STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Each risk is mapped based on a matrix which specifies its likelihood (how likely is the risk to happen) and its impact (the extent of its impact if it did happen), analysing from both qualitative and quantitative perspectives. The matrix is adopted from PETRONAS ERM Framework and adapted based on the Group's risk appetite and tolerance level. Depending on risk treatment strategies adopted, mitigation plans are outlined to mitigate the risks to an acceptable level.

Key Risk Indicators (KRIs) are identified to facilitate monitoring of the risks which provide an early warning signal on potential emerging risks. Risk Owners, Risk Mitigation Owners and Risk Focal persons are assigned for each risk to ensure the risk mitigations developed are appropriately implemented, monitored and regularly reported.

PGB Enterprise Risk Assessment adheres to a structured process which complies with PETRONAS ERM Framework.

The Planning and Risk Management Department (PRMD) is entrusted with the responsibility of ensuring effective risk governance and implementation in the Group. In 2014, the Group established RCC to enhance oversight on risk management and compliance in the Group. The RCC, chaired by Managing Director/Chief Executive Office (MD/CEO), commenced its first quarterly sitting in January 2015 with Risk Management Unit under PRMD undertaking the Secretariat roles.

PRMD provides regular updates on the Group's ERM implementation to both the Group's RCC and BAC in the form of quarterly Enterprise Risk Report (ERR). The report covers the risk profile and status of risk mitigation implementation, KRIs as well as risk management framework implementation and risk initiatives.

In the last review, key issues and risks were deliberated at length focusing on the High and Medium risks of the Group. The rationale of the likelihood and impact rating assigned to the key risks were also discussed against Management's risk tolerance and appetite. Further mitigations were identified for the key risks, mainly in the areas of operational and HSE areas. These mitigations are in line with the Group's focus in driving its business plans and strategies to achieve its aspirations as set out in pages 62.

The Company had also provided guidance to one of its joint venture (JV) companies, on the establishment of Risk Management Framework.

Risk assessments are also conducted on new business ventures. The Business Venture Risk Assessment (BVRA) Reports are included as part of business development proposal presented to the Commercial Steering Committee (CSC) or relevant Project Steering Committees (PSC). The reports are also included in the Final Investment Decision (FID) proposals for Board's approval.

(b) Plant and Facilities Risk

The Group managed its operational risks via Plant and Facilities Risk Management (PFRM). Under PFRM, risks relevant to operations at the divisions were assessed, monitored and reported to the respective Divisions' PLT.

As per Enterprise Risk, the risks were rated based on its probability and impact to the divisions' operations. Appropriate mitigation plans are put in place for every critical risk.

During the year under review, the Plant and Facilities risk review was conducted for both Gas Processing and Utilities (GPU) Division, and Gas Transmission and Regasification (GTR) Division. The Plant and Facilities Risk Profile Matrix has been further aligned with the Company's Enterprise Risk Profile Matrix to ensure consistency in risk ratings. Subsequently, the risks were monitored with mitigation actions tracked and periodically reported to the respective PLT at the divisions.

The PLT is responsible in ensuring adequate and effective PFRM at the divisions.

(c) 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.

During the year under review, the Group has further improved its Project Risk Management procedure to ensure a more stringent implementation of Project Risk Management processes and introduced monthly project risk updates in monthly project progress report for proper monitoring. The reports were presented at the relevant committees e.g. respective divisions' PLT, the relevant PSCs and RCC.

The PSCs, chaired by PGB MD/CEO, meets on regular basis to deliberate on project progress, risk areas and their mitigations. Updates on project progress are also incorporated as an agenda deliberated in the monthly Management Committee (MC) meetings and quarterly Board meetings.

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

(d) Contractor Risk

Contractor risk is managed through tendering evaluation exercises facilitated by the Company's Project Supply Chain Management (PSCM) Department, PETRONAS Technology & Engineering (T&E) 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 procedures and guidelines.

The Contractor Risk Assessment (CoRA) process is an integral part of the contractor selection process which is being applied prior to awarding the contract to the contractor. Upon award of contract, the results of CoRA together with its mitigation plans are implemented and monitored by the relevant teams involved in the project.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

(e) 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 includes counterparty risk, liquidity risk, foreign exchange risk and interest rate risk. These guidelines align the Group's practices with PETRONAS' policies and guidelines.

(f) Credit Risk

To reduce its credit risk exposure, the Company 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 Company'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 Company used Credit Risk Tolerance Limit (CTRL) to minimise potential loss from credit exposure for utilities customers.

In August 2015, BAC has endorsed that the reporting of Credit Risk to be managed only up to the RCC level due to very minimal credit risk exposure evident from its trending since May 2014, of which its Credit Value-at-Risk (CVAR) for the Company's utility customers remained well within CRTL. Reporting to the BAC is made when the need arises.

The trade and non-trade receivables ageing are also deliberated by the MC as well as Commercial Steering Committee on monthly and quarterly basis respectively.

(g) Contingency Planning and 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, PLT and MC. Business Continuity Plan (BCP) is also in place to ensure business continuity in the event of crises, or business disruptions.

The BCP implementation is part of the Group's Business Continuity Management set out in page 207.

The above Contingency and Business Continuity Plans should enhance the Group's readiness in dealing with disruptive incidents, reduce its impact and ensure continuity of Group's critical functions within a reasonable period of time. A sound business continuity plan is crucial towards sustaining the operational survival thus protecting business, stakeholders and customers during crisis or disaster.

During the year under review, two emergency exercises were successfully conducted to test the Company's readiness in managing crisis. A Tier-3 emergency exercise was carried out at GTR involving local authorities which simulated a pipeline rupture affecting part of its Peninsular Gas Utilisation System located in Jawi, Seberang Prai, Pulau Pinang.

