTW) system to ensure stronger safety governance and compliance with PETRONAS' HSE Zero Tolerance (ZeTo) rules.

The revenue for the Utilities business during the year was lower by RM79.0 million as compared to the corresponding year, primarily due to lower revenue from electricity, steam and industrial gases, in line with lower offtake from customers. The Utilities business registered lower results by RM34.3 million as compared to corresponding year in tandem with the lower revenue.

OTHER HIGHLIGHTS

In 2013, our Utilities business successfully commenced the supply of electricity to Polyplastics Asia Pacific (PAP) Malaysia Plant-2 and Voltage Renewables Sdn Bhd (VRSB), which generated additional revenues for PGB.

We have also embarked on an upgrade of our electrical & instrument control system for both our Utilities plants. This project was executed as part of the plant obsolescence management to sustain plant's product delivery reliability (PDR) to our customers. The upgrading project has been completed at our UK and is currently progressing at Utilities Gebeng (UG) in 2014.

During the year, we also bagged the Innovative & Creative Circle (ICC) Best Young Team and Gold Medal at the Central Mini Regional Convention on Team Excellence ICC, another Gold Medal at the Central Region Convention on Team Excellence ICC, as well as 3 Stars Gold Medal and Most Potential Group Award at the National Convention on Team Excellence ICC.

MOVING FORWARD

Our Utilities plants will continue to enhance the monitoring of the imposed critical unit parameters for minimal interruption to our customers. We expect to see improvements in the reliability, availability, and utilisation in our cogeneration and industrial gases plants, following scheduled plant turnaround activities in 2014.

We will also continue to ensure the effective implementation of e-PTW and intensify our HSE ZeTo rules implementation at site, in anticipation of the increase of activities in 2014.

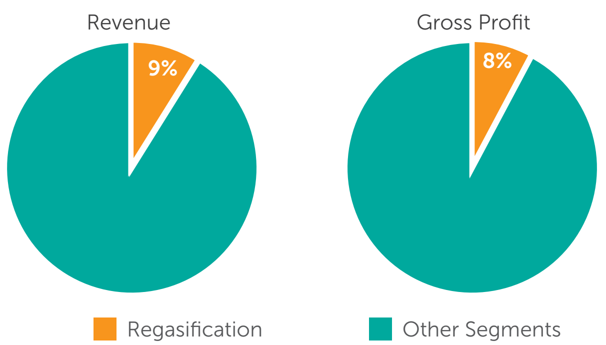
It is expected that the business will be influenced by the demand from our customers operating in the Kertih Integrated Petrochemical Complex in Terengganu and Gebeng Integrated Petrochemical Complex in Pahang.

REGASIFICATION

HIGHLIGHTS

- First send out of gas into PGU grid from LNG Regasification Terminal in Sungai Udang on 23 May 2013
- Received 23 LNG cargoes since the start of operations until 31 December 2013 and contributed new revenue stream of RM338.2 million to PGB Group
- Recorded 328,001 safe manhours

Regasification contributions to PGB Group



The Regasification business managed by Gas Transmission and Regasification (GTR) division operates and maintains our offshore liquefied natural gas (LNG) Regasification Terminal (RGT) in Sungai Udang, Melaka. The facility receives LNG imported by PETRONAS from LNG vessels from around the world, stores them in two floating storage units (FSU) and converts the LNG to gas before injecting it into the PGU grid to be further distributed to PETRONAS' customers.

OPERATIONAL HIGHLIGHTS

During the year, our Regasification business made its debut as PGB's new income stream, following almost 29 months of project implementation.

The RGT began its operations on 23 May 2013. The first LNG cargo was transported by MISC Berhad's vessel Seri Bijaksana from Bonny Island, Nigeria and arrived at the RGT on 30 April 2013.

As at end December 2013, RGT received a total of 23 LNG cargoes.

In its fairly short operating span of over seven months, the RGT recorded a commendable 97.6% reliability, as well as 92.2% Overall Equipment Effectiveness (OEE).

In terms of safety, since the start of its operations, the facility recorded 328,001 safe manhours.

The Regasification business debuted with a revenue of RM338.2 million as a result of the commencement of its operations in the second quarter of 2013. The Regasification business registered a gross profit of RM163.5 million for the year.

MOVING FORWARD

We anticipate the revenue for our Regasification business to remain sustainable on the back of capacity reservation by PETRONAS, for regasification and storage fees under the Regasification Service Agreement.

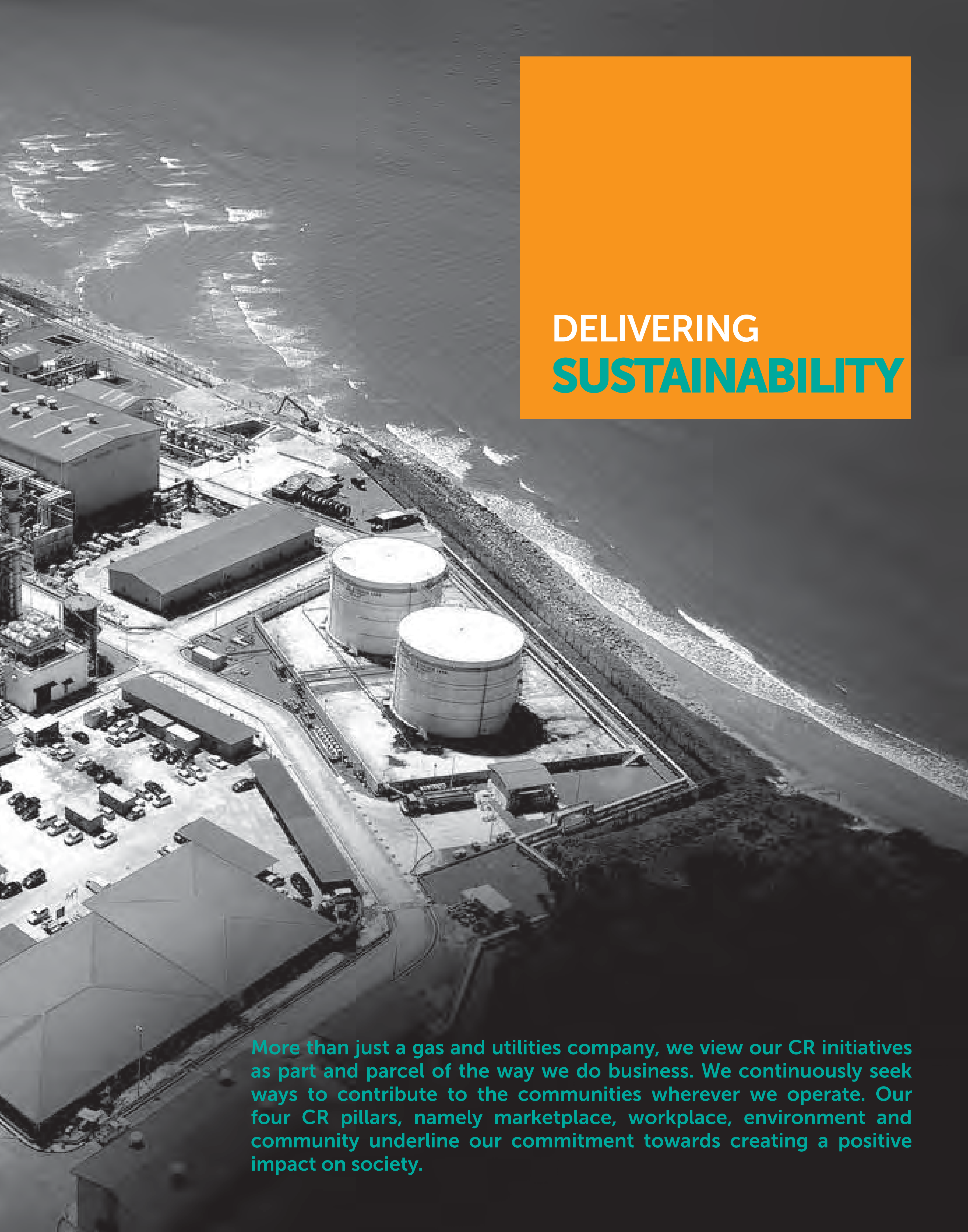
The commissioning of Malaysia's first LNG regasification terminal and world's first in its kind regasification terminal on the island jetty has allowed for better diversification of supplies and will strengthen the security of gas supply to Peninsular Malaysia.

It will also promote the establishment of Third Party Access (TPA) which allows external gas shippers other than PETRONAS to access and transport their imported gas via our pipeline infrastructure for a specified tariff, in line with the PGB network code.

The development of the RGT in Pengerang, Johor is dependent on the progress of the Refinery and Petrochemical Integrated Development Project (RAPID). As at the fourth quarter of 2013, we have received bids for the Engineering, Procurement, Construction and Commissioning (EPCC) and is currently in evaluation stage.

Meanwhile, the progress of our RGT in Lahad Datu, Sabah will be dependent on the finalisation of gas fired power plant in the area.

We are anticipating the development of these RGT projects to contribute positively to PGB's bottom line.



DELIVERING SUSTAINABILITY

More than just a gas and utilities company, we view our CR initiatives as part and parcel of the way we do business. We continuously seek ways to contribute to the communities wherever we operate. Our four CR pillars, namely marketplace, workplace, environment and community underline our commitment towards creating a positive impact on society.

SUSTAINABILITY REPORT

In our quest to deliver more value, PGB continues to contribute to the improvement and wellbeing of its stakeholders in the social, economic and environmental spheres.

As a member of the PETRONAS Group, our Corporate Responsibility (CR) initiatives are guided by the PETRONAS Corporate Sustainability Framework which focuses on seven key result areas:

Shareholder Value

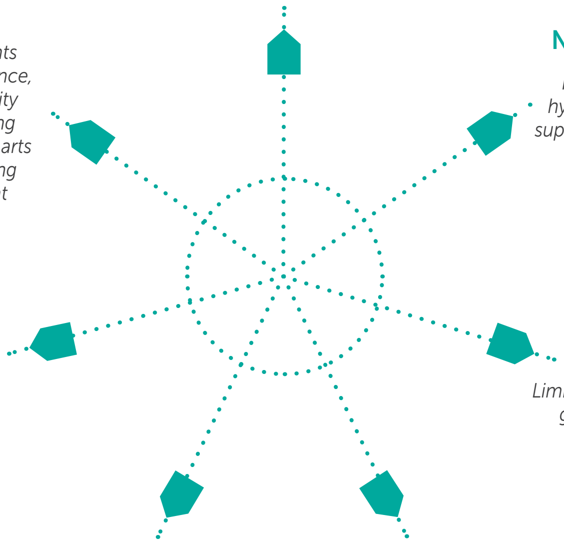
Sustaining the Company's profitability through value creation, efficient extraction and manufacturing processes.

Societal Needs

Safeguarding human rights within our sphere of influence, contributing to community needs, investing in training and education, promoting arts and sports and conducting business in a transparent manner.

Natural Resource Use

Promoting efficient use of hydrocarbons and water, and supporting the use of renewable energy.



Product Stewardship

Ensuring that products conform to quality and HSE standards throughout the product lifecycle and meet the needs of society.

Climate Change

Limiting emissions of greenhouse gases into the atmosphere.

Health, Safety & Environment

Preventing and eliminating injuries, health hazards and damage to property and communities, including conserving the environment.

Biodiversity

Ensuring projects and operations do not have significant effect on the diversity of plants and animals.

Our Corporate Responsibility initiatives are built upon a heritage of ensuring that the fruits of our efforts are shared with society at large and investing in the future by bringing improvements to the lives of people today. Indeed, some of our signature programmes have grown from strength to strength, a testament to our unrelenting efforts to improve the delivery and impact of these initiatives on our stakeholders.

Our CR efforts are expressed through a number of initiatives designed to create a positive impact on our stakeholders in the Marketplace, Workplace, Environment and Society.

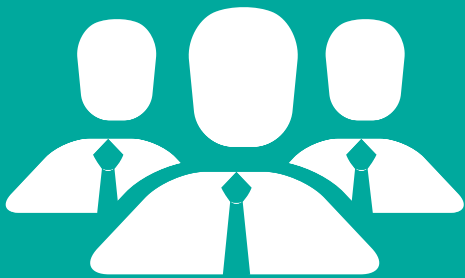
In the Marketplace, we work hard to build bridges and opportunities for interaction with our shareholders and other important stakeholders, while maintaining the highest standards for our products and services.

In the Workplace, we make every effort to empower our people with the right knowledge, skills and capability that will allow them to grow in their respective career paths and deliver breakthrough performance to the Company. This is done while placing an emphasis on their safety and wellbeing at work, wherever they may be.

In the Environment, we ensure that our operations cause minimal adverse impact on the planet. We also champion efforts to drive a greater awareness of preserving the environment and conserving it for future generations amongst our staff and other stakeholders.

In Society, we contribute our time, resources and ideas to improve the lives of others by cultivating the younger generations to aspire for greater heights in their academic achievements, as well as to assist the needy and disadvantaged members of the community.

We are committed to making a difference in the lives of others in our own distinctive way.



CORPORATE RESPONSIBILITY AT THE MARKETPLACE

At PETRONAS Gas Berhad (PGB), we strive to continue our business responsibly to add value to the nation, the gas and utilities industry and contribute to the well-being of communities in which we operate as well as to our shareholders and stakeholders.

We are committed to our belief in upholding high standards of accountability, transparency, fairness and integrity in the way we conduct ourselves to ensure a sustainable and profitable business model. Being a responsible corporate citizen and maintaining strong ethical values are entrenched in our corporate culture.

A RESPONSIBLE CORPORATE CITIZEN

In our aspiration to be a responsible corporate citizen, we continuously seek ways to contribute to our stakeholders wherever we operate; ranging from continuously maintaining good corporate governance, expanding business portfolio reflecting the national agenda, enhancing knowledge on the gas industry, transparent procurement policies and maximising shareholders' value.

PRACTISING GOOD CORPORATE GOVERNANCE

PGB, under the auspices of PETRONAS, continues its journey in implementing the Financial Control Framework across the Group, following its formal establishment in FY2010/11. The objective is to provide reasonable assurance on the accuracy and reliability of the Company's financial statements. Although this initiative is not mandated by legal or regulatory requirements, PGB continued to embark on this initiative in its quest to uphold good governance across the Company.

Our corporate governance in the area of corporate reporting had been accredited with a Merit Award for its performance in the Industrial Products & Technology category by the National Annual Corporate Report Awards (NACRA) 2013.

EXPANDING BUSINESS PORTFOLIO REFLECTING THE NATIONAL AGENDA

Currently, gas contributes to approximately half of the Malaysian power generation mix, indicating the nation's high dependency on gas supplies. PGB plays a significant role to support the gas, power and utilities industry in pursuit of providing clean and efficient energy to the nation. Thus, it is important to the nation that PGB maintains high operational performance standards for its plants to ensure seamless delivery of gas and utilities to customers. Our products and services are operating reliably while some are operating at par with world class standards.

For our Gas Processing business, reliability for sales gas, ethane, propane and butane are at 99.9%, 89.1%, 91.3% and 91.3% respectively. To ensure continuous supply of gas at high quality standard to the nation, PGB has an ongoing Plant Rejuvenation and Revamp (PRR) projects to extend the useful life of our Gas Processing Plants (GPP) 2, 3 and 4 by another 20 years.

Our Peninsular Malaysia gas transmission pipelines continues to maintain remarkable system reliability at 99.98%. During the year, apart from transporting sales gas from Thailand Joint Development Area (JDA), PGB has transported sales gas from its newly established liquefied natural gas (LNG) Regasification Terminal (RGT) in Melaka, which commenced operations in the second quarter of 2013.

Consequently, this will enable Malaysia to import additional gas supplies from abroad to fulfil future growth demand and ensure security of gas supply for the nation. The setting up of the RGT will also pave the way for the implementation of Third Party Access (TPA) and eventual opening up of the domestic gas market.

For our Utilities business, reliability for electricity, steam and industrial gases are at 99.0%, 99.1% and 98.6% respectively for the year. Our Utilities business has continuously helped to generate power for the nation, which is supplied to Tenaga Nasional Berhad and the PETRONAS Group of companies.

As stated earlier, during the year, PGB commenced the operations of its RGT operation in Melaka, which operated at 97.6% reliability. The terminal is designed to receive, store and vaporise imported LNG with a maximum capacity of 3.8 million tonnes per annum (mtpa). This facility will bring in gas into the Peninsular Gas Utilisation (PGU) pipeline network and ensure the sustainability of gas supplies for the nation.

In addition, PGB has ventured with NRG Resources (Sabah) Sdn Bhd, a subsidiary of Yayasan Sabah to form a joint venture company, Kimanis Power Sdn Bhd (KPSB) to be a full-fledged Independent Power Producer (IPP). In December 2013, KPSB has started its commissioning activities for its first 100 MW block of electricity. This 21 hectares power plant is expected to meet Sabah's increasing electricity demand in tandem with Sabah's industrial and economic growth.

SUSTAINABILITY REPORT

ENHANCING KNOWLEDGE ON THE GAS INDUSTRY

PGB embraces the advancement in technology for the betterment of the gas industry. In relation to that, we encourage the advancement of knowledge in the area of gas technology, with the objective of promoting safe practices, stimulating the development of the gas industry in Malaysia and enhancing the understanding of the general public on the role of gas as a clean and efficient choice of energy for the nation.

Imparting knowledge and engaging with our peers, government agencies, academia and the public are essential to enhance their awareness of our business.

This will also enhance PGB's positive reputation and the store of goodwill, which facilitates the resolution of issues and challenges that may arise in our relationship with the various stakeholders.

Our commitment to this cause is evidenced as follows:

1. Engagements with international and domestic corporations through delegation visits to our Gas Processing Plants (GPPs), Segamat Operation Centre (SOC), Regasification Terminal (RGT) and Kimanis Power Plant (KPP):

    - Republic of South Sudan; oil and gas trainees
      8 January 2013
    - Malaysian Gas Association;
      7 March 2013
    - Papua New Guinea;
      13 March 2013
    - Hodogaya Chemical Co (Japan);
      18 May 2013
    - PERTAMINA Indonesia;
      4 June 2013 and 3 to 4 July 2013
    - Mustang Sime Darby;
      3 July 2013
    - Petrobangla
      5 July 2013
    - Minister of Foreign Affairs and Trade of Brunei;
      6 July 2013
    - National Innovation Agency and Metropolitan Electricity Authority of Thailand
      10 July 2013
    - Petro South Africa;
      31 July 2013
    - International Gas Union;
      6 September 2013
    - Trans-Thai Malaysia Sdn Bhd;
      19 September 2013
    - Transportasi Gas Indonesia;
      23 October 2013
    - Tokyo Gas;
      18 November 2013
    - MISC Berhad
      30 November 2013

2. Engagements with local authorities through delegation visits to our GPPs, Utilities plants, SOC, RGT and KPP:

    - Malaysian Gas Association;
      7 March 2013
    - Suruhanjaya Tenaga;
      11 April 2013, 26 July 2013, 31 October 2013 and 18 November 2013
    - Chief Executive Officer of PEMANDU and Minister in Prime Minister's Department;
      16 April 2013
    - Melaka State Secretary;
      24 April 2013
    - TIM Naziran (under Majlis Keselamatan Negara);
      22 May 2013
    - Malaysian Investment Development Authority;
      19 June 2013 and 1 October 2013
    - Minister of Energy, Green Technology and Water
      26 July 2013
    - Deputy Minister in the Prime Minister's Department;
      17 September 2013
    - Royal Malaysian Customs;
      21 September 2013
    - Royal Malaysian Air Force;
      6 September 2013

- National Hydraulic Research Institute of Malaysia;
  28 October 2013
- Department of Occupational Safety and Health;
  28 October 2013
- Peninsular Malaysia Gas Supply Planning Committee (PMGSPC);
  28 November 2013

3. Engagements with universities through visits by students to our GPPs, SOC, utilities plant and KPP:
   - Universiti Teknologi MARA, Segamat;
     18 January 2013
   - Universiti Teknologi Malaysia;
     20 January 2013
   - Institution of Engineers Malaysia;
     24 February 2013
   - Universiti Teknologi MARA, Shah Alam;
     31 March 2013
   - Universiti Malaysia Terengganu;
     18 April 2013
   - Institution of Engineers Malaysia (Sabah);
     21 September 2013
   - Universiti Teknologi MARA Seri Iskandar;
     12 November 2013
   - TAS Institute of Oil and Gas;
     16 November 2013

4. Engagements with financial institutions and audit firms through investment analysts and audit partner visits to our RGT:
   - KPMG Desa Megat & Co.;
     13 September 2013

5. Engagements with media and press through and familiarisation visits to our RGT:
   - Engagement with editors, bureau chiefs and representatives of the Sabah media
     30 September 2013
   - Engagement with editors, bureau chiefs and representatives of the Melaka media
     22 October 2013
   - Courtesy call and tour of National News Agency (Bernama)
     21 November 2013
   - Briefing on Peninsular Malaysia Gas Situation and RGT tour involving Bernama, News Straits Times, Berita Harian, The Star, Utusan Malaysia and Jabatan Penyiaran Melaka;
     19 December 2013

TRANSPARENT PROCUREMENT POLICIES

Our Supply Chain Management (SCM) covers the whole cycle of activities from the conception of needs until the disposal of materials and discontinuation of services. It is the process of planning, implementing, and controlling the operations of the supply chain with the purpose of satisfying customer requirements as efficiently as possible.

Currently, the scope of Project SCM in PGB is heavily focused on inbound supply chain for projects, i.e. contracting and delivering the required services or materials with value creation for PGB's growth.