The Company has also participated in the PETRONAS Twin Towers Integrated Simulation exercise involving building evacuation and work resumption at the Company's alternate worksite to test the continuity of its critical functions in the event of the inaccessibility of PETRONAS Twin Towers.

(h) Health, Safety and Environment (HSE) Risk

The Group leverages on the PETRONAS HSE Management System (HSEMS) to manage HSE risks and ensure that operations are in compliance with the HSE regulatory requirements. The HSEMS process ensures that HSE risks within the business are managed effectively. In addition, the Group subscribes to PETRONAS HSE Mandatory Control Framework to strengthen HSE governance within the Group through clear HSE requirements.

The Group has established a governance structure in managing the HSE risks, in tandem with the PETRONAS HSEMS and HSE Mandatory Control Framework. The governance structure includes the identification of HSE risks, develop HSE strategic initiative, establish annual plan and targets, internal compliance review and appointment of Result Managers for monitoring the implementation.

The Group has established multiple platforms to conduct periodic management review on HSE related risks and events in addressing changes that are triggered from past incidents and plant modifications activities. PGB MD/CEO chairs the HSE Steering Committee which comprises members from the Management to discuss HSE matters concerning the Group on monthly basis. Similar HSE Management Committee meetings are held at the facilities, projects as well as at Division level which are chaired by respective management personnel. In addition, the Group's HSE risks are registered under the Group's ERP where closure of mitigation actions are reported as part of quarterly Enterprise Risk Reporting to the Management and BAC.

The Group has also put in place a series of assurance programmes to review and verify the effectiveness of the HSEMS and HSE risk mitigations. The HSE assurance programme adheres to the requirement of PETRONAS HSEMS, Mandatory Control Framework, PETRONAS Technical Standards, and international standards such as ISO 14001 for Environmental Management System, OHSAS 18001 and MS 1722 for Occupational Health and Safety Management System.

During the year under review, internal audits which involved PETRONAS Downstream Business as well as PETRONAS Group Health, Safety and Environment (GHSE), were conducted at Head Office, GTR, Utilities Kertih (UK) and Utilities Gebeng (UG). The Group also performed various HSE-related assurance programmes and audits on its facilities, which include Pre-Activity Safety Review and Project Independent Review. The Group is committed to continue with its rigorous HSE assurance programmes in ensuring the effectiveness of its HSEMS implementation.

Risk Initiatives

The Group continues to enhance risk management awareness and capability building across the Group through various sharing of information and application of 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 reviews strategies and policies, on Risk Management implementation. The Group has also participated in various sharing platforms established at PETRONAS level through the Community of Practice (CoP) discussions.

Moving Forward

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

INTERNAL AUDIT FUNCTION

The Board recognises that the internal audit function is an integral part of the governance process. PETRONAS Group Internal Audit Division (GIAD) 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 are 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 page 216.

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEM

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

(a) 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 Head 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.

(b) 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 34 of the Annual Report.

The Company has an MC which serves as an advisory capacity to PGB MD/CEO in accomplishing the vision, mission, strategies and objectives set for the Group. Additionally, the GPU and GTR Division PLTs provide operational directions and manage operational issues at the respective divisions.

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.

(c) Budget Approval

Budgets are an important control mechanism used by the Group to ensure an optimum allocation of Group resources and the operational managers are sufficiently guided in making business decisions. The Group undertakes a comprehensive planning and budgeting exercise which include the development of business strategies for a five-year period and establishment of performance indicators against which operating units and subsidiaries are evaluated. The Group's plans and budget shall be approved by the Board.

Variances against the approved budget are analysed and reported to the MC and BAC/ Board on a monthly and quarterly basis respectively and corrective actions will be taken where necessary.

Any additional budget requirement is to be managed by budget transfer or supplementary budget and is approved by the relevant approving authority in accordance to the Limits of Authority.

(d) 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.

Full review of LOA is undertaken every five years and realignment of LOA is performed every time there is a change in the organisation structure.

(e) System and Control

System 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 Company 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 RCC highlighting findings and the agreed corrective actions. The status of the audit issues are monitored and reported to the RCC on a quarterly basis.

During the year under review, two audits on project governance and compliance (pre award and post award) were undertaken, with an overall assessment of FAIR.

(f) Tendering and 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 govern the tendering activities. 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, HSE, performance track record, schedule and cost.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

(g) Operating Procedures and Guidelines

Internal control processes are documented in standard manuals, work procedures and work instructions which establish the guidelines on business planning, capital expenditure, financial operations, performance reporting, plant and transmission operations, supply chain management, human resource, change management, operational & organisation excellence, information technology, corporate affairs and HSE. These processes are being reviewed on regular basis to ensure compliance to regulatory requirements and best practices.

(h) 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 conduct of testing of control operating effectiveness.

During the year, the Group embarked on Governance, Risk and Compliance system focusing on Process Control which is a single solution for end-to-end control management including documentation, testing, monitoring and certification. The system function as central depository of internal control documentation for FCF for PETRONAS Group and Operating Units (OPUs).

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, PGB MD/CEO and the Finance Division provide overall assurance to the Board on the adequacy and effectiveness of key internal controls of the Group.

(i) 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 against PETRONAS Group policies and procedures.

(j) Related Party Transaction

The Group has established policies and procedures with regards to Related Party Transaction (RPT) and Conflict of Interest (COI) to ensure full compliance to the MMLR of Bursa Malaysia. This includes the PGB RPT/Recurring RPTs (RRPT) Policies and Procedures.

The policies and standard operating procedures require the use of various methods to ensure that RPTs are conducted on normal commercial terms, which are consistent with the Group's normal business practices and policies, and will not be to the detriment of the Group's minority shareholders. Such methods include the review and disclosure procedures as follows:

- Directors and officers of the Company and its Group shall not enter into transactions with related parties unless these transactions are carried out on normal commercial terms and are not to the detriment of the Group's minority shareholders;

- Where possible, sourcing and sales of PGB's products or services to be based on market/industry negotiated pricing terms and conditions and/or pricing formulas;
- Whenever similar pricing of the same services or product is available and/or benchmarking of the same is practicable and/or possible, other than that which are proprietary in nature or unique to the PETRONAS Group, an assessment is undertaken to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by third parties, bearing in mind, market forces for the demand and supply of the products/services and its impact on pricing, quality, delivery schedules, preferential terms and conditions, and on the urgency that the products/services are required. Nonetheless, in the event that such quotation or comparative pricing from third parties cannot be obtained, the transactions' prices will be reviewed to ensure that the RPTs/ RRPT are within normal commercial terms and not detrimental to the Group's minority shareholders;
- RPTs/RRPTs will be reviewed by the BAC prior to the approval by either the Board or the shareholders. In the case of transaction/contract entered into by the subsidiary companies, the RPTs/RRPTs will be endorsed by the BAC and subsequently approved by the subsidiary company's Board. If a Director or a related party has an interest in a transaction, he or she will abstain from any deliberation and decision-making at the Board or subsidiary company's Board (as the case may be) in respect of the said transaction; Beginning FY2014, GIAD has conducted quarterly reviews of the Group Related Party Transactions and as well as an annual review of the PGB RPT/ RRPT Policy and Procedures to provide assurance to the BAC on the Group's compliance to the Related Party Transaction Guidelines.
- The BAC is responsible to ensure that the policies and procedures relating to RPTs/ RRPTs and COI situations are sufficient to ensure that RPTs/ RRPTs are carried out on normal commercial terms and not to the detriment of the Group's minority shareholders. The Board has the overall responsibility to ensure compliance to the established guidelines and procedures to approve and monitor RPTs/RRPTs and COI situations. The Board and/or BAC may also appoint individuals and Committees to examine the RPTs/RRPTs, as deemed appropriate;
- Effective financial year under review, all Directors and Senior Key Management Personnel of the Group will declare in writing an annual declaration form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly. All Directors and Senior Key Management Personnel of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes known to them;
- The Company's Legal and Corporate Secretariat Departments reviews on all commercial contracts. System based records are maintained to capture the RPTs/RRPTs which have been entered into. Processes concerning negotiations, tendering and/ or analysis carried out for transactions between related parties are appropriately documented and retained to support and evidence that such transactions have been carried out on normal commercial terms and are not detrimental to the Group's minority shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has been granted various waivers by Bursa Malaysia from complying with the requirements of Paragraph 10.08 and 10.09 of the MMLR of Bursa Malaysia from having to seek shareholders' mandate for RRPT entered into with parties that are related to PETRONAS Group of Companies vide letters dated 2 March 2011, 26 March 2014, 23 May 2014 and 27 October 2015. The said exemptions were subject to conditions which essentially state that the exempted RRPT must be transacted on an arm's length basis.

(k) Employee Performance Management

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.

(l) 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.

The Group has also established a platform to deliberate staff capability matters through the Company Capability Development Working Committee (CDWC). This platform is crucial to discuss on staff capability and intervention plans to close capability gaps for each Skill Group together with dedicated Discipline Resource Person (DRP).

(m) Code of Conduct and Business Ethics

The Group adopts and practices PETRONAS Code of Conduct and Business Ethics (CoBE). The CoBE is accessible to the public for reference on the Company's official website at www.petronasgas.com which emphasises and advances the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group. The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual of the Group. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activity 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.

Included as part of the CoBE is the Anti-Bribery and Corruption Policy which explicitly prohibits the giving and acceptance of bribes, in whatever form, by employees including giving and receiving of facilitation payments in all business dealings.

(n) Whistleblowing Policy

The Group has adopted the PETRONAS Whistleblowing Policy (WBP) which provides an avenue for the Group employees and member of the public to disclose any improper conduct in accordance with the procedures as provided under the policy. The WBP is accessible to the public for reference on the Company's official website at www.petronasgas.com.

Under the WBP, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistleblows internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved.

(o) PETRONAS Raid Protocol

The Company's policies are aligned to the PETRONAS Raid Protocol in ensuring appropriate manner in handling interaction with, and submission of information and data to the authorities in the event that raids are carried out in PETRONAS's offices worldwide. It is an internal procedure in response to the powers of the authorities under relevant laws and various jurisdictions.

(p) Succession Planning

The Succession Planning process is aimed to enable the matching of the right talents to the right positions for breakthrough performance. The process starts with identification of Critical Positions at Business and Corporate level. The Company invests heavily in developing the Succession Planning for the focused group of staff i.e. Technical and Non-Technical Managers as well as for Technical Professional Positions. This exercise is crucial in managing talents within PGB and from other Operating Units or Business Units. The Succession Planning information will then facilitate the Management in deliberating and charting staff's career progression including mobility internally within the Company or across businesses within PETRONAS Group for wider exposure as well as capability gap closure through an identified development plan.

(q) PETRONAS Leadership Development

The Management recognises the importance of Leadership Development in ensuring the organisation has sufficient leaders in the future. The PETRONAS Leadership Diamond guides staff to better understand the PETRONAS Leadership Philosophy, emphasising on Leadership Competencies and its identified behaviours to promote better internalisation.

(r) Human Resource Policies and Procedures

The Group's Human Resource (HR) policies are aligned to the PETRONAS policies and 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

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 Managing Director/Chief Executive Officer (MD/CEO) and the Chief Financial Officer (CFO) have provided the Board with assurance that the Group risk management and internal control system is operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives. In providing the above assurance by MD/CEO and CFO, similar letters of assurance have also been obtained from MC members confirming the adequacy and effectiveness of risk management practice and internal control system within their respective areas.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

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.

IMPLEMENTATION OF RISK MANAGEMENT AND INTERNAL CONTROL IN MATERIAL JOINT VENTURE (JV) COMPANIES AND SUBSIDIARIES

The implementation of the relevant risk management and internal control systems at the Group's material JV is in place.