All SCM activities in PGB shall observe and comply with PETRONAS Directives and Malaysian Government's Circulars.

MAXIMISING SHAREHOLDERS' VALUE

PGB strongly believes in providing our shareholders with a strong communication avenue in order to maximise our shareholders' value. In FY2013, we have elevated our Investor Relations function to ensure that there is strong engagement between the Company and Shareholders. Through this medium, shareholders are in contact regularly with the Company and given regular updates on our business and strategic direction.

CORPORATE RESPONSIBILITY AT THE WORKPLACE

PETRONAS Gas Berhad (PGB) is committed towards providing our staff with a work environment that complies with the highest standards of occupational safety and health (OSH) regulations, as well as being conducive for employees to deliver their best level of performance.

PGB rigorously invests time and resources to develop the leadership qualities and capabilities as well as technical and non-technical competence of our staff, allowing them to grow within their respective areas of accountability and mature into well-rounded and sought after talents.

At the same time, PGB has also developed special platforms for staff to interact and express their passion and talents, thus ensuring a fair work-life balance and enhancing the sense of loyalty, team spirit and cooperation amongst our people.

OCCUPATIONAL SAFETY AND HEALTH

During the year, our Health, Safety and Environment (HSE) performance showed positive improvements from our immediate past record, evidence that our efforts to inculcate a safety-oriented culture and minimise work-related risks have gained traction amongst our staff.

As a result of this, our major indicators including Lost Time Injury Frequency (LTIF), Total Reportable Case Frequency (TRCF), and Fatal Accident Rate (FAR) improved to 0.12, 0.61 and 0.00 respectively, as compared to the 0.19, 1.3 and 4.67 achieved previously.

Despite the large number of projects being carried out throughout our operations during the year, we continue to ensure that our project implementation and day-to-day operations are aligned with the highest standards of HSE policies and practices.

Our Major Indicators	2013	2012
Lost Time Injury Frequency (LTIF)	**0.12**	0.19
Total Reportable Case Frequency (TRCF)	**0.61**	1.3
Fatal Accident Rate (FAR)	**0.00**	4.67

We have also strengthened our HSE practices through the adoption of the PETRONAS Mandatory Control Framework (MCF), which strengthens the governance aspects on safety and health throughout the PETRONAS Group, as well as other tools to refine the consequence management for behavioural safety and misconduct at workplace across all PGB businesses.

As part of our efforts to ensure the continuous improvement of our HSE performance, during the year we have initiated a number of new HSE initiatives to reinforce safe behaviours at work such as:

REINFORCEMENT OF ZETO RULES

All related procedures in our HSE Management System incorporates the concept of Zero Tolerance (ZeTo) Consequence Management. PGB has made a concerted effort to extend the observance of the ZeTo rules to our partners and contractors in several of our brown field and green field projects.

This is done through various ZeTo Awareness Campaigns which are a standard feature of our mass HSE events, ZeTo Awareness classes for our business partners, as well as the distribution of pamphlets to communicate the ZeTo rules in detail.

This has led to vast improvements in our staff's behavioural safety, as well as an increase in the awareness of PETRONAS high commitment towards safety amongst the management and staff of our contractors working on our projects and facilities.

HSE TIMEOUT

Due to the number of safety-related incidents impacting our operations and projects in FY2012, PGB's Management in FY2013 introduced an innovative effort to disseminate and share the lessons learnt from such incidents.

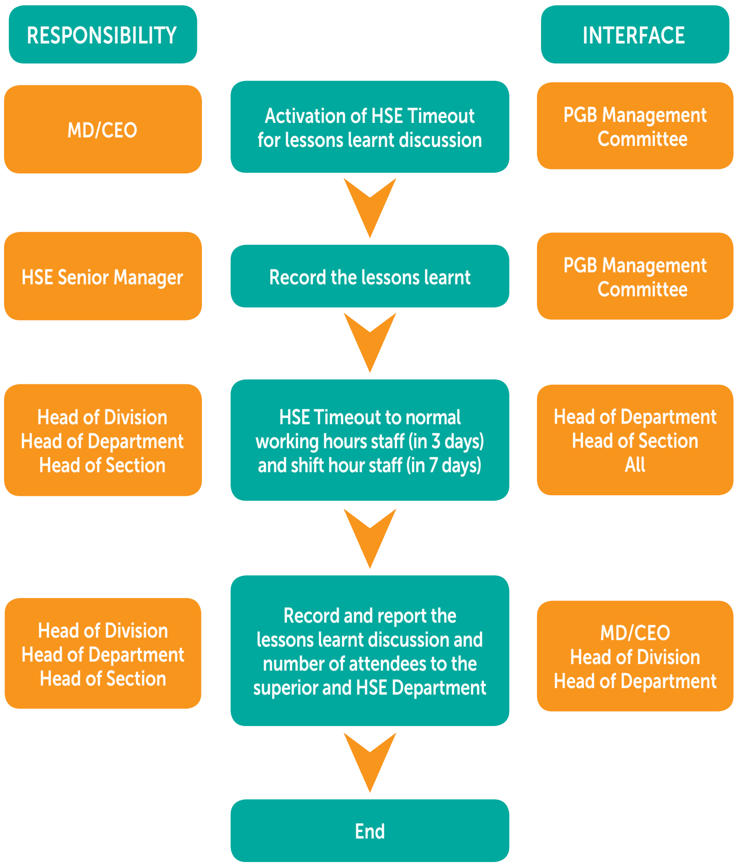
Known as the 'HSE Timeout', these sessions were introduced to inculcate in the PGB staff's mindset that HSE is a priority at the workplace, through effective engagements within a stipulated time-limit.

The sessions are initiated either through the selection of a relevant safety topic by the HSE Division, or triggered by an incident at the operations. Once the topic and communications contents have been put together, the Managing Director/Chief Executive Officer (MD/CEO) will initiate the first HSE Timeout session with the Management Committee members. Upon completing this, the Management Committee members are expected to cascade the information immediately to their line managers. All line managers are expected to share the HSE Timeout contents and discuss the lessons learnt with their staff within a tight window:

- 3 days for staff working normal hours
- 7 days for shift staff

The line managers must ensure that all staff are accounted for in the HSE Timeout sessions, by communicating the contents through telephone or web conferencing, if they are unable to attend the normal face-to-face sessions.

The HSE Timeout is conducted in such a way as to trigger a discussion among staff on lessons learnt from the incident as well as to contribute any feedback and views on the causes and possible modes of prevention. The initiative is also intended as a means of promoting HSE leadership and commitment starting from the top to bottom, as well as to reinforce the importance of complying with all HSE regulations at work.



STAFF DEVELOPMENT

PGB is committed towards providing challenging, yet fulfilling career opportunities for our staff, allowing them to attain personal growth and development, which spurs them to contribute breakthrough performance to the organisation.

During the year, we have rolled out a number of initiatives to improve the way we manage the career development and growth of our people, as well as ways through which we can enhance their capability, skills and competencies.

Snapshot of PGB Staff	
PGB staff population	2110
Staff under collective bargaining	1107
Staff under the age of 35	934
New permanent recruits during the year	82
Male : Female staff ratio	82% : 18%

LEADERSHIP DEVELOPMENT THROUGH EMPOWERING MANAGERS

In the face of the global competition to recruit and retain talents, PGB has embarked on programmes such as 'Connect the D.O.T.S' (Developing Our Talent Series) – which provides the line managers with the necessary knowledge, skills and ability in order to increase the line managers ownership in managing their talents and enhancing their awareness of talents' expectations.

Through 'Connect the DOTS', the line managers were exposed to the latest updates made to PETRONAS' Human Resource (HR) Management policies, as well as specific approaches in managing staff development.

As part of the programme, PGB carried out:

- 5 Talent Engagement Sessions covering 99% of PGB managers and above.
- 6 People Management Module sessions involving 30 managers.

During the year, the 'CHRO' and 'HR in Me' programmes were also rolled out to increase line ownership of HR processes, allowing line managers to effectively carry out their role as the Chief HR Officer (CHRO) in their respective divisions and sections. As part of the larger HR transformation introduced at the PETRONAS Group level, the programme aims to create a greater awareness to the line managers on their responsibility to help the organisation attract, motivate, retain and reward staff, a role that is not restricted to HR practitioners alone.

The programme module includes discussions on organisational design and structure, talent sourcing, leadership development and performance management, which allows the line manager to understand and initiate some important processes related to the staff's work performance, development and mobility.

The line managers were also equipped with tools such as the CHRO Factbook and HR Operational Guide which act as a reference document for their roles and responsibilities in developing staff within their divisions and departments, as well as the procedures that must be adhered to in various key HR processes.

RETAINING EXECUTIVE TALENTS: CHAIN EFFECT MOBILITY PLAN

During the year, our Human Resource Management (HRM) paid special attention on the career development gaps of 295 executive staff as well as ways to close the gaps.

Through sessions under the umbrella of the Chain Effect mobility plan initiative, our HRM practitioners conferred with the respective line management to plan out the career development plan for selected staff due for mobility and promotion, based on their past achievements, current levels of responsibilities, expected potential and personal career aspirations expressed to their superiors.

In doing so, we are able to make conclusions on the current status of the executive employees, as well as their future placement, which paves the way for their future career development, balancing the aspirations of the staff and the requirements of the business, thus helping PGB in retaining its valuable talents.

CAPABILITY DEVELOPMENT

During the year, PGB organised a number of workshops to enhance the capability of our staff in different aspects of their work focus and responsibilities. These efforts include:

1. **Enhancing Customer Service Excellence for Non-Executive Non-Technical (NENT) and Secretaries**

   The purpose of this initiative is to upskill and act as a refresher training for PGB secretaries and NENT staff towards providing superior service to their clients and stakeholders. The effort resulted in overall improved customer focus and service levels. The module covers:

   - Caring for the visiting individual - whether guest, visitor or customer
   - Providing diligent response to queries
   - Dealing with difficult situations
   - Skilfully manning the counter
   - Presenting a pleasant disposition
   - Interacting with individuals responsively and responsibly
   - Providing "service with a smile" face-to-face and on the telephone

2. **PGB Women's Workshop FY2013 – Empowering Women to Succeed**

   This special workshop was organised to inspire and empower our female staff to maintain high levels of work commitment, professionalism and achieve quantum leap performance, towards realising PGB's aspiration of achieving a high performing workforce.

   The initiative was also aimed to motivate our female staff to take charge of their own career and achieve work-life balance.

   The event included talks by well-known motivational speakers as well as classes on personal grooming for the office environment. It also included talks on the leadership journey of women in PETRONAS top management.

3. **FY2013 PGB Annual Capability Intervention Workshop**

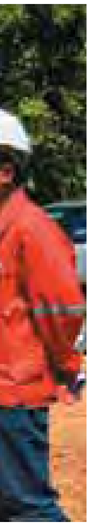
   This workshop was organised as part of PGB's Accelerated Capability Development (PACD) annual calendar of activities, a joint initiative with PGB's Capability Management Department.

   Attended by 30 line staff consisting of Heads of Departments and Skill Group Discipline Resource Persons, the workshop acted as a platform to assess technical capability gaps amongst PGB's staff and propose interventions.

DIVERSITY AT WORK

PGB's employment policies are aligned with the Government's policy of promoting diversity in the workforce. PGB is aware of the benefits from the contribution made by women in society especially the workforce and encourages participation of female staff in all aspects of its business. During the year under review, some 18% of PGB's executive workforce are women, a positive achievement, given that PGB is technology and engineering-based companies which normally attracts male executive employees.

The majority of PGB's female workforce is in the technical line for the executive level, and in the non-technical line for non-executive level. The composition of women in PGB includes top management, with the largest numbers residing at Executive level.



Seeding Programme

As part of its responsibility to develop future talents for the gas infrastructure and utilities industry, PGB has also recruited some staff under 'seeding' positions who are mainly fresh graduates. The staff under the 'seeding' programme will be assigned to work responsibilities as well as on-the-job training for at least a year before being assigned into a permanent position. During the year, PGB recruited 38 'seeding' staff.

Internship Programme

PGB also opened up opportunities for internship placement to undergraduates from local universities and colleges. Typically they will spend a semester attached to various departments in PGB to gain practical knowledge and insights at the workplace, which helps them build confidence and positive work habits to prepare for fulltime employment later. The internship also allows the interns to complete their final thesis paper, which usually requires data input from an actual workplace.

Some 193 interns underwent the internship programme during the year, with the majority of them attached to the various technical-based departments.

INNOVATION AT THE WORKPLACE

PGB's Business Technology (BT) was introduced in 2005 to ensure that PGB's Information and Communications Technology (ICT) governance is protected and monitored while aligning itself to the ICT service level set out by the PETRONAS Group. BT was entrusted as the guardian to oversee all common ICT related requirements and governance in PGB.

PGB was among the earliest entities in the PETRONAS Group that has its own dedicated ICT unit, which has enabled the formulation of business technology solutions and ensure compliance with the PETRONAS Group ICT governance framework.

Several ICT related solutions introduced in PGB during the year include:

- Introduction of Electronic Permit to Work (ePTW) at Utilities Kertih (UK) plant, which allows for a significant time reduction for permit generation to work at plants, as well as strengthening overall governance.
- Introduction of portable video conferencing devices.
- Enterprise Cloud-Based Storage Service.

SUSTAINABILITY REPORT

On the other hand, the introduction of portable video conferencing devices allows instant communication in PGB at any locations where we operate. This translates for an indirect but significant savings to PGB due to reduction of business travelling required by staff for meetings. Last but not least is the newly introduced Enterprise Cloud-Based Storage Service which allows for a secured and faster way of sharing files at anytime and anywhere through network connectivity around the world.

WORK-LIFE BALANCE

PGB believes in providing a balanced and conducive work environment that not only provides the career development needs of our staff, but also caters to the social and recreational needs as well. By involving our staff and their family members in various recreational and social activities, the Company is able to strengthen the staff's engagement factor and also help our people to manage stress by providing an outlet for recreation and mental relaxation.

Social and Sports Activities for Staff

Through the in-house body known as the Badan Rekreasi, Kebajikan dan Sukan PGB (BRKS), various social, recreational and sporting activities were conducted during the year involving staff at all PGB's key operational locations in Kuala Lumpur, Kertih, Gebeng and Segamat.

The activities were organised by staff committees or bureaus whose members were elected periodically by the staff of their respective divisions. The bureaus were advised by the corporate affairs focal persons at the various divisions to ensure that the activities carried out were suitable and aligned with PGB's aspirations to enhance the staff's working experience within and outside the office.

Amongst the social activities carried out were:

- Majlis Hari Raya PGB at the Kuala Lumpur Head Office, Segamat Operations Centre, as well as at our Gas Processing and Utilities Plants at Kertih and Gebeng. This allows closer interaction between management and staff in a festive setting.
- Majlis Berbuka Puasa PGB at our plants in Kertih, Santong, Gebeng and Segamat, as well as regional offices throughout Malaysia. This effort allow management to interact better with our staff, especially those working outside normal office hours at our operations.
- Hari Keluarga PGB at three locations in Shah Alam, Johor Bahru and Kertih to cater for staff located at different locations. This allows staff and their families to interact and participate in fun activities in an informal setting.

Further to this, the BRKS also organised numerous sporting activities to ensure that staff leads a healthy and fitness oriented lifestyle. Among the activities organised during 2013 include:

- Monthly Medal Golf Tournament held on a monthly basis for golfers at the PGB Head Office. The monthly medal provides an opportunity for PGB golfers to improve their skills.
- Weekly badminton match for badminton players at the PGB Head Office. The match provides an opportunity for staff to unwind and release stress after a hard day at work.
- Monthly bowling match at the PGB Head Office serves as a training ground for PGB's staff representing PGB contingent at PETRONAS level sports competition.
- Futsal League at Segamat Operations Centre competing with teams from different pipeliner sections for the League's tournament cup.
- Staff Expedition to Mount Kinabalu, which allows staff to experience conquering the country's tallest peak, as well as familiarise themselves with PGB's business operations in Sabah.

The activities organised by the BRKS allows PGB to produce well-rounded staff who are fit, healthy and able to work effectively as members of a team.

CORPORATE RESPONSIBILITY IN THE ENVIRONMENT

PETRONAS Gas Berhad (PGB) Environment and Sustainability Roadmap Framework which capitalises on the '4G Programme' (Green Care, Green Mindset, Green Owner and Green Growth) continues for its third consecutive year during the year under review.

Total Waste Generate

2012
1,831 million tonnes

50%

2013
909 million tonnes

The programme translated PGB's HSE Policy which has a special emphasis on environment preservation and pollution prevention, in various initiatives involving both the staff and the public.

During the year, PGB has expanded its role in the environmental sphere as the Company has come on board to comply with the new and the recently revised reporting guidelines for sustainability elements adopted by the PETRONAS Group.

The guidelines include the standardisation in the reporting of greenhouse gases (GHG), total water withdrawal as well as biodiversity conservation. Whilst PGB has shown improvements in our environmental scorecard, particularly our waste minimisation practices at site which recorded a further reduction of 50% as compared to our total scheduled waste generated in 2012, the other sustainability elements showed 'effective' and 'mixed' results.

During the year, we experienced some issues regarding the management of waste water at one of our plants. However, we have taken the necessary action to rectify this and ensure full compliance with environmental standards for waste water management in the future.

ENHANCED GREENHOUSE GAS EMISSION REPORTING

In 2013, as previously practised, PGB Greenhouse gas emission reporting adheres to the International Petroleum Industry Environmental Conservation Association (IPIECA) GHG Accounting and Reporting Guidelines which leverages on the SANGEA® software.

Although the set reduction target was at 49k tonnes, total GHG emission increased by 4% to 5.97 million tonnes as compared to 5.72 million tonnes in 2012.

The increase was mainly due to a higher number of unplanned turnaround and shutdown activities during the year. This has resulted in more flaring activities, which increased the trend of GHG loading.

Many short and long term initiatives have been planned to further reduce the level of emissions. This was in line with our efforts to further minimise the impact of climate change, in tandem with other initiatives such as minimising energy losses and maximising our equipment's efficiency and reliability.

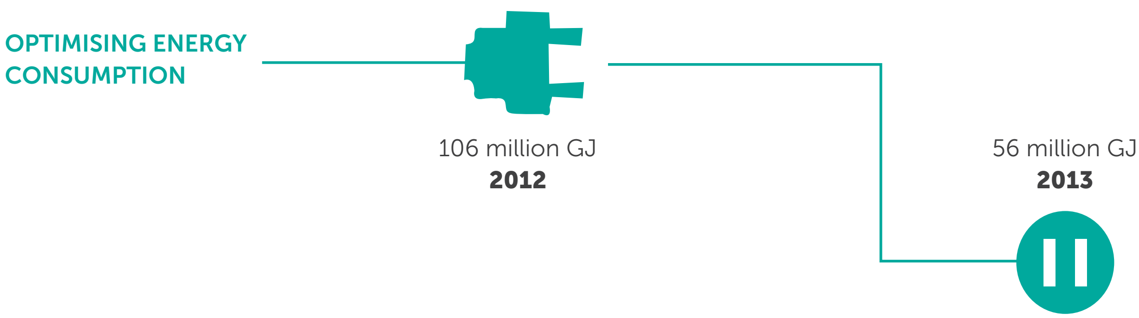
OPTIMISING ENERGY CONSUMPTION

With the global demand to cap climate change, energy conservation is one critical step that PGB foresees will further facilitate our efforts to achieve this target.

In the year under review, 56 million GJ of energy was consumed in comparison with 106 million GJ in FY2012.

PGB has embarked on an energy and generation index initiatives roadmap where various efforts were planned to achieve energy consumption reduction. One such effort was the improvement in utilities plants' turbine heat rate via gas turbine (GT) washing, which has reduced the heat rate from 13 GJ to 12.83 GJ.

Gas Processing business has also successfully implemented its MetaMOL and MetaGAS initiatives which have significantly reduced energy consumption as well as achieved significant cost savings of about RM10 million each.



MANAGING WATER CONSUMPTION AND WITHDRAWAL

As PGB is directly involved in the water business through our Utilities business, the criticality of constantly monitoring its usage is of great importance to the Company. This is to further reduce potential social as well as economic risks associated with the depletion of our direct water resource by identifying water conservation and recycling opportunities.

In the year under review, total freshwater withdrawn in PGB was 5 million m^3 as compared to 4.6 million m^3 in 2012, which is an increase of 8.7%. This was partly due to more steam vented due to customers shutdown activities.

WASTE MANAGEMENT

During the year, PGB's waste minimisation roadmap framework moved forward to enter its third year. Apart from showing significant 'reduction at source' once again, other minimisation efforts were also put in place such as recovery of hazardous wastes and conversion of special waste. A total of 909 million tonnes of waste was generated as compared to 1,831 million tonnes in 2012, representing a 50% reduction.

A holistic approach in tackling waste management issue was also introduced by tackling project's waste management by assessing options in the design stage such as Environmental Impact Assessment (EIA).

PGB Head Office also contributed to PGB's overall waste minimisation efforts by engaging in a paper recycling initiative, where a significant 418 reams of A4 papers were saved.

Overall, waste minimisation has managed to generate savings of approximately RM470,000 for the Company.

BIODIVERSITY

PGB recognises the importance of conserving the environment, particularly areas with a high biodiversity value index. This is particularly important as the preservation of biodiversity is an issue of great global importance. As a practice, we carry out sufficient analysis of the impact of our operations on the ecosystem and determine the next step in our efforts.

ENVIRONMENTAL PRESERVATION AND CONSERVATION

In the year under review, proactive management actions have been focused on preventing any encroachment on such unique ecosystems in preserving the biodiversity of the site(s) involved, which included all proposed measures as highlighted in the EIA studies conducted.