The implementation of the relevant risk management and internal control systems at the Group's subsidiary, Pengerang LNG (Two) Sdn Bhd, will be in place progressively upon completion of its project and commencement of its operations.

REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management and 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 2015, 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.

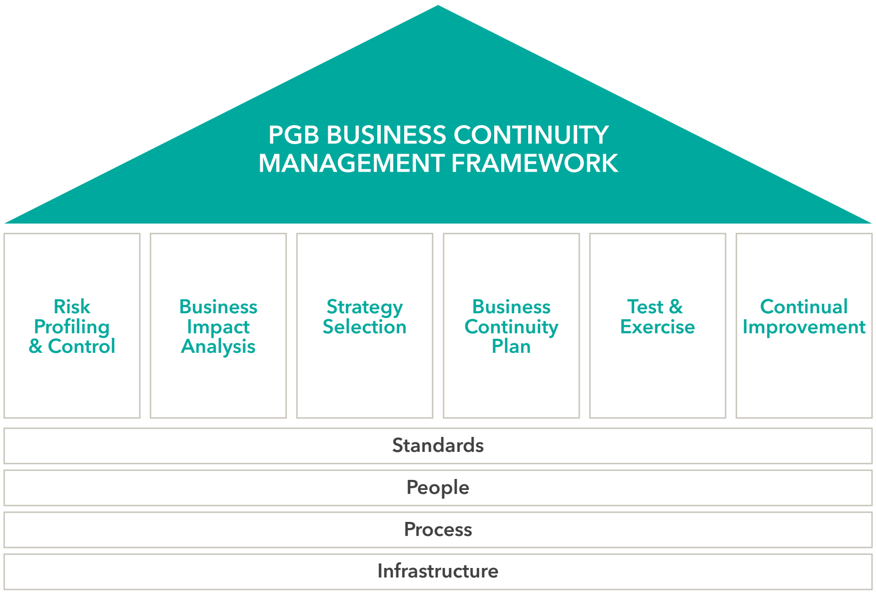
This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 24 February 2016.

Tan Sri Dato' Seri
Shamsul Azhar bin Abbas
Chairman

Yusa' bin Hassan
Managing Director/
Chief Executive Officer

BUSINESS CONTINUITY MANAGEMENT

THE GROUP PRACTICES A **STRUCTURED BUSINESS CONTINUITY MANAGEMENT (BCM) TO ENSURE CONTINUITY** OF THE GROUP'S OPERATIONS AND SERVICES **IN THE EVENT OF DISRUPTIONS OR CRISES.**



BCM scope encompasses various elements to ensure readiness in responding to business disruptions.

The Group's BCM provides a systematic approach from managing its operational risks to building capability towards effective response during disruptions or crises.

BCM GOVERNANCE

The Planning and Risk Management Department (PRMD) is entrusted with the responsibility of ensuring effective BCM governance and implementation in the Group. At operating divisions, there are focal persons assigned from the Plant Operational Excellence (POE) Department to drive implementation of the framework and processes rolled out by PRMD and ensure effective execution of BCM at the respective divisions. On regular basis, PRMD conduct assessments to ensure divisions' compliance to the Group's BCM requirements.

BUSINESS CONTINUITY MANAGEMENT

BCM PROCESS

The Group's BCM process involves various elements towards enhancing readiness in responding to business disruptions and crises.

As set out on page 193 of this Annual Report, risks are periodically assessed and monitored to ensure the Group's critical risks are managed and mitigated.

Business Impact Analysis prioritises the Group's key business functions and spells out the timeframe to resume each function in the event of disruptions. Post organisational realignment activities in 2013, the Group undertook a second review of its Head Office's Business Impact Analysis to ensure alignment with its revised structure.

Business Continuity Plans (BCP) are in place to address business disruptions. During the year under review, the Group enhanced its Gas Supply BCP by adopting a three-tiered approach in escalating gas supply disruptions from operations to management. The Group is also part of the Integrated PETRONAS Gas Supply Peninsular Malaysia (GSPM) of which, a BCP will be activated in the event of salesgas supply disruption to PETRONAS customers.

The Company has also formulated BCP in responding to the inaccessibility of PETRONAS Twin Towers where its Head Office operates. An alternate worksite has been established to resume its critical Head Office's functions in the event the PETRONAS Twin Towers is inaccessible. The Company recently participated in another PETRONAS Twin Towers integrated simulation exercise involving building evacuation and mobilisation of key business personnel to the alternate worksite.

The Group acknowledges the importance of capability building in managing crisis. Continuous awareness and capability building programmes are carried out for various level of staff of the Group.

During the year under review, an Incident Command System training was conducted on emergency and crisis management, led by the Company's Health, Safety and Environment and Operational Excellence Division, targeting the Management and relevant staff involved in the Emergency Response Team (ERT) and Crisis Management Team (CMT). The training was intended to provide the fundamentals and principles in managing crisis, including the process, roles and responsibilities.

The Group has also successfully conducted a Tier-3 Emergency Response Exercise in collaboration with local authorities, which simulated a pipeline rupture affecting part of its Peninsular Gas Utilisation System located in Jawi, Seberang Prai, Pulau Pinang. During the exercise, the Group's crisis and emergency response processes were tested as well as its Emergency Response Team (ERT) and Crisis Management Team's (CMT) capability in responding to emergency and crisis. The exercise also further strengthened teamwork between the Group's operating divisions and the local authorities in managing crisis. Several gaps were identified with further improvement plans put in place to address the gaps.

The Group has programmes in place to drive continuous enhancements in the Group's BCM as well as to keep Management and staff up-to-date on the requirements and processes. These are periodically tested to ensure business continuity and effective response to crises and business disruptions.

NOMINATION AND REMUNERATION COMMITTEE REPORT

Lim Beng Choon

Habibah binti Abdul

Dato' N. Sadasivan N.N. Pillay

IN COMPLIANCE WITH PARAGRAPH 15.08A OF THE MAIN MARKET LISTING REQUIREMENT (MMLR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA MALAYSIA), THE NOMINATION AND REMUNERATION (NOMREM) COMMITTEE OF PETRONAS GAS BERHAD (PGB OR THE COMPANY) WAS ESTABLISHED ON 14 NOVEMBER 2011. THE NOMREM COMMITTEE IS PLEASED TO PRESENT THE REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015.

COMPOSITION

As at 31 December 2015, the NomRem Committee comprises three Independent Non-Executive Directors. In line with the Malaysian Code on Corporate Governance 2012 (MCCG 2012), all NomRem Committee members including the Chairman are Non-Executive Directors.

The members of the NomRem Committee as at 31 December 2015 are:

No.	Name of Members	Directorate
1.	Lim Beng Choon *(Chairman)*	Independent Non-Executive Director
2.	Habibah binti Abdul	Independent Non-Executive Director
3.	Dato' N. Sadasivan N.N. Pillay	Senior Independent Non-Executive Director

NOMINATION AND REMUNERATION COMMITTEE REPORT

The NomRem Committee is chaired by an Independent Director, Lim Beng Choon. Whilst the MMLR has recommended that the NomRem Committee be chaired by the Senior Independent Director of the Company, the Senior Independent Director of PGB serves as the Chairman of the Board Audit Committee. As such, the Board has instead elected 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. This will also ensure that each Independent Director has equitable roles and responsibilities. Based on the Board Evaluation, the NomRem Committee has performed effectively under Lim Beng Choon's stewardship.

With the re-designation of Dato' N. Sadasivan N.N. Pillay as Non-Independent Non-Executive Director with effect from 24 February 2016, the NomRem Committee now comprises two Independent Directors and one Non-Independent Non-Executive Director.

The current composition of the NomRem Committee comprises exclusively of Non-Executive Directors, in compliance with the requirement of Paragraph 15.08A (1) of MMLR, which provides that the NomRem Committee must comprise exclusively of Non-Executive Directors, the majority of whom are Independent Directors. This is also in line with the recommendation 2.1 of the MCCG 2012.

Apart from the re-designation of Dato' Sadasivan as Non-Independent Non-Executive Director, there has been no change to the composition of the NomRem Committee since the previous year. Based on the Board Evaluation findings, the Board is satisfied with the performance and effectiveness of the NomRem Committee in providing sound advice and recommendations to the Board.

TERMS OF REFERENCE

The NomRem Committee is governed by the NomRem Committee Terms of Reference (TOR) as stipulated on page 213 to page 215 of this Annual Report. The TOR are consistent with the requirements of MMLR and MCCG 2012.

MEETINGS

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

Name of Members	No. of meetings attended
Lim Beng Choon *(Chairman)*	2/2 (100%)
Dato' N. Sadasivan N.N. Pillay	2/2 (100%)
Habibah binti Abdul	2/2 (100%)

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

The NomRem Committee meetings for year 2015 were scheduled in November 2014 to facilitate the Directors to plan ahead and incorporate the NomRem Committee meetings into their respective schedules. This also serves to provide the members with ample notice of the meetings.

The agenda and a set of meeting papers relevant to the business of the meeting are distributed to the NomRem Committee members in advance of the meeting dates.

All proceedings of the NomRem Committee meetings are duly recorded in the minutes of each meeting and signed minutes of each NomRem Committee meeting are properly kept by the Secretary. The draft NomRem Committee minutes are circulated to the NomRem Committee members subsequent to the NomRem Committee meeting and approved by the NomRem Committee prior to the Board of Directors (Board) meeting. This assists the NomRem Committee Chairman to effectively convey to the members of the Board matters deliberated at the NomRem Committee meeting. The minutes of the NomRem Committee are also distributed to members of the Board for their notation.

BOARD APPOINTMENT PROCESS

The Company practices a formal and transparent procedure for the appointment of new Directors. Nomination of Directors to the Board is made either by Petroliam Nasional Berhad being the majority shareholder or through engagement of a professional recruitment firm to find suitable candidates to fill in the position of Independent Non-Executive Directors.

All nominees to the Board are first considered by the NomRem Committee, taking into consideration mix of skills, competencies, experience, integrity and time commitment required to effectively discharge his or her role as a director. Diversity in terms of age, gender and ethnicity are also considered in selecting the best candidate.

DIRECTORS' RE-ELECTION AND RE-APPOINTMENT

Based on the schedule of retirement by rotation, the NomRem Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election or re-appointment. The recommendation is based on the performance of the Directors, taking into account their contribution to the Board through their skills, experience, strengths and qualities in particular level of independence and ability to act in the best interest of the Company.

Article 93 of the Articles of Association of the Company (AA) provides that one-third of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting (AGM) of the Company. With the current Board composition and with exclusions of Directors retiring under other applicable provisions of the AA, one Director is to retire in accordance with Article 93 of the AA. Eligible director may seek re-election at the AGM.

The NomRem Committee at their meeting held on 12 February 2016 endorsed for Yusa' bin Hassan who is retiring at the 33rd AGM pursuant to Article 93 of the AA for re-election at the forthcoming AGM.

Article 96 of the AA provides amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

During the year under review, Tan Sri Dato' Seri Shamsul Azhar bin Abbas was appointed as Non-Executive Director/Chairman to the Board of the Company on 1 September 2015. The NomRem Committee at their

NOMINATION AND REMUNERATION COMMITTEE REPORT

meeting held on 12 February 2016 recommended for Tan Sri Dato' Seri Shamsul Azhar bin Abbas for re-election at the forthcoming AGM.