One such site is along the pipeline connecting to the liquefied natural gas (LNG) Regasification Terminal (RGT) in Pengerang, Johor, which traverses a mangrove area in Johor. At the moment, PGB is planning all mitigations to be put in place to further safeguard the ecosystem from any negative impacts arising from the project at both its construction stage, as well as during its operations. This includes plans to minimise disturbance of the downstream portion of the mangrove area of Sg. Lebam for pipeline laying and burial works based on Environmental Management Plan (EMP) recommendations.

Similarly with another project site that is undeniably important in the strictest sense of the word is the site of the Sabah Sarawak Gas Pipeline (SSGP), which traverses one of the world's oldest and pristine rainforests, with highly diverse flora and wildlife habitats.

Acknowledging that some of the species within the corridor of the pipeline were identified either as endemic to the Borneo, totally protected species or highly endangered categories, stringent measures were put in place to minimise the impact arising from the project to the natural environment which is even more important for the sustainability of the forest, riverine ecosystem as well as overall conservation effort.

This included the prevention of poaching and hunting of protected species, protection of slope areas and periodic tracking of its environmental quality, reclaiming of degraded areas via returfing and constant environmental awareness sessions for our contractors.

ENVIRONMENTAL OUTREACH

To appreciate the vulnerability of such fragile ecosystems, PGB staff and stakeholders were also included in various community level awareness programmes. One of it is through the PGB Environment Day, an annual event crafted to communicate 'green' activities and messages to our staff and the public.

During the year, the second PGB Environment Day was organised at PETRONAS mangrove learning centre or ecoCare™ at Kertih to share the importance of mangrove habitats to flora and fauna species richness.

To share the knowledge, students from our adopted school in the Program Sentuhan Ilmu PETRONAS (PSIP), which are Sekolah Kebangsaan Sungai Baging, Kuantan and Sekolah Kebangsaan Santong, Paka were also involved as participants in the programme.

With the keen support of Malaysian Nature Society (MNS), the PGB Environment Day was structured to include activities such as mud ball throwing at the nearby river. This activity was designed to share with staff on how human technology and innovation via 3R (reduce, reuse and recycle) intervention can enhance river water quality.

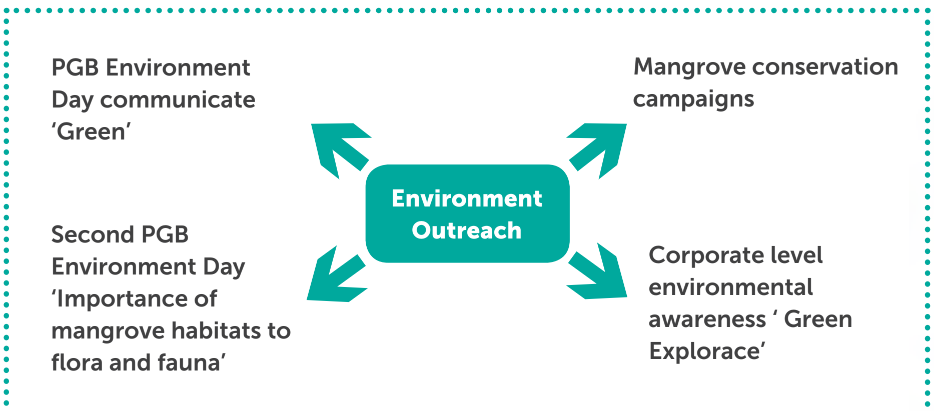
Mud balls are essentially a human invention by which a mud-based ball is created by combining bacteria enriched media from by-products of food waste into a mud-based media. Apart from applying the food waste reuse concept of waste minimisation, the deployment of mud balls into Kertih River will help clean-up pollution as the microorganisms breaks down the pollutants into less harmful compounds overtime.

During the year, the PGB Environment fraternity also organised a corporate level environmental awareness outdoor activity in the form of a 'green' Explorace.

Participants were instructed to collect pointers at several check-points and one of the objectives of the race was to collect waste from the park and create a handicraft product from the waste.

Participants were briefed on how simple steps such as this will be able to turn the world around us into a waste-free environment, which goes a long way to further preserve the planet.

PGB also continues our effort from our last year's mangrove conservation campaigns at two identified mangrove planted areas which are Kampung Merchang in Marang, Terengganu as well as the Kuala Selangor National Park in Selangor by tracking and measuring the mangrove seedlings and plantlets' annual growth rate to ensure that the planted mangrove recorded sufficient growth for the habitats' long-term sustainability.



CORPORATE RESPONSIBILITY IN THE COMMUNITY

In 2013, the PETRONAS Group of Companies rebranded its flagship Program Bakti Pendidikan PETRONAS (PBPP) into Program Sentuhan Ilmu PETRONAS (PSIP) as a move to further enhance and innovate its CSR initiatives in order to strengthen its position in localities where it operates.

EDUCATIONAL OUTREACH

In 2013, the PETRONAS Group of Companies rebranded its flagship Program Bakti Pendidikan PETRONAS (PBPP) into Program Sentuhan Ilmu PETRONAS (PSIP) as a move to further enhance and innovate its CSR initiatives in order to strengthen its position in localities where it operates. This programme reinforces PETRONAS' commitment and unified efforts towards contributing to the well-being of the nation in addition to embracing the concept of empowering people through education.

The newly refreshed PSIP was originally officiated in 2002 by PETRONAS and now, PGB under this programme has adopted:

- Sekolah Kebangsaan Santong in Paka, Terengganu (2005)
- Sekolah Kebangsaan Batu Anam in Segamat, Johor (2008)
- Sekolah Kebangsaan Sungai Baging in Kuantan, Pahang (2012)
- Sekolah Kebangsaan Cherana Puteh in Simpang Ampat, Melaka (2013)

During the year, we have adopted Sekolah Kebangsaan Cherana Puteh in Melaka as the newest school under this programme, in line with the expansion of our business in the state through the establishment of the liquefied natural gas (LNG) Regasification Terminal (RGT) in Sungai Udang, Melaka. The school is the first institution adopted by PGB which has a large number of Orang Asli pupils. Through the adoption, we hope to assist in the empowerment of these pupils and encourage them to improve their school attendance and motivation, which will help them elevate their lives and livelihoods in the long run.

Since PGB's involvement in 2006, more than 1,000 students have benefited this programme where it was created to provide students with a strong foundation in their academic and personal development.

Some criteria for our PSIP target audience include:

- Borderline students
- Low income families
- Students of families that have yet to receive assistance from the Government

In 2013, PGB saw an increase of 32.1 % with zero failures for both Sekolah Kebangsaan Santong and Sekolah Kebangsaan Batu Anam combined UPSR results. This is a significant milestone as we are committed to deliver more while giving back to the communities at areas where we operate.

COMMUNITY OUTREACH

PGB Corporate Social Responsibility Programme

Our Corporate Social Responsibility (CSR) Programmes are aimed at adding value to every community relations activities in helping the less fortunate while inculcating amongst our staff the spirit of helping the needy. This programme also remains as the main agenda to instil a sense of gratitude and responsibility to the community, our staff and their family members.

During the year under review, PGB continues to implement its holistic and staff driven CSR programme from assisting senior citizens, physically challenged and single mothers in addition to giving motivational and moral support to orphans. Our CSR programmes are crafted along these guidelines while adhering closely to the Company's tagline which is 'Bakti Dihulur, Kasih Disemai' or instilling the spirit of caring for each other.

The general CSR criteria for our target audience or group are:

- Welfare homes which include old folks home, orphanage and shelter organisations
- Cases of extreme poverty
- Hospital or Health Care Centres
- Education Centres
- Victims in any natural disaster hit areas

Some quick facts on CSR conducted in 2013:

- Total donations from senior managements and staff: RM159,000
- Number of CSR programmes conducted: 71
- Total number of attendance: 3,892
- Total collective man-hours spent per activity (average): 320 hours
- Total number of hours spent per staff (average): 12 hours
- Total hours of community service (average): 46,704 hours
- Average number of CSR conducted in a week: 2

PGB COMMUNITY ENGAGEMENT

PGB places great importance in communicating the impact of its business to the communities wherever it operates. This is implemented through specially organised communication sessions that allows closer interaction with the community.

PGB uses these engagements to share in greater detail the nature of its business, as well as to foster an understanding of the safety measures that the residents of the surrounding areas need to be aware of, in the unlikely event of an emergency.

During the year, PGB conducted a number of sessions with local communities around its areas of operations to showcase PGB's image as a good neighbour, as well as to strengthen the bonds of friendship with local stakeholders, which is part and parcel of its role as a responsible corporate citizen.

The key engagements with the community in 2013 include:

- **Public Awareness on liquefied natural gas (LNG) Regasification Terminal (RGT)**

  This interaction was part of efforts to introduce the local authorities, local leaders and village heads to the operations of PGB's newly established RGT in Sungai Udang, Melaka.

  The stakeholders invited to this session were from the various communities and associations living in and around the RGT facility, from Sungai Udang, Pantai Kundor, Pantai Puteri, extending to the Tanjung Kling area, as well as certain stakeholders from the Melaka Tengah region.

  The session gave them a first-hand understanding of the safety and operational parameters of the RGT, as well as the relevant contact persons whom the stakeholders can communicate with, should issues arise from the operations impacting their lives and livelihoods. Overall, the session allowed open and direct communications between PGB operations and the representatives of the surrounding communities.

- **Transmission Public Awareness**

  Our Transmission Operations under our Gas Transmission and Regasification Division has the largest operational footprint in Malaysia, managing more than 2,500 km of gas pipeline.

  As much of this pipeline cuts through towns, villages, housing areas and plantations, there is a constant need to engage with the local communities on the do's and don't's of living within the vicinity of the gas pipeline.

  For this purpose, PGB's various Regional Offices located along the pipeline route organise periodic engagement sessions with local communities to refresh their understanding of the safety practices that they need to observe along the PGB's pipeline right of way (ROW), as well as key emergency contacts in the event of an emergency.

  The session also allows the community to raise issues pertaining the maintenance of the ROW, such as the frequency of periodic brush control as well as encroachment by parties other than PGB contractors.

  During the year, three sessions were conducted in Kemaman, Terengganu, Kluang, Johor, and Sitiawan, Perak.

EMPOWERING THE PEOPLE OF SABAH

Our new business venture, Kimanis Power Plant (KPP) is our commitment in delivering more to the nation while expanding our presence beyond Peninsular Malaysia.

Situated in Kimanis in Papar, Sabah; the KPP is a project developed by Kimanis Power Sdn Bhd, a joint venture company between PGB and NRG Consortium (Sabah) Sdn Bhd, the energy counterpart of Yayasan Sabah. In February 2012, PGB signed a 21-year Power Purchase Agreement with Sabah Electric Sdn Bhd.

From the very start, PGB and its partner have made it a focus to provide employment to local Sabahans, as part of PETRONAS' larger capacity building efforts. During the year, the total number of local Sabahans employed in KPP and Kimanis O&M Sdn Bhd were 72, out of a total staff strength of 94. This means the total percentage of local (Sabahans) employed in Kimanis Power and Kimanis O&M reached some 77% of its manpower.

It is expected that more Sabah businesses will also benefit from business opportunities and other multiplier effect, once the plant goes into full-scale operations sometime in 2014.

FINANCIAL STATEMENTS

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 176 to 250, 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 December 2013 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 of the Group and of the Company:

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgments and estimates were made;
- all Financial Reporting Standards and the Malaysian Companies Act, 1965 have been followed; and
- are prepared on a going concern basis.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Malaysian Companies Act, 1965 to be retained by the Company and its subsidiaries 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 of the Company, and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remain 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.

The principal activities of the subsidiaries, associate and joint ventures are as stated in note 4, note 5 and note 6 to the financial statements respectively.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	2,078,876	1,418,309
Attributable to:		
Shareholders of the Company	2,078,888	–
Non-controlling interests	(12)	–

DIVIDENDS

During the financial year, the Company paid:

i) a final dividend of 35 sen per ordinary share under single tier system amounting to RM692,556,000 in respect of the financial year ended 31 December 2012; and

ii) an interim dividend of 15 sen per ordinary share under single tier system amounting to RM296,810,000 in respect of the financial year ended 31 December 2013.

The Directors propose a final dividend of 40 sen per ordinary share under single tier system amounting to RM791,493,000 in respect of the financial year ended 31 December 2013 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements.

DIRECTORS OF THE COMPANY

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

Datuk Anuar bin Ahmad
Dato' N. Sadasivan N.N. Pillay
Datuk Rosli bin Boni
Pramod Kumar Karunakaran
Dato' Ab. Halim bin Mohyiddin
Lim Beng Choon
Yusa' bin Hassan (appointed on 1 July 2013)
Habibah binti Abdul (appointed on 13 September 2013)
Samsudin bin Miskon (resigned on 1 July 2013)
Dato Mohammad Medan bin Abdullah (resigned on 1 September 2013)

In accordance with Article 93 of the Company's Articles of Association, Pramod Kumar Karunakaran and Lim Beng Choon will 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, Yusa' bin Hassan and Habibah binti Abdul who were appointed to fill casual vacancies on the Board, will retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dato' N. Sadasivan N.N. Pillay is retiring at the forthcoming Annual General Meeting. Dato' N. Sadasivan N.N. Pillay offers himself for re-appointment and is eligible to be re-appointed.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests in the shares of the Company and its related corporations other than wholly owned subsidiaries (including the interests of the spouses and/or children of the Director who themselves are not Director of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each in the Company			
Name	**Balance at 1.1.2013**	**Bought**	**Sold**	**Balance at 31.12.2013**
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	**5,000**

	Number of ordinary shares of RM1.00 each in PETRONAS Dagangan Berhad			
Name	**Balance at 1.1.2013/ at appointment date**	**Bought**	**Sold**	**Balance at 31.12.2013**
Datuk Anuar bin Ahmad	2,000	–	(2,000)	**–**
Yusa' bin Hassan	1,000	–	(1,000)	**–**

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS' INTERESTS (continued)

Name	Number of ordinary shares of RM1.00 each in KLCC Property Holdings Berhad			
	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Lim Beng Choon	21,200	–	(21,200)	**–**

Name	Number of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad			
	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	**5,000**

Name	Number of ordinary shares of RM0.10 each in PETRONAS Chemicals Group Berhad			
	Balance at 1.1.2013/ at appointment date	Bought	Sold	Balance at 31.12.2013
Datuk Anuar bin Ahmad	20,000	–	–	**20,000**
Yusa' bin Hassan	14,000	–	–	**14,000**
Pramod Kumar Karunakaran	6,000	–	–	**6,000**
Datuk Rosli bin Boni	6,000	–	–	**6,000**
Dato' Ab. Halim bin Mohyiddin				
– own	5,000	–	–	**5,000**
– others	5,000	–	–	**5,000**

None of the other Directors holding office at 31 December 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor 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 or the fixed salary of a full time employee of the Company or of related corporations), 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 financial 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) there are no bad debts to be written off and no provision need to be made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debts; 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 or 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 or of the Company that has arisen since the end of the financial year other than as disclosed in the financial statements.

No contingent liability or other liability of any company in the Group 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 financial performance of the Group and of the Company for the financial year ended 31 December 2013 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 that financial year and the date of this report.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There were no significant events during the financial year.

SUBSEQUENT EVENTS

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

AUDITORS

Messrs KPMG have indicated their willingness to accept appointment as auditors in place of the retiring auditors, Messrs KPMG Desa Megat & Co.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

Datuk Anuar bin Ahmad

Yusa' bin Hassan

Kuala Lumpur,
10 February 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 176 to 249, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2013 and of their financial performance and cash flows for the year ended on that date.

In the opinion of the Directors, the information set out in note 34 on page 250 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

Datuk Anuar bin Ahmad

Yusa' bin Hassan

Kuala Lumpur,
10 February 2014

STATUTORY DECLARATION

I, **Aida Aziza binti Mohd Jamaludin**, the officer primarily responsible for the financial management of **PETRONAS GAS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 176 to 250 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 above named **Aida Aziza binti Mohd Jamaludin** at **Kuala Lumpur** in **Wilayah Persekutuan** on 10 February 2014.

BEFORE ME:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated
ASSETS				
Property, plant and equipment	3	**10,611,108**	9,777,939	7,296,690
Investment in associate	5	**129,047**	127,796	179,567
Investment in joint ventures	6	**201,996**	181,184	135,189
Deferred tax assets	7	**603,049**	–	–
TOTAL NON-CURRENT ASSETS		**11,545,200**	10,086,919	7,611,446
Trade and other inventories	8	**38,615**	38,638	39,055
Trade and other receivables	9	**711,471**	446,119	489,225
Fund and other investments	10	**15,010**	160,422	245,562
Cash and cash equivalents	11	**912,123**	1,706,219	2,322,896
TOTAL CURRENT ASSETS		**1,677,219**	2,351,398	3,096,738
TOTAL ASSETS		**13,222,419**	12,438,317	10,708,184
EQUITY				
Share capital	12	**1,978,732**	1,978,732	1,978,732
Reserves	13	**8,286,998**	7,188,694	6,579,324
Total equity attributable to the shareholders of the Company		**10,265,730**	9,167,426	8,558,056
Non-controlling interests	14	**(183)**	(171)	–
TOTAL EQUITY		**10,265,547**	9,167,255	8,558,056
LIABILITIES				
Borrowings	15	**824,061**	783,583	444,735
Deferred tax liabilities	7	**981,000**	1,004,000	1,053,000
Deferred income	17	**12,336**	9,688	10,692
TOTAL NON-CURRENT LIABILITIES		**1,817,397**	1,797,271	1,508,427
Trade and other payables	18	**1,014,437**	888,762	495,227
Borrowings	15	**17,731**	463,146	–
Taxation		**107,307**	121,883	146,474
TOTAL CURRENT LIABILITIES		**1,139,475**	1,473,791	641,701
TOTAL LIABILITIES		**2,956,872**	3,271,062	2,150,128
TOTAL EQUITY AND LIABILITIES		**13,222,419**	12,438,317	10,708,184

The notes set out on pages 185 to 250 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000 Restated
Revenue	19	**3,892,139**	3,576,771
Cost of revenue	19	**(1,947,274)**	(1,806,762)
Gross profit	19	**1,944,865**	1,770,009
Administration expenses		**(120,014)**	(155,951)
Other expenses		**(92,001)**	(48,438)
Other income		**170,893**	293,986
Operating profit	20	**1,903,743**	1,859,606
Financing costs	21	**(50,117)**	(20,342)
Share of profit after tax of equity-accounted associate and joint ventures		**42,793**	12,022
Profit before taxation		**1,896,419**	1,851,286
Tax income/(expense)	22	**182,457**	(446,409)
Profit for the year		**2,078,876**	1,404,877
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
Share of cash flow hedge of an equity-accounted joint venture		**8,782**	(4,186)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,087,658**	1,400,691
Profit/(loss) attributable to:			
Shareholders of the Company		**2,078,888**	1,405,049
Non-controlling interests	14	**(12)**	(172)
PROFIT FOR THE YEAR		**2,078,876**	1,404,877
Total comprehensive income/(expense) attributable to:			
Shareholders of the Company		**2,087,670**	1,400,863
Non-controlling interests		**(12)**	(172)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,087,658**	1,400,691
Basic and diluted earnings per ordinary share (sen)	24	**105.1**	71.0

The notes set out on pages 185 to 250 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to shareholders of the Company						
		Non-distributable			*Distributable*			
	Note	Share capital RM'000	Share premium RM'000	Hedging reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2012								
– As previously reported		1,978,732	1,186,472	–	5,392,201	8,557,405	86,516	8,643,921
– Effect of the adoption of new pronouncements		–	–	–	651	651	(86,516)	(85,865)
Balance at 1 January 2012, restated		1,978,732	1,186,472	–	5,392,852	8,558,056	–	8,558,056
Cash flow hedge		–	–	(4,186)	–	(4,186)	–	(4,186)
Profit for the year		–	–	–	1,405,049	1,405,049	(172)	1,404,877
Total comprehensive income for the year		–	–	(4,186)	1,405,049	1,400,863	(172)	1,400,691
Issuance of shares to non-controlling interests		–	–	–	–	–	1	1
Dividends – 31.12.2011 final	23	–	–	–	(494,683)	(494,683)	–	(494,683)
Dividends – 31.12.2012 interim	23	–	–	–	(296,810)	(296,810)	–	(296,810)
Total transactions with shareholders of the Company		–	–	–	(791,493)	(791,493)	1	(791,492)
Balance at 31 December 2012		1,978,732	1,186,472	(4,186)	6,006,408	9,167,426	(171)	9,167,255

The notes set out on pages 185 to 250 are an integral part of these financial statements.

		Attributable to shareholders of the Company						
		Non-distributable			*Distributable*			
	Note	Share capital RM'000	Share premium RM'000	Hedging reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2013								
– As previously reported		1,978,732	1,186,472	(4,186)	6,005,913	9,166,931	115,815	9,282,746
– Effect of the adoption of new pronouncements		–	–	–	495	495	(115,986)	(115,491)
Balance at 1 January 2013, restated		1,978,732	1,186,472	(4,186)	6,006,408	9,167,426	(171)	9,167,255
Cash flow hedge		–	–	8,782	–	8,782	–	8,782
Profit for the year		–	–	–	2,078,888	2,078,888	(12)	2,078,876
Total comprehensive income for the year		–	–	8,782	2,078,888	2,087,670	(12)	2,087,658
Dividends – 31.12.2012 final	23	–	–	–	(692,556)	(692,556)	–	(692,556)
Dividends – 31.12.2013 interim	23	–	–	–	(296,810)	(296,810)	–	(296,810)
Total distribution to shareholders of the Company		–	–	–	(989,366)	(989,366)	–	(989,366)
Balance at 31 December 2013		**1,978,732**	**1,186,472**	**4,596**	**7,095,930**	**10,265,730**	**(183)**	**10,265,547**

The notes set out on pages 185 to 250 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**3,665,257**	3,771,604
Cash paid to suppliers and employees		**(1,022,526)**	(1,299,594)
		2,642,731	2,472,010
Interest income from fund and other investments		**49,071**	86,775
Taxation paid		**(458,168)**	(520,000)
Net cash generated from operating activities		**2,233,634**	2,038,785
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associate and joint venture		**29,512**	29,433
Subscription of shares in joint venture		**–**	(60,288)
Purchase of property, plant and equipment		**(1,631,094)**	(2,041,496)
Proceeds from partial disposal of investment in associate		**–**	144,447
Maturity of other investments		**145,000**	85,000
Proceeds from disposal of property, plant and equipment		**499**	478
Net cash used in investing activities		**(1,456,083)**	(1,842,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(989,366)**	(791,493)
Financing costs paid		**(112,671)**	(21,544)
Repayment of finance lease liabilities		**(15,510)**	–
Repayment of term loan to holding company		**(454,100)**	–
Proceeds from shares issued to non-controlling interests		**–**	1
Net cash used in financing activities		**(1,571,647)**	(813,036)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(794,096)**	(616,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,706,219**	2,322,896
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	**912,123**	1,706,219

The notes set out on pages 185 to 250 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated
ASSETS				
Property, plant and equipment	3	**7,158,798**	6,776,782	6,512,498
Investment in subsidiaries	4	**2,420,101**	2,000,101	750,004
Investment in associate	5	**76,466**	76,466	103,336
Investment in joint ventures	6	**192,250**	192,250	131,962
TOTAL NON-CURRENT ASSETS		**9,847,615**	9,045,599	7,497,800
Trade and other inventories	8	**38,528**	38,638	39,055
Trade and other receivables	9	**1,083,184**	640,203	528,470
Fund and other investments	10	**15,010**	160,422	245,562
Cash and cash equivalents	11	**705,846**	1,706,219	2,322,896
TOTAL CURRENT ASSETS		**1,842,568**	2,545,482	3,135,983
TOTAL ASSETS		**11,690,183**	11,591,081	10,633,783
EQUITY				
Share capital	12	**1,978,732**	1,978,732	1,978,732
Reserves	13	**7,621,095**	7,192,152	6,504,923
TOTAL EQUITY		**9,599,827**	9,170,884	8,483,655
LIABILITIES				
Borrowings	15	**–**	–	444,735
Deferred tax liabilities	7	**981,000**	1,004,000	1,053,000
Deferred income	17	**12,336**	9,688	10,692
TOTAL NON-CURRENT LIABILITIES		**993,336**	1,013,688	1,508,427
Trade and other payables	18	**989,714**	836,607	495,227
Borrowings	15	**–**	448,019	–
Taxation		**107,306**	121,883	146,474
TOTAL CURRENT LIABILITIES		**1,097,020**	1,406,509	641,701
TOTAL LIABILITIES		**2,090,356**	2,420,197	2,150,128
TOTAL EQUITY AND LIABILITIES		**11,690,183**	11,591,081	10,633,783

The notes set out on pages 185 to 250 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Revenue	19	**3,553,948**	3,576,771
Cost of revenue	19	**(1,772,560)**	(1,806,762)
Gross profit	19	**1,781,388**	1,770,009
Administration expenses		**(117,117)**	(147,483)
Other expenses		**(8,564)**	(12,573)
Other income		**192,513**	335,520
Operating profit	20	**1,848,220**	1,945,473
Financing costs	21	**(9,319)**	(20,342)
Profit before taxation		**1,838,901**	1,925,131
Tax expense	22	**(420,592)**	(446,409)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,418,309**	1,478,722

The notes set out on pages 185 to 250 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to shareholders of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
Balance at 1 January 2012		1,978,732	1,186,472	5,318,451	8,483,655
Profit for the year		–	–	1,478,722	1,478,722
Total comprehensive income for the year		–	–	1,478,722	1,478,722
Dividends – 31.12.2011 final	23	–	–	(494,683)	(494,683)
Dividends – 31.12.2012 interim	23	–	–	(296,810)	(296,810)
Total distribution to shareholders of the Company		–	–	(791,493)	(791,493)
Balance at 31 December 2012		1,978,732	1,186,472	6,005,680	9,170,884

		Attributable to shareholders of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
Balance at 1 January 2013		1,978,732	1,186,472	6,005,680	9,170,884
Profit for the year		–	–	1,418,309	1,418,309
Total comprehensive income for the year		–	–	1,418,309	1,418,309
Dividends – 31.12.2012 final	23	–	–	(692,556)	(692,556)
Dividends – 31.12.2013 interim	23	–	–	(296,810)	(296,810)
Total distribution to shareholders of the Company		–	–	(989,366)	(989,366)
Balance at 31 December 2013		**1,978,732**	**1,186,472**	**6,434,623**	**9,599,827**

The notes set out on pages 185 to 250 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**3,487,100**	3,812,729
Cash paid to suppliers and employees		**(1,004,181)**	(1,328,018)
		2,482,919	2,484,711
Interest income from fund and other investments		**47,773**	86,775
Taxation paid		**(458,169)**	(520,000)
Net cash generated from operating activities		**2,072,523**	2,051,486
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to subsidiaries		**(454,903)**	(194,084)
Subscription of shares in subsidiaries	4	**(225,916)**	(1,210,851)
Subscription of shares in joint venture		**–**	(60,288)
Dividends received from associate and joint venture		**29,512**	29,433
Purchase of property, plant and equipment		**(1,105,619)**	(649,261)
Proceeds from partial disposal of investment in associate		**–**	144,447
Maturity of other investments		**145,000**	85,000
Proceeds from disposal of property, plant and equipment		**499**	478
Net cash used in investing activities		**(1,611,427)**	(1,855,126)
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing costs paid		**(18,003)**	(21,544)
Dividends paid		**(989,366)**	(791,493)
Repayment of term loan to holding company		**(454,100)**	–
Net cash used in financing activities		**(1,461,469)**	(813,037)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,000,373)**	(616,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,706,219**	2,322,896
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	**705,846**	1,706,219

The notes set out on pages 185 to 250 are an integral part of these financial statements.

PETRONAS GAS BERHAD is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

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 its subsidiaries, associate and joint ventures are as stated in note 4, note 5 and note 6 to the financial statements respectively.

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and joint ventures.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

As of 1 January 2013, the Group and the Company have adopted new, revised and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board (MASB) as described fully in note 31.

The Group and the Company have early adopted the amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* which are effective for annual periods beginning on or after 1 January 2014. The early adoption of the amendments to MFRS 132 has no impact on the financial statements other than reclassification in statements of financial position as disclosed in note 31.

The MASB has also issued new pronouncements which are not yet effective for the Group and the Company and therefore, have not been implemented in these financial statements. These new pronouncements including their impact on the financial statements in the period of initial application are set out in note 32. New pronouncements that are not relevant to the operation of the Group and of the Company are set out in note 33.

These financial statements were approved and authorised for issue by the Board of Directors on 10 February 2014.

1.2 Basis of measurement

The financial statements of the Group and the Company have been prepared on historical cost basis except that, as disclosed in the accounting policies below, certain items are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION (continued)

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's and the Company's financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgments

The preparation of the financial statements in conformity with MFRS requires management to make judgments, 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 estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

i) Note 3 : Property, Plant and Equipment;
ii) Note 5 : Investment in Associate;
iii) Note 6 : Investment in Joint Ventures;
iv) Note 7 : Deferred Tax; and
v) Note 29 : Financial Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

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 and the Company, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

In the previous financial years, control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights are considered when assessing control only when such rights are presently exercisable and the Group did not consider de facto power in its assessment of control.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Subsidiaries (continued)

Since the beginning of the financial year, the Group has adopted MFRS 10, *Consolidated Financial Statements*, where control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The impact of adoption of MFRS 10 is disclosed in note 31.

All inter-company transactions are eliminated on consolidation and revenue and profits are related to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition as defined above and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and other comprehensive income for the year between non-controlling interests and shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Non-controlling interests (continued)

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.2 Associate

An associate is an entity in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

An associate is accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity accounted associate, after adjustments to align the accounting policies with those of the Group, 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 consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associate.

When the Group's share of post-acquisition 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 associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Associate (continued)

Investment in associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transactions costs.

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

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

In the previous financial years, joint arrangements were classified and accounted for as either jointly controlled entity or jointly controlled asset or jointly controlled operation. The Group accounted for its interest in jointly controlled entity using the equity method. Jointly controlled assets or jointly control operations are accounted for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

Upon adoption of MFRS 11, *Joint Arrangements* in the current financial year, joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The impact of adoption of MFRS 11 is disclosed in note 31.

2.4 Property, plant and equipment and depreciation

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

Cost includes expenditure that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs as described in note 2.16. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised in the profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

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

Depreciation for property, plant and equipment other than freehold land and projects-in-progress is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Lease properties are depreciated over the lease term or the estimated useful lives, whichever is shorter. Leasehold land is depreciated over the lease term.

The estimated useful lives of the other property, plant and equipment are as follows:

Plant and pipelines	5 – 55 years
Expendable capital improvements	3 years
Office equipment, furniture and fittings	6 – 7 years
Other plant and equipment	5 – 7 years
Computer hardware and software	5 years
Motor vehicles	4 years
Plant turnaround/major inspection	3 – 7 years

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

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.5 Leased assets

When the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it is accounted for as a lease although the arrangement does not take the legal form of a lease. A lease arrangement is accounted for as finance or operating lease in accordance with the accounting policy stated below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leased assets (continued)

Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Operating lease

All leases that do not transfer substantially to the Group and the Company all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's and the Company's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.6 Investments

Long term investments in subsidiaries, associate and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements. The cost of investment includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any.

2.7 Intangible asset – goodwill

Goodwill arising from business combinations is initially measured at cost as described in note 2.1. Following the initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity accounted associate, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

i) Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group and the Company determine the classification of financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Purchases or sales that require delivery of financial assets within a timeframe established by regulation or convention in the marketplace concerned (regular way purchases) are recognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in note 2.22.

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method as described in note 2.8(vi).

ii) Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortised cost as appropriate. The Group and the Company determine the classification of financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of financial liabilities measured at amortised cost, any directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial liabilities measured at amortised cost

Subsequent to initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest rate method as described in note 2.8(vi).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised, as well as through the amortisation process.

iii) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

iv) Derivative financial instruments

The Group and the Company uses derivative financial instruments such as forward currency contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year, other than those accounted for under hedge accounting as described in note 2.8(iii), are recognised directly to the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be measured at fair value, with gains and losses recognised in the profit or loss.

v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

vi) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

vii) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

vii) Derecognition of financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2.9 Impairment

i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, investment in associate and investment in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the recoverable amount of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Other assets

The carrying amounts of other assets, other than inventories and deferred tax assets, are reviewed at each reporting 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 if 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 profit or loss.

A cash-generating-unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating-unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment (continued)

ii) Other assets (continued)

The recoverable amount of an asset or cash-generating-unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the 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 or cash-generating-unit. 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 in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are 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. Reversals of impairment losses are credited to the profit or loss in the year in which reversals are recognised.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, and deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of maintenance material and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of liquefied gases and water is determined on a weighted average basis.

In the previous financial years, spare parts were classified as inventories. In the current financial year, the Group adopted amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. The change in accounting policy has been applied retrospectively. The impact of adoption of amendments to MFRS 116 is disclosed in note 31.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

2.13 Employee benefits

Short term benefits

Wages and 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 Group and of the Company.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (EPF).

2.14 Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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, unutilised reinvestment allowances, unutilised investment tax allowances, unutilised tax losses and unutilised 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, unutilised reinvestment allowances, unutilised investment tax allowances, unutilised tax losses and unutilised tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Taxation (continued)

Deferred tax (continued)

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the assets is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and unutilised investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2.15 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at reporting date, except for those that are measured at fair value, are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised.

2.17 Revenue

Revenue from gas processing services is recognised in the profit or loss based on actual and estimates of work done in respect of services rendered for separating natural gas into its components.

Revenue from gas transportation services is recognised in the profit or loss based on services rendered for transporting and distributing the processed gas.

Revenue from sale of industrial utilities is recognised in the profit or loss based on utilities distributed to the buyer at pre-determined rates.

Revenue from regasification of liquefied natural gas is recognised in the profit or loss based on actual and estimates of work done in respect of services rendered for conversion of natural gas from liquid to gas.

2.18 Financing costs

Finance costs comprise interest payable on borrowings.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than capitalised in accordance with the accounting policy stated in note 2.16. The interest component of finance lease payments is accounted for in accordance with the policy set out in note 2.5.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Deferred income

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

2.20 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 and 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 during the period, for the effects of potential ordinary shares, if any.

2.21 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

2.22 Fair value measurements

As of 1 January 2013, the Group has adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

Non-financial assets

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. PROPERTY, PLANT AND EQUIPMENT

Group 31.12.2013	As previously reported RM'000	Effect of the adoption of pronouncements RM'000	As restated RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2013 RM'000
At cost							
Freehold land	4,069	–	4,069	475	–	–	**4,544**
Leasehold land							
– long lease	379,278	–	379,278	–	–	283	**379,561**
– short lease	161,726	–	161,726	–	–	–	**161,726**
Buildings	239,510	(204)	239,306	–	–	2,226	**241,532**
Plant and pipelines	13,751,831	–	13,751,831	910	(177,539)	4,096,383	**17,671,585**
Office equipment, furniture and fittings	26,800	(183)	26,617	369	(44)	12,687	**39,629**
Other plant and equipment	109,347	64,405	173,752	5,900	(463)	8,545	**187,734**
Computer hardware and software	81,592	(552)	81,040	375	(646)	3,795	**84,564**
Motor vehicles	25,417	(351)	25,066	5,782	(2,108)	274	**29,014**
Plant turnaround/major inspection	413,521	–	413,521	–	(13,474)	57,905	**457,952**
Projects-in-progress	5,122,052	(787,729)	4,334,323	1,546,206	(1,102)	(4,182,098)	**1,697,329**
	20,315,143	(724,614)	19,590,529	1,560,017	(195,376)	–	**20,955,170**

Group 31.12.2013	As previously reported RM'000	Effect of the adoption of pronouncements RM'000	As restated RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2013 RM'000
Accumulated depreciation							
Freehold land	–	–	–	–	–	–	**–**
Leasehold land							
– long lease	66,124	–	66,124	6,743	–	–	**72,867**
– short lease	36,827	–	36,827	133	–	–	**36,960**
Buildings	82,247	(132)	82,115	5,418	–	–	**87,533**
Plant and pipelines	9,220,126	–	9,220,126	601,382	(176,174)	63	**9,645,397**
Office equipment, furniture and fittings	22,845	(61)	22,784	2,494	(42)	–	**25,236**
Other plant and equipment	78,383	–	78,383	5,861	(445)	(63)	**83,736**
Computer hardware and software	61,928	(238)	61,690	6,233	(152)	–	**67,771**
Motor vehicles	20,583	(241)	20,342	2,703	(2,107)	–	**20,938**
Plant turnaround/major inspection	224,199	–	224,199	92,899	(13,474)	–	**303,624**
Projects-in-progress	–	–	–	–	–	–	**–**
	9,813,262	(672)	9,812,590	723,866	(192,394)	–	**10,344,062**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 31.12.2012	As previously reported RM'000	Effect of the adoption of pronouncements RM'000	As restated RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2012 RM'000
At cost							
Freehold land	3,137	–	3,137	932	–	–	4,069
Leasehold land							
– long lease	371,110	–	371,110	1,168	–	7,000	379,278
– short lease	161,726	–	161,726	–	–	–	161,726
Buildings	194,248	(204)	194,044	–	–	45,262	239,306
Plant and pipelines	13,707,159	–	13,707,159	677	(17,981)	61,976	13,751,831
Office equipment, furniture and fittings	61,491	(124)	61,367	532	(166)	(35,116)	26,617
Other plant and equipment	107,284	63,394	170,678	5,508	(500)	(1,934)	173,752
Computer hardware and software	58,845	(388)	58,457	689	(592)	22,486	81,040
Motor vehicles	26,675	(351)	26,324	1,286	(2,544)	–	25,066
Plant turnaround/major inspection	406,347	–	406,347	–	(62,592)	69,766	413,521
Projects-in-progress	1,590,367	(224,345)	1,366,022	3,162,420	(24,679)	(169,440)	4,334,323
	16,688,389	(162,018)	16,526,371	3,173,212	(109,054)	–	19,590,529

Group 31.12.2012	As previously reported RM'000	Effect of the adoption of pronouncements RM'000	As restated RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2012 RM'000
Accumulated depreciation							
Freehold land	–	–	–	–	–	–	–
Leasehold land							
– long lease	59,537	–	59,537	6,587	–	–	66,124
– short lease	36,680	–	36,680	147	–	–	36,827
Buildings	55,711	(92)	55,619	4,877	–	21,619	82,115
Plant and pipelines	8,693,700	–	8,693,700	547,002	(17,672)	(2,904)	9,220,126
Office equipment, furniture and fittings	57,454	(40)	57,414	1,437	(151)	(35,916)	22,784
Other plant and equipment	72,268	–	72,268	7,063	(472)	(476)	78,383
Computer hardware and software	39,182	(151)	39,031	5,574	(592)	17,677	61,690
Motor vehicles	19,965	(153)	19,812	3,045	(2,515)	–	20,342
Plant turnaround/major inspection	195,620	–	195,620	87,153	(58,574)	–	224,199
Projects-in-progress	–	–	–	–	–	–	–
	9,230,117	(436)	9,229,681	662,885	(79,976)	–	9,812,590

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 31.12.2013	As previously reported RM'000	Effect of the adoption of pronouncements RM'000	As restated RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2013 RM'000
At cost							
Freehold land	4,069	–	4,069	475	–	–	**4,544**
Leasehold land							
– long lease	379,278	–	379,278	–	–	283	**379,561**
– short lease	161,726	–	161,726	–	–	–	**161,726**
Buildings	239,306	–	239,306	–	–	2,226	**241,532**
Plant and pipelines	13,751,832	–	13,751,832	910	(177,540)	614,046	**14,189,248**
Office equipment, furniture and fittings	26,617	–	26,617	369	(44)	3,959	**30,901**
Other plant and equipment	109,347	64,406	173,753	5,903	(463)	8,545	**187,738**
Computer hardware and software	81,040	–	81,040	375	(646)	3,795	**84,564**
Motor vehicles	25,066	–	25,066	5,780	(2,108)	274	**29,012**
Plant turnaround/major inspection	413,521	–	413,521	–	(13,474)	57,905	**457,952**
Projects-in-progress	1,333,165	–	1,333,165	986,154	(685)	(691,033)	**1,627,601**
	16,524,967	64,406	16,589,373	999,966	(194,960)	–	**17,394,379**

Company 31.12.2013	At 1.1.2013 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2013 RM'000
Accumulated depreciation					
Freehold land	–	–	–	–	**–**
Leasehold land					
– long lease	66,124	6,743	–	–	**72,867**
– short lease	36,827	133	–	–	**36,960**
Buildings	82,115	5,418	–	–	**87,533**
Plant and pipelines	9,220,127	493,665	(176,174)	63	**9,537,681**
Office equipment, furniture and fittings	22,784	1,729	(42)	–	**24,471**
Other plant and equipment	78,383	5,861	(445)	(63)	**83,736**
Computer hardware and software	61,690	6,233	(152)	–	**67,771**
Motor vehicles	20,342	2,703	(2,107)	–	**20,938**
Plant turnaround/major inspection	224,199	92,899	(13,474)	–	**303,624**
Projects-in-progress	–	–	–	–	**–**
	9,812,591	615,384	(192,394)	–	**10,235,581**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 31.12.2012	As previously reported RM'000	Effect of the adoption of pronouncements RM'000	As restated RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2012 RM'000
At cost							
Freehold land	3,137	–	3,137	932	–	–	4,069
Leasehold land							
– long lease	371,110	–	371,110	1,168	–	7,000	379,278
– short lease	161,726	–	161,726	–	–	–	161,726
Buildings	194,044	–	194,044	–	–	45,262	239,306
Plant and pipelines	13,707,159	–	13,707,159	678	(17,981)	61,976	13,751,832
Office equipment, furniture and fittings	61,367	–	61,367	532	(166)	(35,116)	26,617
Other plant and equipment	107,284	63,394	170,678	5,509	(500)	(1,934)	173,753
Computer hardware and software	58,457	–	58,457	689	(592)	22,486	81,040
Motor vehicles	26,324	–	26,324	1,286	(2,544)	–	25,066
Plant turnaround/major inspection	406,347	–	406,347	–	(62,592)	69,766	413,521
Projects-in-progress	581,830	–	581,830	929,173	(8,398)	(169,440)	1,333,165
	15,678,785	63,394	15,742,179	939,967	(92,773)	–	16,589,373

Company 31.12.2012	At 1.1.2012 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers/ reclass RM'000	At 31.12.2012 RM'000
Accumulated depreciation					
Freehold land	–	–	–	–	–
Leasehold land					
– long lease	59,537	6,587	–	–	66,124
– short lease	36,680	147	–	–	36,827
Buildings	55,619	4,877	–	21,619	82,115
Plant and pipelines	8,693,700	547,003	(17,672)	(2,904)	9,220,127
Office equipment, furniture and fittings	57,414	1,437	(151)	(35,916)	22,784
Other plant and equipment	72,268	7,063	(472)	(476)	78,383
Computer hardware and software	39,031	5,574	(592)	17,677	61,690
Motor vehicles	19,812	3,045	(2,515)	–	20,342
Plant turnaround/major inspection	195,620	87,153	(58,574)	–	224,199
Projects-in-progress	–	–	–	–	–
	9,229,681	662,886	(79,976)	–	9,812,591

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group Carrying amount		Company Carrying amount	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Freehold land	**4,544**	4,069	**4,544**	4,069
Leasehold land				
– long lease	**306,694**	313,154	**306,694**	313,154
– short lease	**124,766**	124,899	**124,766**	124,899
Buildings	**153,999**	157,191	**153,999**	157,191
Plant and pipelines	**8,026,188**	4,531,705	**4,651,567**	4,531,705
Office equipment, furniture and fittings	**14,393**	3,833	**6,430**	3,833
Other plant and equipment	**103,998**	95,369	**104,002**	95,370
Computer hardware and software	**16,793**	19,350	**16,793**	19,350
Motor vehicles	**8,076**	4,724	**8,074**	4,724
Plant turnaround/major inspection	**154,328**	189,322	**154,328**	189,322
Projects-in-progress	**1,697,329**	4,334,323	**1,627,601**	1,333,165
	10,611,108	9,777,939	**7,158,798**	6,776,782

Restrictions of land title

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

Projects-in-progress

Included in additions to the projects-in-progress of the Group is borrowing costs arising from finance lease liabilities capitalised during the year of RM34,576,000 (2012: RM25,890,000).