At the same meeting, the NomRem Committee endorsed the recommendation to re-designate Dato' N. Sadasivan N.N. Pillay as Non-Independent Director so as to be in compliance with the recommendation of MCCG 2012 for directors who have completed nine years tenure as an Independent Director to be re-designated as a Non-Independent Director.

Pursuant to Section 129(6) of the Companies Act 1965, Dato' Sadasivan and Dato' Ab. Halim bin Mohyiddin both of whom attained the age of 76 years and 70 years respectively in February 2016, shall retire at the forthcoming 33rd AGM. Their re-appointment is subject to the approval of not less than three-fourths of the shareholders attending the AGM. If appointed, Dato' Sadasivan and Dato' Ab. Halim shall hold office until the subsequent AGM and henceforth their re-appointment shall be decided at every AGM. Taking into account their invaluable contributions, continued commitment, support and guidance as well as their leadership and management skills, both Dato' Sadasivan and Dato' Ab. Halim are recommended by the NomRem Committee for re-appointment as Directors of the Company.

BOARD EVALUATION

Every year, under the purview of the NomRem Committee, a formal evaluation is undertaken to assess the effectiveness of the following:

(a) The Board as a whole and the various Board Committees.
(b) Contribution of each Individual Director.
(c) Independence of Independent Directors.

This is conducted through a Board Evaluation process which consists of a Board and Peer Annual Assessment (Board Evaluation). The Board Evaluation focuses on maximising the effectiveness and performance of the Board in the best interest of the Company. The NomRem Committee had, on 12 February 2016, reviewed the outcome of the Board Evaluation for 2015 and initiated improvement actions.

SUMMARY OF ACTIVITIES OF THE NOMREM COMMITTEE

The following activities were carried out by the NomRem Committee during the financial year ended 31 December 2015:

(a) 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.

(b) Review of the succession planning of the Management positions of PGB.

(c) Review of the PETRONAS Employee Performance Management System and the evaluation of the performance of PGB's Management.

(d) Review of Directors' Training Requirements.

(e) Review of re-election of Directors.

(f) Review of nomination of Tan Sri Dato' Seri Shamsul Azhar bin Abbas as the Chairman of the Company.

(g) Review of NomRem Committee Report for Annual Report 2014.

(h) Review of PGB's Talent Management Framework.

Lim Beng Choon
Chairman
Nomination and Remuneration Committee
24 February 2016

NOMINATION AND REMUNERATION COMMITTEE'S TERMS OF REFERENCE

THE NOMINATION AND REMUNERATION COMMITTEE IS TO ASSIST THE BOARD IN EXERCISING ITS AUTHORITY IN RELATION TO THE MATTERS SET OUT IN THE TERMS OF REFERENCE.

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 as 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 when 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 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 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.

NOMINATION AND REMUNERATION COMMITTEE'S TERMS OF REFERENCE

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 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:

(i) the calling of meetings;
(ii) the notice to be given for meetings;
(iii) the voting and proceedings of meetings;
(iv) the keeping of minutes; and
(v) 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; and

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

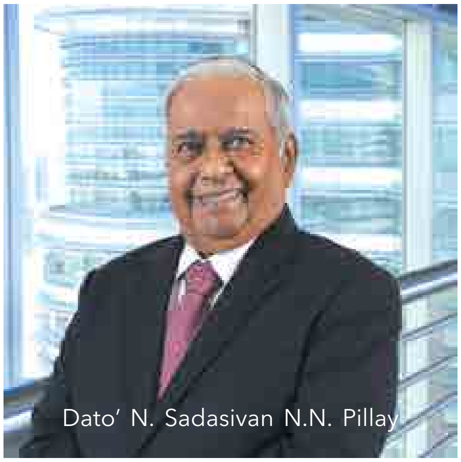
The NomRem Committee shall also, amongst others, establish and recommend the remuneration structure and policy for directors and review changes to the policy, as necessary.

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



THE BOARD AUDIT COMMITTEE (BAC) OF PETRONAS GAS BERHAD (PGB OR THE COMPANY) IS PLEASED TO PRESENT THE BAC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 IN COMPLIANCE WITH PARAGRAPH 15.15 OF MAIN MARKET LISTING REQUIREMENT (MMLR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA MALAYSIA).

COMPOSITION

The BAC was formed by the Board pursuant to its meeting held on 14 August 1995. As at 31 December 2015, the BAC comprises three Directors, in compliance with Paragraph 15.09(1)(a) of the MMLR.

As at 31 December 2015, the BAC members are as follows:

No.	Name of Members	Directorate
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

Dato' Ab. Halim bin Mohyiddin is currently a Council Member of the Malaysian Institute of Certified Public Accountants and also serves as the Chairman of the Education Training Committee of the Institute. He is also a member of the Malaysian Institute of Accountants. In this regard, the Company is in compliance with Paragraph 15.09(c)(i) under the MMLR which requires at least one member of the BAC to be a qualified accountant.

The Board reviews the terms of office of the BAC members and assesses the performance of the BAC and its members through an annual Board effectiveness evaluation. The Board is satisfied that the BAC and its members have duly discharged their functions, duties and responsibilities in accordance with the BAC's Terms of Reference.

On 24 February 2016, the Board has approved for the re-designation Dato' N. Sadasivan N.N. Pillay as Non-Independent Non-Executive Director. With this, Dato' Sadasivan has accordingly vacated the Chairmanship of the BAC. On the same date, the Board has approved Habibah binti Abdul as the Senior Independent Director of PGB. Habibah will effectively take the role of the Chairman of the BAC. The Senior Independent Director of PGB acts as the representative of the Board to whom any concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

At the same meeting on 24 February 2016, the Board has approved the appointment of Lim Beng Choon as an additional member to the BAC. Consequently, as at 24 February 2016, the BAC composition is as follows:

No.	Name of Members	Directorate
1.	Habibah binti Abdul *(Chairman)*	Senior Independent Non-Executive Director
2	Dato' N. Sadasivan N.N. Pillay	Non-Independent Non-Executive Director
3	Dato' Ab. Halim bin Mohyiddin	Independent Non-Executive Director
4	Datuk Rosli bin Boni	Non-Independent Non-Executive Director
5	Lim Beng Choon	Independent Non-Executive Director

BOARD AUDIT COMMITTEE REPORT

In line with the Paragraph 15.09(1)(b) of the MMLR and Malaysian Code on Corporate Governance 2012 (MCCG 2012), all the five BAC members are Non-Executive Directors, three of whom are Independent Directors who satisfy the test of independence under Paragraph 1.01 of the MMLR. None of the Independent Directors have appointed alternate directors.

TERMS OF REFERENCE

The Terms of Reference of the BAC sets out the authority, duties and responsibilities of the BAC. The terms of reference of the BAC as set out on page 222 to page 224 of this Annual Report are consistent with the requirements of the MMLR and the MCCG 2012.

MEETINGS

The BAC meets at least quarterly with additional meetings convened as and when necessary. The BAC meetings for year 2015 are scheduled in November 2014 to facilitate the Directors to plan ahead and incorporate the BAC meetings into their respective schedules. This also serves to provide the members with ample notice of the meetings.

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

Name of Members	No. of meetings attended
Dato' N. Sadasivan N. N. Pillay *(Chairman)*	6/6 (100%)
Dato' Ab. Halim bin Mohyiddin	6/6 (100%)
Datuk Rosli bin Boni	6/6 (100%)

By invitation, the Managing Director/Chief Executive Officer, Company Secretaries, Head of Finance Division, Head of Risk Management Unit, external and internal auditors were also present during deliberations of matters 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 met with the external auditors twice during the financial year without the presence of the Management.

The agenda and a set of meeting papers encompassing qualitative and quantitative information relevant to the business of the meeting are distributed to the BAC members in advance of the meeting dates.

Deliberations during the BAC meetings included performance review of the Company quarterly results for announcements to Bursa Malaysia, assessment of related party transactions and recurrent related party transactions proposed to be entered into by the Company, status of open audit findings together with the agreed corrective actions, risk management activities and proposed interim dividends.

The above assists the BAC Chairman to effectively convey to the Board the matters deliberated at the BAC meetings. Minutes of the BAC meeting are tabled for confirmation at 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, quarterly financial results and proposed interim dividends.

SUMMARY OF ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR 2015

During the financial year ended 31 December 2015, the following activities were carried out by the BAC:

Internal Control

(a) Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.

(b) Reviewed the Statement on Risk Management and Internal Controls (SORMIC), which was supported by an independent review by Messrs KPMG.

(c) Quarterly review of all related party transactions (RPT) and recurrent related party transactions (RRPT).

(d) Review of the PGB RPT/RRPT Policies and Procedures. Further details on RPT and RRPT process and procedures which is provided for under the SORMIC on page 202 to page 204 of this Annual Report.

Financial Reporting

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

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

(c) Reviewed and endorsed the fees of the external auditors for financial year end as disclosed in Note 20 to the financial statements.

(d) Reviewed the audited financial statements of the Company prior to submission to the Board for the Board's consideration and approval, upon the BAC being satisfied that, inter alia, the audited financial statements 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.

Annual Reporting

The statements for BAC Report, BAC's Terms of Reference and SORMIC for financial year ended 2015 for the purpose of inclusion in the Company Annual Report 2015, were reviewed and endorsed by the BAC on 16 February 2016.

Related Party Transaction and Conflict of Interest

The BAC reviews all RPT and RRPT in accordance with the PGB RPT Policies & Procedures (P&P) to monitor, track and identify RPT and RRPT 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. During the financial year under review, the BAC reviewed on quarterly basis, the status update of the Company's RPT and RRPT. The BAC also ensures that any conflicts of interests in the deliberation of a transaction is appropriately declared in advance.

Internal Audit

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

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

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

BOARD AUDIT COMMITTEE REPORT

External Audit

(a) Reviewed the external auditors' audit strategies and scope for the statutory audit of the Company's financial statements for the financial year ended 31 December 2015.

(b) Reviewed the external auditors' results of the statutory audit and the audit report.

Risk Monitoring

Reviewed on quarterly basis the Company's Enterprise Risk Report and Status of Risk Monitoring. The BAC also deliberated on the risk exposures and the mitigation plans required.

INTERNAL AUDIT

PETRONAS Internal Audit functions support the BAC in their responsibilities by providing an independent, objective assurance designed to add value and improve PETRONAS Group's operations.

PETRONAS GIAD key functions are to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group. The internal audit function of PGB was carried out by GIAD currently headed by Syed Sheikh Syed Idrus Alhabshi.

GIAD maintains its impartiality, proficiency and due professional care, as outlined in its Internal Audit Charter, by having its plans and reports directly under the purview of the BAC. The BAC has full access to internal auditors and received reports on all audits performed.

The internal audit function performs independent audits in diverse areas within the Group including management, accounting, financial and operational activities, in accordance with the risk-based annual audit plan which is presented to the BAC for approval.

The audits conducted during the year for PGB were:

No.	Audit Titles
1	Audit on Gas Processing Santong Plant Operations Activities of PGB
2	Audit on Materials, Corrosion and Inspection Activities of Gas Processing & Utilities (GPU), PGB
3	Audit on Risk Management Practices of PGB

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 and all outstanding/open items are reported to the BAC on a quarterly basis.

In addition to the above audit exercises, GIAD had also conducted a review of the PGB's P&P so as to provide assurance to the BAC that the P&P conforms to the requirements of Bursa Malaysia and operations adhered to the P&P. The said reviews were conducted on quarterly basis as well as for the year ended 31 December 2015.

GIAD monitors the status of agreed corrective actions through Quarterly Audit Status Report (QASR) submitted by the auditees which will be assessed and verified by GIAD. The consolidated QASR is submitted and presented to the BAC for deliberation.