The borrowing rate on borrowings capitalised is 8.90% (2012: 9.20%) per annum.

Leased floating storage unit

The Group leases certain other plant and equipment under a finance lease agreement with a net book value RM850,048,000 (2012: RM841,009,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

4. INVESTMENT IN SUBSIDIARIES

	Note	Company 2013 RM'000	Company 2012 RM'000
Investment at cost:			
– unquoted shares			
At beginning of the year		**2,000,101**	750,004
Conversion of advances made:			
– during the year		**225,916**	1,210,851
– in prior year	9.6	**194,084**	39,246
Total conversion of advances made		**420,000**	1,250,097
At end of the year		**2,420,101**	2,000,101

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2013 %	Effective ownership and voting interest 2012 %
Regas Terminal (Sg. Udang) Sdn. Bhd.	Manage and operate LNG regasification terminal	Malaysia	**100**	100
Regas Terminal (Pengerang) Sdn. Bhd.	Manage and operate LNG regasification terminal	Malaysia	**100**	100
Regas Terminal (Lahad Datu) Sdn. Bhd.	Manage and operate LNG regasification terminal	Malaysia	**99**	99

5. INVESTMENT IN ASSOCIATE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Investment at cost:				
– quoted shares in Malaysia	**76,466**	76,466	**76,466**	76,466
Share of post-acquisition profits and reserves	**52,581**	51,330	**–**	–
	129,047	127,796	**76,466**	76,466
Market value of quoted shares	**735,339**	488,382	**735,339**	488,382

Details of the associate are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2013 %	Effective ownership and voting interest 2012 %
Gas Malaysia Berhad	Selling, marketing, distribution and promotion of natural gas	Malaysia	**14.8**	14.8

Although the Group has less than 20% of the ownership in the equity interest of Gas Malaysia Berhad, the Group has determined that it has significant influence over the financial and operating policy of the associate through representation on the associate's board of directors.

Group's share of results	2013 RM'000	2012 RM'000
Share of profit and total comprehensive income	**27,263**	24,295

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

6. INVESTMENT IN JOINT VENTURES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Investment at cost:				
– unquoted shares	**192,250**	192,250	**192,250**	192,250
Share of post-acquisition profits and reserves	**9,746**	(11,066)	**–**	–
	201,996	181,184	**192,250**	192,250

The Group's involvement in joint arrangements are structured through separate vehicles which provide the Group rights to the net assets of these entities. Accordingly, the Group has classified these investments as joint ventures.

Group's share of results	2013 RM'000	2012 RM'000
Share of profit/(loss)	**15,530**	(12,273)
Share of other comprehensive income/(expense)	**8,782**	(4,186)
Share of total comprehensive income/(expense)	**24,312**	(16,459)

Details of the joint ventures are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2013 %	2012 %
Kimanis Power Sdn. Bhd.	Generation and sale of electricity	Malaysia	**60**	60
Kimanis O&M Sdn. Bhd.	Provision of operation and maintenance services to KPSB	Malaysia	**60**	60
Industrial Gases Solutions Sdn. Bhd.	Selling, marketing, distribution and promotion of industrial gas	Malaysia	**50**	50

Although the Group has more than 50% of the ownership in the equity interest of Kimanis Power Sdn. Bhd. and Kimanis O&M Sdn. Bhd., the Group has determined that it does not have control over these investees considering that strategic and financial decisions of the relevant activities of these investees require unanimous consent by all shareholders.

Contingent liabilities

	Group 2013 RM'000	Group 2012 RM'000
Group's share of claim against a joint venture	**5,040**	–

7. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year prior to and after offsetting are as follows:

Group 31.12.2013	At 1.1.2013 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2013 RM'000
Deferred tax liabilities			
Property, plant and equipment	1,006,762	13,989	**1,020,751**
Financial instrument valuation	29,892	(29,892)	**–**
	1,036,654	(15,903)	**1,020,751**
Deferred tax assets			
Deferred income	(4,573)	2,248	**(2,325)**
Foreign currency translation	(28,081)	14,001	**(14,080)**
Unutilised investment tax allowance	–	(626,395)	**(626,395)**
	(32,654)	(610,146)	**(642,800)**
Net deferred tax	1,004,000	(626,049)	**377,951**

Group 31.12.2012	At 1.1.2012 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2012 RM'000
Deferred tax liabilities			
Property, plant and equipment	1,053,456	(46,694)	1,006,762
Financial instrument valuation	52,337	(22,445)	29,892
	1,105,793	(69,139)	1,036,654
Deferred tax assets			
Deferred income	(3,088)	(1,485)	(4,573)
Foreign currency translation	(49,705)	21,624	(28,081)
	(52,793)	20,139	(32,654)
Net deferred tax	1,053,000	(49,000)	1,004,000

7. DEFERRED TAX (continued)

Company 31.12.2013	At 1.1.2013 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2013 RM'000
Deferred tax liabilities			
Property, plant and equipment	1,006,762	(23,437)	**983,325**
Financial instrument valuation	29,892	(29,892)	**–**
	1,036,654	(53,329)	**983,325**
Deferred tax assets			
Deferred income	(4,573)	2,248	**(2,325)**
Foreign currency translation	(28,081)	28,081	**–**
	(32,654)	30,329	**(2,325)**
Net deferred tax	1,004,000	(23,000)	**981,000**

Company 31.12.2012	At 1.1.2012 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2012 RM'000
Deferred tax liabilities			
Property, plant and equipment	1,053,456	(46,694)	1,006,762
Financial instrument valuation	52,337	(22,445)	29,892
	1,105,793	(69,139)	1,036,654
Deferred tax assets			
Deferred income	(3,088)	(1,485)	(4,573)
Foreign currency translation	(49,705)	21,624	(28,081)
	(52,793)	20,139	(32,654)
Net deferred tax	1,053,000	(49,000)	1,004,000

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 tax authority. The amounts determined after appropriate offsetting are as follows:

7. DEFERRED TAX (continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deferred tax assets				
Deferred tax liabilities	**37,425**	–	**–**	–
Deferred tax assets	**(640,474)**	–	**–**	–
	(603,049)	–	**–**	–
Deferred tax liabilities				
Deferred tax liabilities	**983,325**	1,036,654	**983,325**	1,036,654
Deferred tax assets	**(2,325)**	(32,654)	**(2,325)**	(32,654)
	981,000	1,004,000	**981,000**	1,004,000
Net deferred tax	**377,951**	1,004,000	**981,000**	1,004,000

8. TRADE AND OTHER INVENTORIES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Liquefied gases and water	**1,694**	989	**1,694**	989
Maintenance materials and spares	**36,921**	37,649	**36,834**	37,649
	38,615	38,638	**38,528**	38,638

Maintenance materials and spares amounting to RM Nil (2012: RM1,326,000) were written off during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade receivables		**19,909**	14,943	**19,909**	14,943
Other receivables	9.1	**40,725**	13,725	**36,034**	13,725
Deposits		**1,022**	1,020	**1,022**	1,020
Prepayments		**25,706**	2,185	**253**	2,185
Amount due from:					
Holding company	9.2	**306,394**	233,342	**253,348**	233,342
Related companies	9.3	**288,346**	157,242	**288,346**	157,242
Joint ventures	9.4	**11,212**	6,757	**11,212**	6,757
Related parties					
– Trade	9.5	**18,157**	16,905	**18,157**	16,905
Advances to subsidiaries	9.6	**–**	–	**454,903**	194,084
		711,471	446,119	**1,083,184**	640,203

9.1 Included in other receivables of the Group and of the Company is interest receivable of RM161,000 (2012: RM7,443,000).

9.2 The amount due from holding company relates to:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade	**305,965**	191,449	**252,919**	191,449
Non-trade	**429**	41,893	**429**	41,893
	306,394	233,342	**253,348**	233,342

9.3 The amount due from related companies relates to:

Group/Company	2013 RM'000	2012 RM'000
Trade	**142,218**	116,901
Non-trade	**146,128**	40,341
	288,346	157,242

9. TRADE AND OTHER RECEIVABLES (continued)

9.4 The amount due from joint ventures relates to:

Group/Company	2013 RM'000	2012 RM'000
Trade	**893**	1,299
Non-trade	**10,319**	5,458
	11,212	6,757

9.5 The amount due from related parties is in relation to associates and joint ventures of the holding company.

9.6 Advances made in prior year amounting to RM194,084,000 were converted to ordinary shares in a subsidiary during the year. The balance of advances to subsidiaries amounting to RM454,903,000 will be converted to ordinary shares in subsidiaries, upon obtaining necessary approvals from the other shareholders.

10. FUND AND OTHER INVESTMENTS

Group/Company	2013 RM'000	2012 RM'000
Fair value through profit or loss		
Designated upon initial recognition		
Malaysian Government Securities	**–**	20,016
Corporate private debt securities	**15,010**	140,406
	15,010	160,422

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**856,993**	–	**650,716**	–
Cash and bank balances	**55,130**	573	**55,130**	573
Deposits placed with:				
Licensed banks	**–**	1,663,646	**–**	1,663,646
Other corporations	**–**	42,000	**–**	42,000
	912,123	1,706,219	**705,846**	1,706,219

The Group's and the Company's cash and bank balances are held in the In-House Account (IHA) managed by PETRONAS Integrated Financial Shared Service Centre (IFSSC) to enable more efficient cash management for the Group and the Company.

Included in cash with IFSSC and cash and bank balances are interest-bearing balances amounting to RM911,989,000 (2012: RM406,000) for the Group and RM705,712,000 (2012: RM406,000) for the Company.

12. SHARE CAPITAL

	Company	
	2013 RM'000	2012 RM'000
Authorised:		
2,000,000,000 ordinary shares of RM1 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,978,732,000 ordinary shares of RM1 each	**1,978,732**	1,978,732

13. RESERVES

Retained Profits

The Company has adopted the single tier dividend distribution system since year of assessment 2008.

Share Premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Hedging Reserve

This reserve records the portion of the gain or loss on hedging instruments in a cash flow hedge that is determined to be an effective hedge in accordance with accounting policy stated in note 2.8(iii).

14. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiary.

15. BORROWINGS

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current					
Unsecured term loan		–	566,426	–	566,426
Derivative asset-CEA		–	(118,407)	–	(118,407)
Finance lease liabilities	16	**17,731**	15,127	–	–
Total current borrowings		**17,731**	463,146	–	448,019
Non-current					
Finance lease liabilities	16	**824,061**	783,583	–	–
Total non-current borrowings		**824,061**	783,583	–	–
Total borrowings		**841,792**	1,246,729	–	448,019

Term loan

The unsecured term loan comprising the 6th series 3.4% Samurai Bond was on lent from PETRONAS to the Company on 21 April 1997. The term loan represents an amount equivalent to Yen 16 billion. Under the Currency Exchange Agreement (CEA) with PETRONAS, the repayment of the principal amount is at a fixed exchange rate of 100 Yen – RM2.838. The loan was fully repaid on 22 July 2013 at the contracted amount of RM454,100,000.

For the purpose of presentation of the financial statements, both the term loan and the CEA are netted off since the conditions of legally enforceable right and the intention to settle on net basis are met.

The net realised loss arising from retranslation of term loan and revaluation of CEA during the year was RM6,081,000 (2012: net unrealised loss of RM3,285,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

16. FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

Group	Minimum lease payments RM'000	Interest RM'000	Principal RM'000	Minimum lease payments RM'000	Interest RM'000	Principal RM'000
			2013			2012
Less than one year	**94,501**	**76,770**	**17,731**	88,041	72,914	15,127
Between 1 – 2 years	**94,501**	**75,059**	**19,442**	87,967	71,462	16,505
Between 2 – 5 years	**283,762**	**213,361**	**70,401**	264,139	204,375	59,764
More than 5 years	**1,290,908**	**556,690**	**734,218**	1,289,611	582,297	707,314
	1,763,672	**921,880**	**841,792**	1,729,758	931,048	798,710

The finance lease liabilities are payable to a related company.

17. DEFERRED INCOME

Group/Company	Note	2013 RM'000	2012 RM'000
At beginning of the year		**10,693**	12,351
Addition		**17,968**	–
Less: recognised in the profit or loss		**(1,005)**	(1,658)
At end of the year		**27,656**	10,693

	Note	2013 RM'000	2012 RM'000
Analysis of deferred income:			
Current	18	**15,320**	1,005
Non-current		**12,336**	9,688
		27,656	10,693

Deferred income mainly relates to the payments received in advance or the right to receive payments from third party, related company amounting to RM17,968,000 (2012: RM Nil) and related party amounting to RM9,688,000 (2012: RM10,633,000) for the rights given to these parties to use the Company's properties over a period of time or early termination of supply contract with the Company. The deferred income is subsequently recognised in the profit or loss on a time apportionment basis over the specified period.

18. TRADE AND OTHER PAYABLES

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Other payables and accruals		**795,974**	790,525	**772,266**	738,370
Amount due to:					
Holding company		**115,326**	85,461	**114,874**	85,461
Related companies		**87,817**	11,771	**87,254**	11,771
Deferred income	17	**15,320**	1,005	**15,320**	1,005
		1,014,437	888,762	**989,714**	836,607

Included in other payables and accruals are amounts owing to suppliers and contractors for purchase of property, plant and equipment of approximately RM514,430,000 (2012: RM620,083,000) for the Group and the Company. Also included in other payables is interest payable of RM6,596,000 (2012: RM34,574,000) and RM Nil (2012: RM8,684,000) for the Group and the Company respectively.

The amount due to holding company and related companies are non-trade in nature. These payables arose from the normal course of business.

19. REVENUE AND GROSS PROFIT

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue				
– gas processing fees	**1,497,435**	1,511,169	**1,497,435**	1,511,169
– gas transportation fees	**1,189,269**	1,119,392	**1,189,269**	1,119,392
– sale of industrial utilities	**867,244**	946,210	**867,244**	946,210
– regasification fees	**338,191**	–	**–**	–
Total	**3,892,139**	3,576,771	**3,553,948**	3,576,771
Cost of revenue				
– cost of gas processing	**(746,126)**	(742,481)	**(746,126)**	(742,481)
– cost of gas transportation	**(286,916)**	(280,049)	**(286,916)**	(280,049)
– cost of industrial utilities	**(739,518)**	(784,232)	**(739,518)**	(784,232)
– cost of regasification	**(174,714)**	–	**–**	–
Total	**(1,947,274)**	(1,806,762)	**(1,772,560)**	(1,806,762)
Gross profit	**1,944,865**	1,770,009	**1,781,388**	1,770,009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

20. OPERATING PROFIT

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Included in operating profit are the following charges:				
Audit fees	**312**	285	**235**	222
Depreciation of property, plant and equipment	**723,866**	662,885	**615,384**	662,886
Inventory written off	**–**	1,326	**–**	1,326
Loss on maturity of other investments	**355**	–	**355**	–
Loss on realised foreign exchange	**7,341**	–	**5,631**	–
Loss on unrealised foreign exchange	**58,595**	–	**3**	3,285
Property, plant and equipment				
– expensed off	**1,656**	361	**673**	361
– written off	**2,976**	29,078	**2,560**	12,797
Rental of				
– equipment and motor vehicles	**9,104**	7,568	**9,104**	7,560
– land and buildings	**7,463**	7,054	**6,597**	6,927
Staff costs				
– wages, salaries and others	**338,344**	341,258	**331,284**	336,749
– contributions to Employees Provident Fund	**43,210**	47,836	**42,172**	46,974
Unrealised loss on changes in values of Malaysia Government Securities and other unquoted securities	**57**	188	**57**	188
and crediting:				
Dividend income in Malaysia from				
– associate (quoted)	**–**	–	**26,012**	29,433
– joint venture (unquoted)	**–**	–	**3,500**	–
Gain on disposal of property, plant and equipment	**493**	478	**493**	478
Gain on maturity of other investments	**–**	48	**–**	48
Gain on partial disposal of an associate through initial public offering	**–**	99,978	**–**	117,577
Gain on realised foreign exchange	**–**	1,062	**–**	1,062
Gain on unrealised foreign exchange	**–**	8,151	**–**	–
Interest income from fund and other investments	**41,789**	71,471	**40,491**	71,471
Recovery from early termination of electricity and utilities agreements	**78,261**	–	**78,261**	–
Rental income on land and buildings	**3,664**	202	**3,957**	202

21. FINANCING COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest expense:				
– Term loan	**9,319**	20,342	**9,319**	20,342
– Finance lease liabilities	**75,374**	25,890	**–**	–
	84,693	46,232	**9,319**	20,342
Recognised in profit or loss:				
– Term loan	**9,319**	20,342	**9,319**	20,342
– Finance lease liabilities	**40,798**	–	**–**	–
	50,117	20,342	**9,319**	20,342
Capitalised into projects-in-progress:				
– Finance lease liabilities	**34,576**	25,890	**–**	–
	84,693	46,232	**9,319**	20,342

22. TAX (INCOME)/EXPENSE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current tax expense				
– current year	**443,592**	495,409	**443,592**	**495,409**
– prior year	**–**	–	**–**	–
Total current tax expense	**443,592**	495,409	**443,592**	495,409
Deferred tax income				
– origination and reversal of temporary differences	**(628,421)**	(43,711)	**(25,372)**	(43,711)
– under/(over) provision in prior year	**2,372**	(5,289)	**2,372**	(5,289)
Total deferred tax income	**(626,049)**	(49,000)	**(23,000)**	(49,000)
Total tax (income)/expense	**(182,457)**	446,409	**420,592**	446,409
Tax (income)/expense	**(182,457)**	446,409	**420,592**	446,409
Tax expense on share of profit of associate	**7,401**	6,941	**–**	–
Tax expense on share of profit of joint ventures	**2,024**	632	**–**	–
Total tax (income)/expense	**(173,032)**	453,982	**420,592**	446,409

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

22. TAX (INCOME)/EXPENSE (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to total tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	**1,896,419**	1,851,286	**1,838,901**	1,925,131
Taxation at Malaysian statutory tax rate	**474,105**	462,821	**459,725**	481,283
Non-deductible expenses	**27,163**	21,450	**12,538**	7,167
Income not subject to tax	**(8,410)**	(25,000)	**(13,149)**	(36,752)
Tax incentives	**(627,368)**	–	**–**	–
Effect of changes in tax rates	**(40,894)**	–	**(40,894)**	–
	(175,404)	459,271	**418,220**	451,698
Under/(over) provision in prior year	**2,372**	(5,289)	**2,372**	(5,289)
Total tax (income)/expense	**(173,032)**	453,982	**420,592**	446,409

23. DIVIDENDS

	Company	
	2013 RM'000	2012 RM'000
Ordinary		
Final paid:		
31.12.2012 – 35 sen per ordinary share under single tier system	**692,556**	
(31.12.2011 – 25 sen per ordinary share under single tier system)		494,683
Interim paid:		
31.12.2013 – 15 sen per ordinary share under single tier system	**296,810**	
(31.12.2012 – 15 sen per ordinary share under single tier system)		296,810
	989,366	791,493
Proposed:		
Final:		
31.12.2013 – 40 sen per ordinary share under single tier system	**791,493**	–

The proposed final dividend of 40 sen per ordinary share under single tier system amounting to RM791,493,000 in respect of the financial year ended 31 December 2013 has not been accounted for in the financial statements.

23. DIVIDENDS (continued)

The net dividend per ordinary share for the financial year ended 31 December 2013 takes into account the total interim and proposed final dividends for the financial year as follows:

		Company
	2013	2012
	Sen	Sen
Interim dividend per ordinary share paid – net	**15**	15
Final dividend per ordinary share proposed – net	**40**	35
	55	50

24. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per ordinary share (EPS) at 31 December 2013 was based on the Group's net profit attributable to shareholders of the Company of RM2,078,888,000 (2012: RM1,405,049,000), over the number of ordinary shares outstanding during the year of 1,978,732,000 (2012: 1,978,732,000).

Diluted earnings per share

The Company has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

25. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the financial year not provided for in the financial statements are:

		Group		Company
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Approved and contracted for				
Less than one year	**158,073**	410,052	**153,081**	378,331
Between one and five years	**498,453**	616,887	**481,259**	597,894
	656,526	1,026,939	**634,340**	976,225
Approved but not contracted for				
Less than one year	**555,013**	875,238	**537,448**	513,902
Between one and five years	**5,080,177**	5,597,995	**869,981**	517,083
	5,635,190	6,473,233	**1,407,429**	1,030,985

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

25. CAPITAL COMMITMENTS (continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Share of capital expenditure of joint ventures				
Approved and contracted for				
Less than one year	**137,167**	194,317	**–**	–
Between one and five years	**84,485**	63,746	**–**	–
	221,652	258,063	**–**	–
Approved but not contracted for				
Less than one year	**108,123**	79,775	**–**	–
Between one and five years	**159**	24,981	**–**	–
	108,282	104,756	**–**	–
Total commitments	**6,621,650**	7,862,991	**2,041,769**	2,007,210

26. RELATED PARTY DISCLOSURES

Related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

The Group's and the Company's related parties include subsidiaries, associate, joint ventures as well as the holding and the ultimate holding company, Petroliam Nasional Berhad (PETRONAS) and its related entities. The Group's related parties also include:

i) Government of Malaysia and its related entities as the Company's holding company, PETRONAS is wholly-owned by the Government of Malaysia; and

ii) Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all Directors of the Group.

26. RELATED PARTY DISCLOSURES (continued)

Key management personnel compensation

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Directors				
Fees	**543**	532	**543**	532
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**25**	41	**25**	41
	568	573	**568**	573

The Company paid management fee to the holding company in relation to services of key management personnel of the Company as disclosed below.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Government of Malaysia's related entities:				
Tenaga Nasional Berhad				
Purchase of electricity	**(88,940)**	(80,480)	**(88,940)**	(80,480)
Sales of industrial utilities	**76,204**	78,409	**76,204**	78,409
Johor Bahru Valuation and Property Services Department				
Land premium	**(75,063)**	(50,793)	**(75,063)**	(50,793)
POIC Sabah Sdn. Bhd.				
Land reclamation and study	**(2,320)**	(33,955)	**–**	–
TNB Repair and Maintenance Sdn. Bhd.				
Provision of repair and maintenance services	**(21,541)**	(39,218)	**(21,541)**	(39,218)

NOTES TO THE FINANCIAL STATEMENTS
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26. RELATED PARTY DISCLOSURES (continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Holding company:				
Gas processing fee income	**1,497,435**	1,511,169	**1,497,435**	1,511,169
Gas transportation fee income	**1,189,268**	1,119,392	**1,189,268**	1,119,392
Regasification fee income	**338,191**	–	**–**	–
Interest income	**24,383**	–	**23,085**	–
Purchase of fuel gas	**(402,423)**	(451,455)	**(402,423)**	(451,455)
Insurance expense	**(28,479)**	(5,007)	**(12,695)**	(5,007)
Information, communication and technology charges	**(18,601)**	(19,351)	**(18,601)**	(19,351)
Interest expense	**(9,319)**	(20,342)	**(9,319)**	(20,342)
Corporate security charges	**(15,028)**	(6,691)	**(14,978)**	(6,237)
Rental of office premises	**(6,597)**	(6,855)	**(6,597)**	(6,795)
Supply chain and management services	**(7,063)**	(12,996)	**(6,468)**	(12,890)
Management fees	**(737)**	(737)	**(737)**	(737)
Internal audit services	**(710)**	(528)	**(710)**	(369)
Fees for representation on the Board of Directors	**(240)**	(272)	**(240)**	(272)
Related companies:				
PETRONAS Chemicals Aromatics Sdn. Bhd.				
Sale of industrial utilities	**43,142**	42,105	**43,142**	42,105
Vinyl Chloride (Malaysia) Sdn. Bhd.				
Sale of industrial utilities	**28,038**	60,303	**28,038**	60,303
Recovery from early termination of electricity and utilities agreements	**78,261**	–	**78,261**	–
PETRONAS Chemicals Ammonia Sdn. Bhd.				
Sale of industrial utilities	**112,419**	108,787	**112,419**	108,787
PETRONAS Chemicals MTBE Sdn. Bhd.				
Sale of industrial utilities	**100,632**	110,512	**100,632**	110,512
PETRONAS Chemicals LDPE Sdn. Bhd.				
Sale of industrial utilities	**62,002**	72,915	**62,002**	72,915
Bekalan Air KIPC Sdn. Bhd.				
Purchase of treated water	**(14,531)**	(13,529)	**(14,531)**	(13,529)
Management fee income	**500**	500	**500**	500

26. RELATED PARTY DISCLOSURES (continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Related companies (continued):				
PETRONAS Carigali Sdn. Bhd.				
Project management fee income	**22,854**	52,786	**22,854**	52,786
Overbilling of project management fees	**(51,270)**	–	**(51,270)**	–
Operations and maintenance services income	**17,367**	–	**17,367**	–
CEFS Response Contribution for emergency response services	**(9,620)**	(8,458)	**(9,620)**	(8,458)
PETRONAS Chemicals Derivatives Sdn. Bhd.				
Sale of industrial utilities	**259,641**	290,747	**259,641**	290,747
PETRONAS Chemicals Ethylene Sdn. Bhd.				
Sale of industrial utilities	**5,189**	2,582	**5,189**	2,582
PETRONAS Management Training Sdn. Bhd.				
Training and development related costs	**(3,041)**	(3,204)	**(3,041)**	(3,204)
PETRONAS Technical Training Sdn. Bhd.				
Training and development related costs	**(3,087)**	(4,095)	**(3,087)**	(3,386)
PETRONAS Technical Services Sdn. Bhd.				
Technical consultancy fees	**(47,999)**	(13,016)	**(34,622)**	(13,016)
PETRONAS Penapisan (Melaka) Sdn. Bhd.				
Lease of land for pipeline route	**(76)**	(127)	**–**	–
Rental of office premises	**(82)**	(124)	**–**	–
Purchase of office building	**–**	(1,100)	**–**	–
Lease of land for office building	**(11)**	–	**–**	–
Gas Asia Terminal (L) Pte. Ltd.				
Time charter services	**(148,730)**	(50,448)	**–**	–
Lease and rental of building	**(590)**	–	**–**	–
PrimeSourcing International Sdn. Bhd.				
Supply of parts and materials	**(10,104)**	–	**(10,104)**	–
PETRONAS Penapisan (Terengganu) Sdn. Bhd.				
Marine facilities income	**1,459**	–	**1,459**	–
Sungai Udang Port Sdn. Bhd.				
Marine services	**(3,005)**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

26. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Subsidiaries:				
Regas Terminal (Sg. Udang) Sdn. Bhd.				
Management fee income	**–**	–	**5,726**	4,656
Rental income of warehouse	**–**	–	**103**	–
Pipeline maintenance fee income	**–**	–	**612**	–
Lab sampling fee income	**–**	–	**19**	–
Annual access right fee income	**–**	–	**190**	–
Regas Terminal (Pengerang) Sdn. Bhd.				
Management fee income	**–**	–	**1,027**	365
Regas Terminal (Lahad Datu) Sdn. Bhd.				
Management fee income	**–**	–	**307**	876
Joint venture:				
Industrial Gases Solutions Sdn. Bhd.				
Sale of industrial utilities	**3,730**	4,628	**3,730**	4,628
Associates and joint ventures of the holding company:				
Kertih Terminals Sdn. Bhd.				
Sale of industrial utilities	**6,204**	6,258	**6,204**	6,258
BASF PETRONAS Chemicals Sdn. Bhd.				
Sale of industrial utilities	**94,309**	97,039	**94,309**	97,039
BP PETRONAS Acetyls Sdn. Bhd.				
Sale of industrial utilities	**37,754**	39,812	**37,754**	39,812
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.				
Access right of way fee income	**2,025**	2,025	**2,025**	2,025
Annual operations and maintenance fee income	**3,722**	2,209	**3,722**	2,209

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 a commercial basis. The above has been stated at transacted amount.

Included in the management fees paid to the holding company is payment for services of certain key management personnel of the Company.

Included in the fees for representation on the Board of Directors are fees paid directly to holding company in respect of certain directors who are appointees of the holding company.

Information regarding outstanding balances at reporting date arising from related party transactions are disclosed in note 9, note 16, note 17 and note 18.

27. OPERATING SEGMENTS

The Group has four reporting segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Operating Decision Maker which is the Board of Directors, reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Gas processing – activities include processing of natural gas from gas fields offshore the East Coast of Peninsular Malaysia into sales gas and other by-products such as ethane, propane and butane.
- Gas transportation – activities include transportation of the processed gas to PETRONAS' end users throughout Malaysia and export to Singapore.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area.
- Regasification – activities include regasification of liquefied natural gas (LNG) for PETRONAS and third parties. The LNG Regasification Terminal in Sungai Udang, Melaka commenced its operations in the second quarter of 2013.

Performance is measured based on segment operating profit. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments.

Group ***Business segments*** **31.12.2013**	**Gas Processing** **RM'000**	**Gas Transportation** **RM'000**	**Utilities** **RM'000**	**Regasification** **RM'000**	**Total** **RM'000**
Revenue	**1,497,435**	**1,189,269**	**867,244**	**338,191**	**3,892,139**
Segment results	**751,309**	**902,353**	**127,726**	**163,477**	**1,944,865**
Unallocated expenses					**(41,122)**
Operating profit					**1,903,743**
Financing costs					**(50,117)**
Share of profit after tax of equity-accounted associate and joint ventures					**42,793**
Profit before taxation					**1,896,419**
Tax Income					**182,457**
Profit for the year					**2,078,876**
Included in the measure of segment profit are:					
Depreciation and amortisation	**(332,348)**	**(98,195)**	**(184,554)**	**(108,481)**	**(723,578)**
Unallocated depreciation and amortisation	**–**	**–**	**–**	**–**	**(288)**

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27. OPERATING SEGMENTS (continued)

Group *Business segments* 31.12.2012	Gas Processing RM'000	Gas Transportation RM'000	Utilities RM'000	Regasification RM'000	Total RM'000
Revenue	1,511,169	1,119,392	946,210	–	3,576,771
Segment results	768,688	839,343	161,978	–	1,770,009
Unallocated income					89,597
Operating profit					1,859,606
Financing costs					(20,342)
Share of profit after tax of equity-accounted associate and joint ventures					12,022
Profit before taxation					1,851,286
Tax expense					(446,409)
Profit for the year					1,404,877
Included in the measure of segment profit are:					
Depreciation and amortisation	(361,160)	(99,998)	(201,458)	–	(662,616)
Unallocated depreciation and amortisation	–	–	–	–	(269)

27. OPERATING SEGMENTS (continued)

Group *Business segments* 31.12.2013	Gas Processing RM'000	Gas Transportation RM'000	Utilities RM'000	Regasification RM'000	Total RM'000
Segment assets	**3,847,724**	**2,255,332**	**1,420,851**	**4,344,914**	**11,868,821**
Investment in associate					**129,047**
Investment in joint ventures					**201,996**
Unallocated assets					**1,022,555**
Total assets					**13,222,419**
Included in the measure of segment assets are:					
Capital expenditure	**747,806**	**198,710**	**43,378**	**560,051***	**1,549,945**
Unallocated capital expenditure	**–**	**–**	**–**	**–**	**10,072**

Group *Business segments* 31.12.2012	Gas Processing RM'000	Gas Transportation RM'000	Utilities RM'000	Regasification RM'000	Total RM'000
Segment assets	3,464,172	2,268,449	1,429,291	3,001,157	10,163,069
Investment in associate					127,796
Investment in joint ventures					181,184
Unallocated assets					1,966,268
Total assets					12,438,317
Included in the measure of segment assets are:					
Capital expenditure	832,326	45,592	61,319	2,233,245*	3,172,482
Unallocated capital expenditure	–	–	–	–	730

* Capital expenditure for Regasification segment includes leased assets amounting to RM34,576,000 (2012: RM841,009,000) which are accounted for as assets of the Group (refer note 3).

NOTES TO THE FINANCIAL STATEMENTS
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27. OPERATING SEGMENTS (continued)

Segment results

The total segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise fair value gain or loss on financial asset, finance income, income taxes and other corporate expenses.

Segment assets

The total of segment assets are measured based on all assets of a segment, excluding interest bearing assets and corporate assets as these are managed on a group basis.

The segmental information in respect of the associate and joint ventures is not presented as the contribution of the associate and joint ventures and the carrying amounts of investment in the associate and joint ventures are not material and have been reflected in the statement of profit or loss and other comprehensive income and statement of financial position of the Group. Details of the associate and joint ventures are disclosed in note 5 and note 6 to the financial statements respectively.

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.

Products and services segments

Group	2013 RM'000	2012 RM'000
Gas processing fee	**1,497,435**	1,511,169
Gas transportation fee	**1,189,269**	1,119,392
Utilities		
– Electricity	**392,260**	434,041
– Steam	**260,007**	288,186
– Industrial gases	**148,750**	164,357
– Others	**66,227**	59,626
Regasification fee	**338,191**	–
	3,892,139	3,576,771

Geographical information for revenue and non-current assets is not disclosed as the Group is pre-dominantly operated in Malaysia.

28. HOLDING COMPANY

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

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

i) Loans and receivables (L&R);

ii) Fair value through profit or loss (FVTPL)
– Designated upon initial recognition (DUIR); and

iii) Financial liabilities measured at amortised cost (FL).

Group 2013	Note	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	Total carrying amount RM'000
Financial assets				
Trade and other receivables (excluding prepayments)	9	**685,765**	**–**	**685,765**
Fund and other investments	10	**–**	**15,010**	**15,010**
Cash and cash equivalents	11	**912,123**	**–**	**912,123**
		1,597,888	**15,010**	**1,612,898**
Financial liabilities				
Borrowings	15	**(841,792)**	**–**	**(841,792)**
Trade and other payables (excluding deferred income)	18	**(999,117)**	**–**	**(999,117)**
		(1,840,909)	**–**	**(1,840,909)**

Group 2012	Note	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	Total carrying amount RM'000
Financial assets				
Trade and other receivables (excluding prepayments)	9	443,934	–	443,934
Fund and other investments	10	–	160,422	160,422
Cash and cash equivalents	11	1,706,219	–	1,706,219
		2,150,153	160,422	2,310,575
Financial liabilities				
Borrowings	15	(1,365,136)	118,407	(1,246,729)
Trade and other payables (excluding deferred income)	18	(887,757)	–	(887,757)
		(2,252,893)	118,407	(2,134,486)

29. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company 2013	Note	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	Total carrying amount RM'000
Financial assets				
Trade and other receivables (excluding prepayments)	9	**1,082,931**	**–**	**1,082,931**
Fund and other investments	10	**–**	**15,010**	**15,010**
Cash and cash equivalents	11	**705,846**	**–**	**705,846**
		1,788,777	**15,010**	**1,803,787**
Financial liabilities				
Trade and other payables (excluding deferred income)	18	**(974,394)**	**–**	**(974,394)**
		(974,394)	**–**	**(974,394)**

Company 2012	Note	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	Total carrying amount RM'000
Financial assets				
Trade and other receivables (excluding prepayments)	9	638,018	–	638,018
Fund and other investments	10	–	160,422	160,422
Cash and cash equivalents	11	1,706,219	–	1,706,219
		2,344,237	160,422	2,504,659
Financial liabilities				
Borrowings	15	(566,426)	118,407	(448,019)
Trade and other payables (excluding deferred income)	18	(835,602)	–	(835,602)
		(1,402,028)	118,407	(1,283,621)

Certain fund and other investments have been designated upon initial recognition as fair value through profit or loss as management internally monitors these investments on fair value basis.

The fair value movements for financial assets categorised as fair value through profit or loss are mainly attributable to changes in market prices.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management

The Group and the Company are 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, the sale of industrial utilities and the regasification of liquefied natural gas for a fee. These risks, which arise in the normal course of the Group's and the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates and foreign currency exchange rates.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the Group.

The Group's and the Company's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, the Group and the Company adopt appropriate measures to mitigate these risks in accordance with their view of the balance between risk and reward.

Credit risk

Credit risk is the potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposure to credit risk arise from its operating activities, primarily from trade receivables and from its investing activities, primarily from fund and other investments. The credit risk arising from the Group's and the Company's normal operations are controlled by individual operating units in line with PETRONAS' policies and guidelines.

Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties. Potential counterparties are subject to credit assessment and approval prior to any transaction being concluded and existing counterparties are subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities.

Depending on the types of transactions and counterparty's creditworthiness, the Group and the Company further mitigate and limit risks related to credit by requiring other credit enhancements such as cash deposits and bank guarantees. No collateral or other credit enhancement is required for amounts due from related parties.

As at the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. The ageing of trade receivables as at the reporting date is analysed on page 234.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Receivables (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current		**475,278**	326,295	**422,232**	326,295
Past due 1 to 30 days		**7,392**	1,236	**7,392**	1,236
Past due 31 to 60 days		**1,739**	1,478	**1,739**	1,478
Past due 61 to 90 days		**1,319**	862	**1,319**	862
Past due more than 90 days		**1,414**	11,626	**1,414**	11,626
		487,142	341,497	**434,096**	341,497
Representing:					
Trade receivables	9	**19,909**	14,943	**19,909**	14,943
Amounts due from holding company	9.2	**305,965**	191,449	**252,919**	191,449
Amounts due from related companies	9.3	**142,218**	116,901	**142,218**	116,901
Amounts due from joint ventures	9.4	**893**	1,299	**893**	1,299
Amounts due from related parties	9	**18,157**	16,905	**18,157**	16,905
		487,142	341,497	**434,096**	341,497

Fund and other investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investment activities comprising primarily money market placement and investments in bonds. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function undertakes a credit risk management activities similar to the credit management and monitoring procedures for receivables.

As at the reporting date, the maximum exposure to credit risk arising from fund and other investments is represented by the carrying amounts in the statement of financial position.

The fund and other investments are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's and the Company's business activities may not be available. In managing its liquidity risk, the Group and the Company maintain sufficient cash and liquid marketable assets.

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

Group 2013	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flow* RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Finance lease liabilities	**841,792**	**8.9**	**1,763,672**	**94,501**	**94,501**	**283,762**	**1,290,908**
Trade and other payables (excluding deferred income)	**999,117**	**–**	**999,117**	**999,117**	**–**	**–**	**–**
	1,840,909		**2,762,789**	**1,093,618**	**94,501**	**283,762**	**1,290,908**

Group 2012	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flow* RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Unsecured term loan from holding company (net of CEA)	448,019	3.4	473,359	473,359	–	–	–
Finance lease liabilities	798,710	9.2	1,729,758	88,041	87,967	264,139	1,289,611
Trade and other payables (excluding deferred income)	887,757	–	887,757	887,757	–	–	–
	2,134,486		3,090,874	1,449,157	87,967	264,139	1,289,611

* The contractual cash flow is inclusive of the principal and interest payments.

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2013	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flow* RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Trade and other payables (excluding deferred income)	**974,394**	**–**	**974,394**	**974,394**	**–**	**–**	**–**
	974,394		**974,394**	**974,394**	**–**	**–**	**–**

Company 2012	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flow* RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Unsecured term loan from holding company (net of CEA)	448,019	3.4	473,359	473,359	–	–	–
Trade and other payables (excluding deferred income)	835,602	–	835,602	835,602	–	–	–
	1,283,621		1,308,961	1,308,961	–	–	–

* The contractual cash flow is inclusive of the principal and interest payments.

29. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk or uncertainty arising from changes in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest rates, foreign currency exchange rates and other indices that could adversely affect the value of the Group's and of the Company's financial assets, liabilities or expected future cash flows.

Interest rate risk

The Group's and the Company's investments in fixed rate debt instruments are exposed to a risk of change in their fair value to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines.

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments based on carrying amounts as at reporting date is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
Financial assets	**926,999**	1,831,067	**720,722**	1,831,067
Financial liabilities	**(841,792)**	(1,246,729)	**–**	(448,019)
	85,207	584,338	**720,722**	1,383,048
Floating rate instruments				
Financial assets	**–**	35,001	**–**	35,001

As at 31 December 2013, all of the financial instruments of the Group and the Company are fixed rate instruments (2012: 99%).

Since most of the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Group and the Company are exposed to varying levels of foreign currency risk when they enter into transactions that are not denominated in the respective companies' functional currencies or when foreign currency monetary assets and liabilities are translated at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency risk (continued)

The Group and the Company operate predominantly in Malaysia and transact mainly in Ringgit Malaysia. As such, it is not exposed to any significant foreign currency exposures.

The Group's and the Company's foreign currency management policy is to minimise economic and significant transactional exposure arising from currency movements. For major capital projects, the Group and Company perform assessment of potential foreign currency risk exposure at the investment decision phase to determine the appropriate foreign currency risk management strategy. When deemed necessary and appropriate, the Group and the Company will enter into forward exchange contracts to hedge and minimise their exposure to the foreign currency risk.

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the reporting date are as follows:

				Denominated in
Group	**USD**	**GBP**	**EUR**	**JPY**
2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Trade and other receivables	**15,975**	**–**	**–**	**–**
Financial liabilities				
Borrowings	**841,792**	**–**	**–**	**–**
Trade and other payables	**141,310**	**6,068**	**346**	**1**
	983,102	**6,068**	**346**	**1**

				Denominated in
Group	**USD**	**GBP**	**EUR**	**JPY**
2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities				
Borrowings	798,710	–	–	2,013
Trade and other payables	133,516	4,013	622	8
	932,226	4,013	622	2,021

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency risk (continued)

Company 2013	USD RM'000	GBP RM'000	EUR RM'000	Denominated in JPY RM'000
Financial liabilities				
Trade and other payables	**127,513**	**6,068**	**346**	**1**

Company 2012	USD RM'000	GBP RM'000	EUR RM'000	Denominated in JPY RM'000
Financial liabilities				
Borrowings	–	–	–	2,013
Trade and other payables	83,068	4,013	622	8
	83,068	4,013	622	2,021

Currency risk sensitivity analysis

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2013 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2013 and had been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates where relevant. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, debt and foreign currency contracts where relevant. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk sensitivity analysis (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss of applying reasonably foreseeable market movements in the following currency exchange rates:

2013	Appreciation in foreign currency rate %	Group Effect on profit or loss RM'000	Company Effect on profit or loss RM'000
USD	**5**	**48,356**	**6,376**
GBP	**7**	**425**	**425**
EUR	**7**	**24**	**24**
JPY	**2**	**–**	**–**

2012	Appreciation in foreign currency rate %	Group Effect on profit or loss RM'000	Company Effect on profit or loss RM'000
USD	5	46,610	4,153
GBP	10	401	401
EUR	10	62	62
JPY	5	101	101

This analysis assumes that all other variables, in particular interest rates, remain constant.

A depreciation in the above foreign currency rates would have had equal but opposite effect, on the basis that all other variables remain constant.

Fair value information

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

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

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

29. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amounts RM'000
Group				
2013				
Financial assets				
Corporate private debt securities	15,010	–	15,010	15,010
	15,010	–	15,010	15,010
Financial liabilities				
Finance lease liabilities	–	841,792	841,792	841,792
	–	841,792	841,792	841,792
Company				
2013				
Financial assets				
Corporate private debt securities	15,010	–	15,010	15,010
	15,010	–	15,010	15,010

The fair value of finance lease liabilities has been estimated using the discounted cash flows method.

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29. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value* RM'000	Total fair value RM'000	Carrying amounts RM'000
2012				
Financial assets				
Malaysia Government Securities	20,016	–	20,016	20,016
Corporate private debt securities	140,406	–	140,406	140,406
	160,422	–	160,422	160,422
Financial liabilities				
Term loans	(118,407)	566,426	448,019	448,019
Finance lease liabilities	–	798,710	798,710	798,710
	(118,407)	1,365,136	1,246,729	1,246,729
Company				
2012				
Financial assets				
Malaysia Government Securities	20,016	–	20,016	20,016
Corporate private debt securities	140,406	–	140,406	140,406
	160,422	–	160,422	160,422
Financial liabilities				
Term loans	(118,407)	566,426	448,019	448,019
	(118,407)	566,426	448,019	448,019

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in MFRS13.C2.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

29. FINANCIAL INSTRUMENTS (continued)

Income/(expense), net gains and losses arising from financial instruments

Group 2013	Interest income RM'000	Interest expense RM'000	Others RM'000	Total RM'000
Financial instruments at fair value through profit or loss				
– Designated upon initial recognition	**3,702**	**–**	**(118,819)**	**(115,117)**
Loans and receivables	**38,087**	**–**	**110**	**38,197**
Financial liabilities at amortised cost	**–**	**(50,117)**	**52,361**	**2,244**
Total	**41,789**	**(50,117)**	**(66,348)**	**(74,676)**

Group 2012	Interest income RM'000	Interest expense RM'000	Others RM'000	Total RM'000
Financial instruments at fair value through profit or loss				
– Designated upon initial recognition	7,755	–	(89,919)	(82,164)
Loans and receivables	63,716	–	–	63,716
Financial liabilities at amortised cost	–	(20,342)	98,992	78,650
Total	71,471	(20,342)	9,073	60,202

Company 2013	Interest income RM'000	Interest expense RM'000	Others RM'000	Total RM'000
Financial instruments at fair value through profit or loss				
– Designated upon initial recognition	**3,702**	**–**	**(118,819)**	**(115,117)**
Loans and receivables	**36,789**	**–**	**–**	**36,789**
Financial liabilities at amortised cost	**–**	**(9,319)**	**112,773**	**103,454**
Total	**40,491**	**(9,319)**	**(6,046)**	**25,126**

Company 2012	Interest income RM'000	Interest expense RM'000	Others RM'000	Total RM'000
Financial instruments at fair value through profit or loss				
– Designated upon initial recognition	7,755	–	(89,919)	(82,164)
Loans and receivables	63,716	–	–	63,716
Financial liabilities at amortised cost	–	(20,342)	87,556	67,214
Total	71,471	(20,342)	(2,363)	48,766

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

30. CAPITAL MANAGEMENT

The Group and the Company define capital as its total equity and debt. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholder's value. As a subsidiary of PETRONAS, the Group's and the Company's approach in managing capital is set out in the PETRONAS Group Corporate Financial Policy.

The Group and the Company monitor and maintain a prudent level of total debt to total asset ratio and ensure compliance with all covenants under debt and shareholders' agreements and regulatory requirements, if any.

There were no changes in the Group's and the Company's approach to capital management during the year.

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2013, the Group and the Company have adopted the following pronouncements that have been issued by the MASB as listed below.

Effective for annual periods beginning on or after 1 January 2013

MFRS 10, *Consolidated Financial Statements*
MFRS 11, *Joint Arrangements*
MFRS 12, *Disclosure of Interests in Other Entities*
MFRS 13, *Fair Value Measurement*
MFRS 119, *Employee Benefits (revised)*
MFRS 127, *Separate Financial Statements*
MFRS 128, *Investments in Associates and Joint Ventures*
Amendments to *MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*
Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

The Group and the Company have early adopted the amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* which is effective for annual periods beginning on or after 1 January 2014.

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

The principal changes in accounting policies and their effects arising from the adoption of MFRS 10, MFRS 11, MFRS 13, amendments to MFRS 116 and early adoption of amendments to MFRS 132 are set out below.

i) MFRS 10, *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determine which investees should be consolidated. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. MFRS 10 replaces the guidance on control and consolidation in MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*.

The Group has re-evaluated its involvement with investees under the new control model. Based on its reassessment, the Group concluded that it does not have full control over certain subsidiaries of which the Group owns 60% of the voting rights as certain strategic and financial decisions of the investees require unanimous consent by all shareholders. Upon adoption of MFRS 10, the Group has de-consolidated these subsidiaries retrospectively. These investees are now classified as joint ventures and equity accounted for in accordance with MFRS 11.

ii) MFRS 11, *Joint Arrangements*

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Joint ventures arise when the joint venturer has rights to the net assets of the arrangements, while joint operation arise when a joint operator has rights to the assets and liabilities relating to the arrangement. Interest in joint venture is accounted for using the equity method whilst interest in joint operation is accounted for using the applicable standards relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

Upon adoption of MFRS 11, the Group's previously equity-accounted jointly controlled entities are now classified as joint ventures retrospectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

ii) MFRS 11, *Joint Arrangements* (continued)

The effects of the adoption of MFRS 10 and MFRS 11 on the Group's reported income and net assets are as summarised below.

	Group		Company	
Statement of Financial Position	31.12.2012 RM'000	1.1.2012 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Decrease in property, plant and equipment	(788,348)	(224,976)	–	–
Decrease investment in subsidiaries	–	–	(192,000)	(131,712)
Increase in investment in joint ventures	173,979	129,775	192,000	131,712
(Decrease)/increase in other current assets	(1,485)	2,823	–	–
Decrease in cash and cash equivalents	(498,851)	(45,938)	–	–
Increase in retained profits	495	651	–	–
Decrease in non-controlling interests	(115,986)	(86,516)	–	–
Decrease in borrowings	(855,701)	–	–	–
Decrease in other liabilities	(143,513)	(52,451)	–	–

Statement of Profit or Loss and Other Comprehensive Income	Group 31.12.2012 RM'000
Increase in administration expenses	3,913
Decrease in other expenses	(21,741)
Increase in other income	809
Decrease in share of profit after tax of equity-accounted associate and joint ventures	(11,899)
Decrease in tax expense	(1,039)
Decrease in profit attributable to non-controlling interests	(7,932)

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

ii) MFRS 11, *Joint Arrangements* (continued)

Statement of Cash Flows	Group 31.12.2012 RM'000	Company 31.12.2012 RM'000
Decrease in cash receipts from customers	(28,462)	–
Increase in cash paid to suppliers and employees	10,178	–
Decrease in interest income from fund and other investments	(5,264)	–
Decrease in taxation paid	(684)	–
Decrease in subscription of shares in subsidiaries	–	(60,288)
Increase in subscription of shares in joint venture	60,288	60,288
Decrease in purchase of property, plant and equipment	(513,991)	–
Decrease in drawdown of Islamic financing facilities	(1,016,000)	–
Decrease in advances from non-controlling interests	(332)	–
Decrease in repayment of term loan	(156,000)	–
Decrease in proceeds from shares issued to non-controlling interests	(23,420)	–

iii) MFRS 13, *Fair Value Measurement*

MFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other MFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon adoption of MFRS 13, the Group and the Company have included additional disclosures about fair value measurement.

In accordance with the transitional provisions of MFRS 13, the Group and the Company have applied the new fair value measurement guidance prospectively and have not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's and the Company's assets and liabilities.

iv) Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

Amendments to MFRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Previously, MFRS 116 states that spare parts, stand-by equipment and servicing equipment are usually carried as inventory and recognised in profit and loss as consumed.

Upon adoption of amendments to MFRS 116, the Group has reclassified retrospectively spare parts, stand-by equipment and servicing equipment previously accounted for under trade and other inventories to property, plant and equipment.

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

iv) Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* (continued)

The adoption of amendments to MFRS 116 does not have any impact on the Group's reported net assets other than the following reclassification.

Group/Company Statement of Financial Position	31.12.2012 RM'000	1.1.2012 RM'000
Increase in property, plant and equipment	64,406	63,394
Decrease in trade and other inventories	(64,406)	(63,394)

Group/Company Statement of Cash Flows	31.12.2012 RM'000
Decrease in cash paid to suppliers and employees	(1,012)
Increase in purchase of property, plant and equipment	1,012

v) Early adoption of amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 132 clarify on the requirement for offsetting financial assets and liabilities. The application guidance clarifies that the phrase 'currently has a legal enforceable right to set off' means that right to set off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

Upon adoption of amendments to MFRS 132, the Group has reclassified retrospectively its financial assets and liabilities according to the new requirements.

The adoption of amendments to MFRS 132 does not have impact on the Group's reported net assets other than the following reclassification.

		Group		Company
Statement of Financial Position	31.12.2012 RM'000	1.1.2012 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Increase in trade and other receivables	90,818	100,031	90,818	100,029
Increase in trade and other payables	90,818	100,031	90,818	100,029

Statement of Cash Flows	Group 31.12.2012 RM'000	Company 31.12.2012 RM'000
Increase in cash receipts from customers	100,031	100,029
Increase in cash paid to suppliers and employees	100,031	100,029

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

The adoption of the pronouncements other than MFRS 10, MFRS 11, MFRS 13, amendments to MFRS 116 and early adoption of amendments to MFRS 132 does not have significant impact to the financial statements of the Group and of the Company.

32. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company.

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*

Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*

Amendments to MFRS 127, *Consolidated and Separate Financial Statements: Investment Entities*

Effective for annual periods beginning on or after 1 January 2015

MFRS 9, *Financial Instruments (2009)*

MFRS 9, *Financial Instruments (2010)*

Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. Based on current assessment undertaken by the Group and the Company, the adoption of the above pronouncements is not expected to have significant impact to the Group's and the Company's financial statements other than expanded disclosure where applicable.

33. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued amendments and IC interpretation which are not yet effective, but for which are not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 136, *Recoverable Amount Disclosures for Non-financial Assets*

Amendments to MFRS 139, *Novation of Derivatives and Continuation of Hedge Accounting*

IC Interpretation 21, *Levies*

34. DISCLOSURE OF REALISED AND UNREALISED PROFIT

The retained profits as at the end of reporting period consist of:

	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
– realised	**7,471,893**	6,970,339	**7,412,879**	7,002,795
– unrealised	**(433,875)**	(1,008,552)	**(978,256)**	(997,115)
	7,038,018	5,961,787	**6,434,623**	6,005,680
Total share of retained profits/(accumulated losses) from associated company:				
– realised	**77,794**	61,129	**–**	–
– unrealised	**(25,214)**	(9,799)	**–**	–
	52,580	51,330	**–**	–
Total share of retained profits/(accumulated losses) from joint ventures:				
– realised	**(7,686)**	5,507	**–**	–
– unrealised	**12,835**	(12,388)	**–**	–
	5,149	(6,881)	**–**	–
Consolidation adjustments	**183**	172	**–**	–
Total retained profits	**7,095,930**	6,006,408	**6,434,623**	6,005,680

The comparative figures of the Group have been restated as a result of the adoption of MFRS 10 and MFRS 11 as explained in note 31.

The realised and unrealised profits are compiled based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PETRONAS GAS BERHAD

(COMPANY NO. 101671-H)
(INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of PETRONAS GAS BERHAD, which comprise the Statements of Financial Position as at 31 December 2013 of the Group and of the Company, and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 176 to 249.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PETRONAS GAS BERHAD (continued)

(COMPANY NO. 101671-H)
(INCORPORATED IN MALAYSIA)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in note 34 on page 250 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat & Co

KPMG DESA MEGAT & CO.
Firm Number: AF 0759
Chartered Accountants

ADRIAN LEE LYE WANG
Approval Number: 2679/11/15(J)
Chartered Accountant

Petaling Jaya,
Date: 10 February 2014

OTHER INFORMATION

ANALYSIS OF SHAREHOLDINGS
AS AT 28 FEBRUARY 2014

Category	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	144	1.43	1,856	0.00*
100 – 1,000	7,131	70.69	6,684,154	0.34
1,001 – 10,000	2,068	20.50	6,992,388	0.35
10,001 – 100,000	462	4.58	17,654,283	0.89
100,001 to less than 5% of issued shares	279	2.77	392,073,434	19.81
5% and above of issued shares	3	0.03	1,555,325,800	78.60
Total	**10,087**	**100.00**	**1,978,731,915**	**100.00**

* *Insignificant % shareholding*

CLASSIFICATION OF SHAREHOLDERS

	No. of Shareholders		No. of Shares		Shares Percentage	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
INDIVIDUAL	8,458	88	13,021,478	307,545	0.66	0.02
BODY CORPORATE						
Banks/finance companies	77	–	282,794,000	–	14.29	–
Investments trusts/foundation/charities	6	–	144,000	–	–	–
Other types of companies	182	6	2,157,802	109,000	0.11	0.01
GOVERNMENT AGENCIES/ INSTITUTIONS	6	–	1,435,000	–	0.07	–
NOMINEES	779	485	1,548,271,978	130,491,112	78.24	6.59
OTHERS	–	–	–	–	–	–
Total	**9,508**	**579**	**1,847,824,258**	**130,907,657**	**93.37**	**6.62**

LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Anuar bin Ahmad	0	0.00
2	Yusa' bin Hassan	0	0.00
3	Dato' N. Sadasivan N.N. Pillay	0	0.00
4	Datuk Rosli bin Boni	0	0.00
5	Ir. Pramod Kumar Karunakaran	0	0.00
6	Dato' Ab. Halim bin Mohyiddin	5,000	0.00 *
7	Lim Beng Choon	0	0.00
8	Habibah binti Abdul	0	0.00

* *Insignificant % shareholding*

LIST OF DIRECTORS' SHAREHOLDINGS IN MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Anuar bin Ahmad	–	–
2	Yusa' bin Hassan	–	–
3	Dato' N. Sadasivan N.N. Pillay	–	–
4	Datuk Rosli bin Boni	–	–
5	Ir. Pramod Kumar Karunakaran	–	–
6	Dato' Ab. Halim bin Mohyiddin	5,000	0.00*
7	Lim Beng Choon	–	–
8	Habibah binti Abdul	–	–

LIST OF DIRECTORS' SHAREHOLDINGS IN PETRONAS DAGANGAN BERHAD

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Anuar bin Ahmad	–	–
2	Yusa' bin Hassan	–	–
3	Dato' N. Sadasivan N.N. Pillay	–	–
4	Datuk Rosli bin Boni	–	–
5	Ir. Pramod Kumar Karunakaran	–	–
6	Dato' Ab. Halim bin Mohyiddin	–	–
7	Lim Beng Choon	–	–
8	Habibah binti Abdul	–	–

LIST OF DIRECTORS' SHAREHOLDINGS IN KLCC PROPERTY HOLDINGS BERHAD

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Anuar bin Ahmad	–	–
2	Yusa' bin Hassan	–	–
3	Dato' N. Sadasivan N.N. Pillay	–	–
4	Datuk Rosli bin Boni	–	–
5	Ir. Pramod Kumar Karunakaran	–	–
6	Dato' Ab. Halim bin Mohyiddin	–	–
7	Lim Beng Choon	–	–
8	Habibah binti Abdul	–	–

LIST OF DIRECTORS' SHAREHOLDINGS IN PETRONAS CHEMICALS GROUP BERHAD

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Anuar bin Ahmad	20,000	0.00*
2	Yusa' bin Hassan	14,000	0.00*
3	Dato' N. Sadasivan N.N. Pillay	–	–
4	Datuk Rosli bin Boni	6,000	0.00*
5	Ir. Pramod Kumar Karunakaran	6,000	0.00*
6	Dato' Ab. Halim bin Mohyiddin	10,000**	0.00*
7	Lim Beng Choon	–	–
8	Habibah binti Abdul	–	–

* *Insignificant % shareholding*

** *Inclusive of deemed interest by virtue of his spouse's shareholdings of 5,000 units pursuant to Section 134(12)(c) of the Companies Act, 1965, Malaysia*

ANALYSIS OF SHAREHOLDINGS
AS AT 28 FEBRUARY 2014

LIST OF TOP 30 SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1	CIMB Group Nominees (Tempatan) Sdn Bhd *(Exempt AN for Petroliam Nasional Berhad)*	1,199,768,000	60.63
2	Citigroup Nominees (Tempatan) Sdn Bhd *(Employees Provident Fund Board)*	254,383,400	12.86
3	Kumpulan Wang Persaraan *(Diperbadankan)*	101,174,400	5.11
4	Amanahraya Trustees Berhad *(Skim Amanah Saham Bumiputera)*	72,514,900	3.66
5	Amanahraya Trustees Berhad *(Amanah Saham Wawasan 2020)*	21,297,700	1.08
6	Amanahraya Trustees Berhad *(Amanah Saham Malaysia)*	19,290,800	0.97
7	Malaysia Nominees (Tempatan) Sendirian Berhad *(Great Eastern Life Assurance (Malaysia) Berhad (PAR 1))*	17,720,900	0.90
8	Cartaban Nominees (Asing) Sdn Bhd *(Exempt AN for State Street Bank & Trust Company (West CLT OD67))*	17,226,360	0.87
9	HSBC Nominees (Asing) Sdn Bhd *(BBH and Co. Boston for Vanguard Emerging Markets Stock Index Fund)*	14,420,096	0.73
10	Amanahraya Trustees Berhad *(Amanah Saham Didik)*	10,094,000	0.51
11	AMSEC Nominees (Tempatan) Sdn Bhd *(Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI))*	9,590,600	0.48
12	Cartaban Nominees (Tempatan) Sdn Bhd *(Exempt AN for Eastspring Investments Berhad)*	9,080,900	0.46
13	Amanahraya Trustees Berhad *(AS 1 Malaysia)*	8,856,000	0.45
14	Amanahraya Trustees Berhad *(Public Islamic Dividend Fund)*	7,084,600	0.36
15	Citigroup Nominees (Tempatan) Sdn Bhd *(Employees Provident Fund Board (Nomura))*	6,504,400	0.33
16	HSBC Nominees (Asing) Sdn Bhd *(Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.))*	6,295,065	0.32
17	HSBC Nominees (Asing) Sdn Bhd *(Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.))*	5,337,639	0.27
18	Amanahraya Trustees Berhad *(Public Islamic Select Enterprises Fund)*	5,155,200	0.26
19	HSBC Nominees (Asing) Sdn Bhd *(Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend))*	5,057,300	0.26
20	Permodalan Nasional Berhad	5,049,700	0.26
21	Citigroup Nominees (Tempatan) Sdn Bhd *(Employees Provident Fund Board (Cimb Prin))*	4,253,600	0.21
22	Pertubuhan Keselamatan Sosial	4,080,000	0.21
23	Citigroup Nominees (Asing) Sdn Bhd Legal & General Assurance *(Pensions Management) Limited (A/C 1125250001))*	4,000,083	0.20
24	Maybank Nominees (Tempatan) Sdn Bhd *(Maybank Trustees Berhad for Public Ittikal Fund (N14011970240))*	4,000,000	0.20

No.	Name	No. of Shares	% of Total Shareholdings
25	HSBC Nominees (Asing) Sdn Bhd Exempt *(Exempt AN for the Bank of New York Mellon (Mellon Acct))*	3,946,535	0.20
26	HSBC Nominees (Asing) Sdn Bhd *(Exempt AN for JPMorgan Chase Bank, National Association (BVI))*	3,891,100	0.20
27	Hsbc Nominees (Asing) Sdn Bhd *(Exempt AN for J.P. Morgan Bank (Ireland) Public Limited Company)*	3,065,401	0.15
28	Cartaban Nominees (Asing) Sdn Bhd *(GIC Private Limited For Government of Singapore (C))*	3,047,500	0.15
29	Amanahraya Trustees Berhad Sekim *(Amanah Saham Nasional)*	2,797,300	0.14
30	Amanahraya Trustees Berhad *(Public Islamic Optimal Growth Fund)*	2,772,300	0.14
	TOTAL	**1,831,755,779**	**92.57**

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1	CIMB Group Nominees (Tempatan) Sdn Bhd *(Exempt AN for Petroliam Nasional Berhad)*	1,200,304,400	60.66
2	Employees Provident Fund Board	269,790,700	13.63
3	Kumpulan Wang Persaraan *(Diperbadankan)*	104,843,600	5.30

AUTHORISED AND ISSUED SHARE CAPITAL

	Company 2013 RM'000	2012 RM'000
Authorised:		
2,000,000,000 ordinary shares of RM1 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,978,732,000 ordinary shares of RM1 each	**1,978,732**	1,978,732

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2013

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013

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 December 2013 (RM'000)
TERENGGANU							
Gas Processing Plants, Kertih Km 105 Jalan Kuantan-Kuala Terengganu 24300 Kertih, Kemaman Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				977,267
Lot No. 1903	30.09.1991	28.02.2043 (Sub-Lease 60 years)	**Plant** GPP 1 GPP 2 GPP 3	87.9	 29.3 21.4 21.1	 95,998 123,310 123,310	
Lot No. 3541	30.09.1991	03.04.2050 (60 years)	GPP 4/DPCU 2 Compressor station	34.6	19.5 22.1	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	 28.4 23.7 25.8	 1,282 6,892 3,248	
Gas Processing Plants, Santong Km 8, Kg. Tok Arun Off Jalan Santong 23100 Paka, Dungun Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				1,042,619
Lot No. 7346	03.08.1997	13.07.2058 (60 years)	**Plant** GPP 5 GPP 6 DPCU 3 **Office** Administration building	189.5	 14.9 14.0 15.3 16.2	 200,000 220,000 60,000 12,220	
Lot No. 7220	03.08.1997	20.06.2058 (60 years)	(Vacant)	26.7			

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (RM'000)
Tanjung Sulong Export Terminal, Tanjung Sulong 24000 Kemaman Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				120,443
Lot No. 1314	24.07.1993	19.03.2025 (40 years)	**Plant** Unit 1, 2, 3, 4 **Office** Administration building	9.7	29.1	1,146	
Lot No. 1333	24.07.1993	11.03.2027 (40 years)	**Marine facility** Breakwater jetty	2.7	29.1		
Utilities Plants, Kertih Kertih Integrated Petrochemical Complex Km 105, Jalan Kuantan - Kuala Terengganu 24300 Kertih, Kemaman Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				717,663
			Plant				
			CGN B		14.1	667	
			CGN C		14.1	667	
			CGN D, E, F		13.6	2,000	
			Water plant		13.6	2,000	
			CGN G		13.7	667	
			ASU		12.8	15,451	
			Lab & workshop		12.8	729	
Lot No. 8065	21.12.1999	19.08.2060 (60 years)	Control room	37.1	12.6	1,820	
			Office Administration building		12.9	514	
PAHANG							
Kuantan Regional Office Lot 1, Sector 1 Bandar Indera Mahkota 25200 Kuantan Pahang Darul Makmur		Leasehold Expiry:	Leasehold land				8,272
Lot No. PT16756	04.01.1989	04.01.2088 (99 years)	**Office** Regional office	11.2	22.2	2,428	

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT
AS AT 31 DECEMBER 2013

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (RM'000)
Kuantan Compressor Station Kampung Mahkota Km 19, Jalan Gambang 26070 Kuantan Pahang Darul Makmur		Leasehold Expiry:	Leasehold land				150,634
Lot No. PT60398	04.01.1989	26.08.2101	**Plant**	20.1			
		(99 years)	Compressor station		20.1	1,142	
			Compressor station		4.2	4,378	
Utilities Plants, Gebeng Lot 139A Gebeng Industrial Area Phase III 26080 Kuantan Pahang Darul Makmur	17.11.1999	Leasehold Expiry: 08.01.2100 (99 years)	Leasehold land	18.8			342,027
			Plant				
			CGN A		14.1	667	
			CGN B		14.1	667	
			CGN C		14.1	667	
			N2GEN		14.1	360	
			Water plant		13.6	2,000	
Lot No. PT15127			**Office**				
			Maintenance building		12.6	1,015	
			Warehouse		12.6	1,004	
JOHOR							
PETRONAS Gas Berhad, Segamat Km 10, Lebuhraya Segamat-Kuantan 85000 Segamat Johor Darul Takzim		Leasehold Expiry:	Leasehold land				62,903
Lot No. PTD564	22.09.1991	18.02.2102	**Plant**	61.3			
		(99 years)	Compressor station		16.0	2,792	
			Office		21.4	8,080	
			Operation centre				

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (RM'000)
Pasir Gudang Regional Office PLO 332, Jalan Perak 4 Pasir Gudang Industrial Area 81700 Pasir Gudang Johor Darul Takzim		Leasehold Expiry:	Leasehold land				6,130
Lot No. PTD84942	23.04.1989	22.04.2088 (99 years)	**Office** Regional office	4.1	21.5	2,428	
NEGERI SEMBILAN							
Seremban Regional Office Km 11 Jalan Seremban – Tampin 71450 Sg. Gadut, Seremban Negeri Sembilan Darul Khusus			Freehold land				6,775
Lot No. 21958	16.02.1994	Freehold	**Office** Regional office	14.0	22.4	2,428	
SELANGOR							
Shah Alam Regional Office Lot 1, Jalan Jemuju Lima 16/13E Shah Alam Industrial Area Section 16 40200 Shah Alam Selangor Darul Ehsan		Leasehold Expiry:	Leasehold land				7,528
Lot No. PT606	12.10.1990	11.10.2089 (99 years)	**Office** Regional office	2.9	22.1	2,428	
Meru Compressor Station Lot 1586 (G3907) Mukim of Jeram District of Kuala Selangor Selangor Darul Ehsan		Leasehold Expiry:	Leasehold land (Vacant)				1,075
Lot No. PT6875	04.08.1998	10.08.2107 (99 years)		5.4	N/A	N/A	

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT
AS AT 31 DECEMBER 2013

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (RM'000)
PERAK							
Sitiawan Regional Office Lot 33263 Jalan Dato' Ahmad Yunus 32000 Sitiawan Perak Darul Ridzuan		Leasehold Expiry:	Leasehold land				5,066
Lot No. PT4535	04.11.1997	27.06.2101 (99 years)	**Office** Regional office	3.2	16.2	1,604	
KEDAH							
Gurun Regional Office, PO Box 31 Km 1, Jalan Jeniang 08300 Gurun Kedah Darul Aman		Leasehold Expiry:	Leasehold land				5,587
Lot No. 8173	18.12.1997	22.04.2102 (99 years)	**Office** Regional office	2.9	15.3	1,604	
8.0 km TTM Pipeline land at District of Kubang Pasu Kedah Darul Aman	01.11.2006	Leasehold Expiry: 31.10.2105 (99 years)	Leasehold land **Pipeline** Pipeline across 8.0 km	24.7	8.8	N/A	1,024
SARAWAK							
Miri Office Lot 2075, Block 4 Jalan Cattleya 2B Piasau Industrial Area PO Box 1504 98008 Miri, Sarawak	N/A	N/A	**Pipeline** Meter station pipeline across 42.2 km	N/A – located along road reserve area	23.8	2,066	13,913

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (RM'000)
Bintulu Gas Meter Station, Kidurong Industrial Area Part of Lot 155 Block 20 Kemena Land District 97007 Bintulu, Sarawak			**Pipeline** Meter station pipeline across 4.2 km	0.1	17.2	630	90
Lot No. 1646	21.10.2004	16.07.2067 (60 years)					
MELAKA							
LNG Regasification Terminal, Sungai Udang PSR-1/ MG3 Retrofit Site Office Revamp PETRONAS Penapisan Sungai Udang, Melaka	N/A	N/A	**Regasification Floating Storage Units** **Facilities Jetty**	N/A	N/A	N/A	3,374,620
PIPELINES							
PGU I – total gas pipeline comprises 6 km from Kertih to Paka, Terengganu and 32 km from Kertih to Teluk Kalong Terengganu and two 40 km of lateral lines from the GPPs to the Export Terminal in Tanjung Sulong Terengganu Darul Iman	20.03.1985	Leasehold Expiry: (40, 60 and 99 years)	**Pipelines** Pipelines in leasehold land **Terengganu:** 43 lots	**Terengganu:** 237.3	29.3	N/A	38,055

SUMMARY OF LANDED PROPERTY, PLANT AND EQUIPMENT
AS AT 31 DECEMBER 2013

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (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)	**Pipelines** Pipelines in leasehold land **Terengganu:** 19 lots **Pahang:** 338 lots **Johor:** 644 lots (Inclusive Loop 1 & Loop 2) **Melaka:** 139 lots **Negeri Sembilan:** 263 lots **Selangor:** 138 lots	 **Terengganu:** 79.8 **Pahang:** 559.7 **Johor:** 902.9 **Melaka:** 192 **Negeri Sembilan:** 460.9 **Selangor:** 295.7	22.1	N/A	535,785
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)	**Pipelines** Pipelines in leasehold land **Selangor:** 93 lots **WP Kuala Lumpur:** 14 lots **Perak:** 362 lots **Penang:** 100 lots **Kedah:** 261 lots **Perlis:** 77 lots	 **Selangor:** 184.6 **WP Kuala Lumpur:** 17.9 **Perak:** 543.9 **Penang:** 119.5 **Kedah:** 467.3 **Perlis:** 87.1	Sector 1: 18.1 Sector 2&3 16.2	N/A N/A	532,165

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2013 (continued)

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 December 2013 (RM'000)
PGU Loop 1 – total gas pipeline of 265 km from Kertih, Terengganu to Segamat, Johor	04.10.1999		**Pipelines** Pipelines in leasehold land **Terengganu:** 77 lots **Pahang:** 315 lots	 **Terengganu:** 158.9 **Pahang:** 104.6	14.4	N/A	324,876
PGU Loop 2 – total gas pipeline of 226 km from Segamat, Johor to Meru, Selangor	01.11.2000		**Pipelines** Pipelines in leasehold land (Part of PGU's document of title) **Melaka:** 4 lots **Negeri Sembilan:** 4 lots	 **Melaka:** 1.3 **Negeri Sembilan:** 1.1	13.4	N/A	341,674
TOTAL							**8,616,191**

Abbreviations:

CGN	:	Cogeneration Plant
DPCU	:	Dew Point Control Unit Plant
GPP	:	Gas Processing Plant
N2GEN	:	Nitrogen Generator
ASU	:	Air Separation Unit
PGU	:	Peninsular Gas Utilisation

TOP 10 LANDED PROPERTY, PLANT AND EQUIPMENT

Name of Facilities and Location	Description	Net Book Value (RM'000)
LNG Regasification Terminal, Sungai Udang	Floating Storage Units, Regasification Jetty and Pipelines	3,374,620
Gas Processing Plants, Santong	Leasehold land, Plant and Office Buildings	1,042,619
Gas Processing Plants, Kertih	Leasehold land, Plant and Office Buildings	977,267
Utilities Plants, Kertih	Leasehold land, Plant and Office Buildings	717,663
PGU II	Leasehold land and Pipelines	535,785
PGU III	Leasehold land and Pipelines	532,165
Utilities Plants, Gebeng	Leasehold land, Plant and Office Buildings	342,027
PGU Loop 2	Leasehold land and Pipelines	341,674
PGU Loop 1	Leasehold land and Pipelines	324,876
Kuantan Compressor Station	Leasehold land and Plant	150,634

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 6992 (General)

GAS PROCESSING AND UTILITIES DIVISION:

Gas Processing Plants, Kertih
Gas Processing & Utilities
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, Santong
Gas Processing & Utilities
Km 8, Kg. Tok Arun, Off Jalan Santong
23100 Paka, Dungun
Terengganu Darul Iman
Telephone : + 6 09 831 2345
Fax : + 6 09 827 4578

Utilities Plants, Kertih
Gas Processing & Utilities
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

Utilities Plants, Gebeng
Gas Processing & Utilities
Lot 139a, Gebeng Industrial Area Fasa III
26080 Kuantan
Pahang Darul Makmur
Telephone : + 6 09 586 3300
Fax : + 6 09 586 3311

Tanjung Sulong Export Terminal
Gas Processing & Utilities
Tanjung Sulong 24000 Kemaman
Terengganu Darul Iman
Telephone : + 6 09 831 2345
Fax : + 6 09 827 1710

GAS TRANSMISSION & REGASIFICATION DIVISION:

PETRONAS Gas Berhad Segamat
Km 10, Lebuhraya Segamat-Kuantan
85000 Segamat
Johor Darul Takzim
Telephone : + 6 07 935 3000
Fax : + 6 07 931 6521

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

Bintulu Operations Centre
S/L No. 169, Lot 7748, Block 31
Jalan Sultan Iskandar Assyakirin Commerce Square
97000 Bintulu, Sarawak
Telephone : + 6 086 31 6517
Fax : + 6 086 31 1960

Miri Regional Office
Lot 1590 & 1591
Eastwood Valley Industrial Area
Jalan Miri By Pass, P.O.Box 1504
98008 Miri, Sarawak
Telephone : + 6 085 42 2811
Fax : + 6 085 41 6410

Sitiawan Regional 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

Shah Alam Regional Office
Lot 1, Jalan Jemuju Lima 16/13E
Kawasan Perindustrian Seksyen 16
40200 Shah Alam
Selangor Darul Ehsan
Telephone : + 6 03 5510 6222
Fax : + 6 03 5510 1528

Seremban Regional Office
Km 11, Jalan Seremban, Tampin
71450 Sg. Gadut
Negeri Sembilan Darul Khusus
Telephone : + 6 06 677 6777
Fax : + 6 06 677 7799

Pasir Gudang Regional Office
PLO 332, Jalan Perak 4
Kawasan Perindustrian Pasir Gudang
81700 Pasir Gudang
Johor Darul Takzim
Telephone : + 6 07 251 0333
Fax : + 6 07 251 0400

Kuantan Regional Office
Lot 1, Sektor 1, Bandar Indera Mahkota
25200 Kuantan, Pahang Darul Makmur
Telephone : + 6 09 573 2811
Fax : + 6 09 573 2813

Kertih Regional Office
Aras 1, Kompleks Pejabat Petronas Wilayah Pantai Timur (PWPT)
24300 Kertih, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 867 3500
Fax : + 6 09 864 0375

Kimanis Operation Centre
Lot 2, Block A, Ground Floor
Membakut Jaya
89728 Membakut Sabah
Telephone : + 6 087 88 6217/224
Fax : + 6 087 88 6219

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty First Annual General Meeting of the Company will be held at Emerald Room, Mandarin Oriental Hotel, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Monday, 5 May 2014 at 10.00 a.m. to consider the following matters:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. ***(Resolution 1)***

2. To approve the payment of final dividend of 40 sen per ordinary share under single tier system in respect of the financial year ended 31 December 2013. ***(Resolution 2)***

3. To re-elect the following Directors pursuant to Article 93 of the Company's Articles of Association:
   (a) Pramod Kumar Karunakaran ***(Resolution 3)***
   (b) Lim Beng Choon ***(Resolution 4)***

4. To re-elect the following Directors pursuant to Article 96 of the Company's Articles of Association:
   (a) Yusa' bin Hassan ***(Resolution 5)***
   (b) Habibah binti Abdul ***(Resolution 6)***

5. To approve the Directors' fees of up to RM986,000 in respect of the financial year ending 31 December 2014. ***(Resolution 7)***

6. To consider and, if thought fit, to pass the following Resolution with or without modifications: ***(Resolution 8)***

   "THAT Messrs. KPMG be and is hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG Desa Megat & Co. and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration."

As Special Business

7. To consider and, if thought fit, to pass the following Resolution with or without modifications: ***(Resolution 9)***

   "THAT Dato' N. Sadasivan s/o N.N. Pillay, retiring in accordance with Section 129 of the Companies Act, 1965, Malaysia, be and is hereby re-appointed as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

8. 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 Thirty First Annual General Meeting to be held on 5 May 2014, a final dividend of 40 sen per ordinary share under single tier system will be paid on 10 June 2014 to shareholders whose names appear in the Register of Depositors on 14 May 2014.

A Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 5.00 p.m. on 14 May 2014 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.

The above dividend payment is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company to be held on 5 May 2014.

By Order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
9 April 2014

Notes:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty First Annual General Meeting of the Company, the Company shall be requesting the Record of Depositories as at 28 April 2014. Only a depositor whose name appears on the Record of Depositors as at 28 April 2014 shall be regarded as a member entitled to attend, speak and vote at the meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

2. A member may appoint not more than two (2) proxies to attend the same meeting. A proxy may but need not be, a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act 1965, Malaysia, shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), 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.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the omnibus account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

NOTICE OF ANNUAL GENERAL MEETING

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing (in the common or usual form) 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 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, 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.

7. 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.

8. **Explanatory Notes:**

i) Resolution 7 – Directors' Fees for financial year ending 31 December 2014

The Directors' fees approved for the financial year ended 31 December 2013 was RM986,000.00. The actual Directors' fees for the Non-Executive Directors paid during the financial year ended 31 December 2013 was RM783,000.

The Directors' fees proposed for the financial year ending 31 December 2014 (FYE 2014) are calculated based on the number of scheduled Board's and Board Committees' meetings and assumption that all the Non-Executive Directors will remain office until the end of the FYE 2014. This resolution is to facilitate payment of Directors' fees in FYE 2014. The Board will seek shareholders' approval at the next annual general meeting in the event the Directors' fees proposed is insufficient due to increase in number of Board's and Board Committees' meetings and/or increase in Board size.

ii) Resolution 8 – Change of Auditors

Messrs. KPMG and Messrs. KPMG Desa Megat & Co. are a partnership established under Malaysian law and is affiliated with KPMG International, a Swiss cooperative of which Messrs. KPMG is currently streamlining their clients portfolio into one single entity, i.e. Messrs KPMG. As the current partners of Messrs. KPMG Desa Megat & Co. are also the partners of Messrs. KPMG in Malaysia, there will be no change to the partners in charge of the Company.

iii) Resolution 9 – Section 129 of the Companies Act, 1965

Pursuant to Section 129 of the Companies Act, 1965, Malaysia, the proposed Resolution 9 is to seek shareholders' approval on the re-appointment of Dato' N. Sadasivan s/o N.N. Pillay as a Director who is over the age of seventy and has served as an independent director for more than nine (9) years.

ADMINISTRATIVE DETAILS FOR THE 31ST ANNUAL GENERAL MEETING

REGISTRATION

1) Registration will start at 8.00 a.m. on 5 May 2014 in front of the Emerald Room, Mandarin Oriental Hotel, Kuala Lumpur.
2) Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC hereafter.
3) Upon verification, you are required to write your name and sign on the attendance list placed on the registration table.
4) You will also be given an identification tag. No person will be allowed to register on behalf of another person even with the original IC of that other person.
5) The registration counter will handle only verification of identity and registration.

HELP DESK

1) Please proceed to help desk for any clarification or enquiry.
2) The help desk will also handle revocation of proxy's appointment.

PARKING

1) Please take note that PETRONAS Gas Berhad (PGB) will not be providing cash reimbursements for parking. Instead, you are advised to park at P1/P2/P3/P4 of Mandarin Oriental Hotel, Kuala Lumpur. Please bring your parking ticket for validation at the counter near the Emerald Room.
2) By validating the parking ticket, you will not be charged for parking when you leave. Please be advised, that the ticket will expire by 4 p.m. on 5 May 2014. Any additional costs incurred for parking after 4 p.m. will not be borne by PGB.
3) Please be advised that PGB will also not reimburse any parking costs incurred at any other location. As such, please observe the abovementioned parking area.

MEAL VOUCHER

1) Please take note that PGB will be providing meal vouchers redeemable at selected outlets in Mandarin Oriental Hotel, Kuala Lumpur.
2) Only shareholders with a valid ID tag are entitled for the meal voucher.
3) You may redeem your meal voucher immediately or within six months of its validity period.

SITE VISIT

1) Please take note that there will be a registration booth available for the Shareholders' Visitation Programme, which will take place at a later date, to be informed by PGB.

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PETRONAS GAS BERHAD (101671-H)

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 Thirty First Annual General Meeting to be held at Emerald Room, Mandarin Oriental Hotel, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Monday, 5 May 2014 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 financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of final dividend of 40 sen per ordinary share under single tier system in respect of the financial year ended 31 December 2013.		
3.	To re-elect Pramod Kumar Karunakaran as Director pursuant to Article 93 of the Company's Articles of Association.		
4.	To re-elect Lim Beng Choon as Director pursuant to Article 93 of the Company's Articles of Association.		
5.	To re-elect Yusa' bin Hassan as Director pursuant to Article 96 of the Company's Articles of Association.		
6.	To re-elect Habibah binti Abdul as Director pursuant to Article 96 of the Company's Articles of Association.		
7.	To approve the Directors' fees of up to RM986,000 in respect of the financial year ending 31 December 2014.		
8.	To appoint Messrs. KPMG, as Auditors of the Company, in place of the retiring Auditors Messrs. KPMG Desa Megat & Co. and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration.		
SPECIAL BUSINESS			
9.	To re-appoint Dato' N. Sadasivan N.N. Pillay as Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company in accordance with Section 129 (6) of the Companies Act, 1965, Malaysia.		
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 ______________ 2014.

____
Signature of Member/Common Seal

Notes:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty First Annual General Meeting of the Company, the Company shall be requesting the Record of Depositories as at 28 April 2014. Only a depositor whose name appears on the Record of Depositors as at 28 April 2014 shall be regarded as a member entitled to attend, speak and vote at the meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
2. A member may appoint not more than two (2) proxies to attend the same meeting. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), 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.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the omnibus account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing (in the common or usual form) 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 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, 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.
7. 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.

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Affix
Stamp

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

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www.petronasgas.com