The BAC reviews reports on all internal audits performed under its purview, including the agreed corrective actions to be undertaken by the auditees' management.

The Internal Audit processes and activities are guided by the approved Internal Audit Charter and aligned with internal audit industry standards (i.e. The International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA)).

GIAD also undertake to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by putting in place development programmes and providing sufficient and relevant trainings.

The total fees payable to GIAD for the internal audit function of the Company and the Group for the financial year was RM538,000.

RISK MANAGEMENT

The Board has established an organisation structure with clearly defined lines of responsibility and accountability pursuant to its business and operational requirements while ensuring appropriate risk management processes are in place to protect shareholders and stakeholders value.

The Planning and Risk Management Department (PRMD) of PGB has been tasked to conduct assessment of risks for PGB Group of Companies (PGB Group). PRMD reports directly to the BAC on quarterly basis or as and when is necessary.

Pursuant to Recommendation 6.1 of the MCCG 2012, Risk Management is enforced through an Enterprise Risk Report (ERR) reporting tool. Further details on the Risk Management is provided under the SORMIC on page 193 to page 199 of this Annual Report.

BAC plays a vital role in reviewing the adequacy and effectiveness of Risk Management processes within PGB Group. In this regard, BAC reviews and challenges the ERR which entails amongst others the risk profile and status of risk mitigation implementation.

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 under Paragraph 15.16 of the MMLR was not required.

Habibah binti Abdul
Chairman
Board Audit Committee
24 February 2016

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

THE BOARD AUDIT COMMITTEE IS RESPONSIBLE TO OVERSIGHT THE FINANCIAL REPORTING PROCESS, SELECTION OF EXTERNAL AUDITOR, RECEIPT OF AUDIT RESULTS BOTH INTERNAL AND EXTERNAL, INTERNAL CONTROL SYSTEM, RISK MANAGEMENT SYSTEM AND INTERNAL AND EXTERNAL AUDIT FUNCTIONS.

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 of Corporate Governance, 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 fulfills the requirements as provided in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (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; or

(c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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 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; and

(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; and

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

(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 judgemental areas;
(d) significant adjustments resulting from the audit;
(e) the going concern assumption;
(f) compliance with accounting standards; and
(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; and

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

REPORTING PROCEDURES

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

CODE OF CONDUCT AND BUSINESS ETHICS

G4-56, G4-SO3

INTEGRITY IS ONE OF THE SHARED VALUES THAT WE PROUDLY UPHOLD IN PERFORMING OUR DUTIES. ALL EMPLOYEES, DIRECTORS AND THIRD PARTIES REPRESENTING PETRONAS AND ITS SUBSIDIARIES ARE GUIDED BY THE PETRONAS CODE OF CONDUCT AND BUSINESS ETHICS (COBE) AND THE PETRONAS ANTI-BRIBERY AND CORRUPTION POLICY AND GUIDELINES (ABC MANUAL) WHICH PGB HAS ADOPTED.

Other than CoBE and the ABC manual, we also adopt the No Gift Policy as a means to address the issues of bribery and conflict of interest in any business dealings between the Company and any third parties.

Various kinds of employee awareness programmes on CoBE and ABC manual have been undertaken such as briefings to all staff and contractors, availability of the CoBE and ABC manual in the Company's online portal, briefings to the new entrants, distribution of the CoBE and ABC manual booklet to employees and refresher briefings during engagement sessions.

All contractors serving the PETRONAS Group had participated in the "Pledge for Integrity" signing ceremony conducted by PETRONAS on 30 November 2015. Prior to that, a briefing session with all the PETRONAS contractors were conducted on 3 November 2015. The main objective of the "Pledge for Integrity" is to encourage PETRONAS' business partners to implement anti-corruption commitments in their organisation and business dealings.

Starting December 2015, an on-line E-Learning CoBE and ABC training were launched and all staff were made compulsory to enroll and complete the online training and assessment in order to ensure thorough understanding of the CoBE and ABC manual. Meanwhile, about 70% of staff at Gas Processing and Utilities Division have attended the CoBE and ABC manual refresher training. For all new employees, the briefings on CoBE and ABC manual were conducted during the PETRONAS Induction Programme as well as at respective Divisions.

We have adopted the PETRONAS' Whistleblowing Policy where employees or members of the public are encouraged to disclose any improper conduct (misconduct or criminal offence or malpractices) in accordance with the procedures as provided under this Policy and the Company gives the assurance that the identity of the whistleblowers shall be kept confidential and all reported cases shall be investigated and followed through until closure.

Such misconduct or criminal offences include the following:

i. Fraud;
ii. Bribery;
iii. Abuse of Power;
iv. Conflict of Interest;
v. Theft or embezzlement;
vi. Misuse of Company's Property;
vii. Non-Compliance with Procedure.

The above list is not exhaustive and includes any act or ommissions, which if proven, will constitute an act of misconduct under CoBE or any criminal offence under relevant legislations in force.

Upon receiving report on violations of the policies/manuals or improper conduct, it shall be investigated thoroughly to determine the prima facie of the case. If the case is valid, appropriate consequence management shall be taken in accordance to the Company's Disciplinary Actions Process and Procedures.

DELIVERING OPERATIONAL EXCELLENCE

WE FOCUS ON REORGANISING THE COMPANY'S STRUCTURE, SYSTEMS AND WORK PROCESSES TO DELIVER STRONGER OPERATIONAL EXCELLENCE.

CORPORATE MILESTONES

OUR JOURNEY 1983-2016

1983

PETRONAS Gas Sdn Bhd (PGSB) was incorporated as a wholly-owned subsidiary of Petroliam Nasional Berhad (PETRONAS) on 23 May 1983.

1984

Commissioning of Peninsular Gas Utilisation (PGU) 1, Commissioning of Gas Processing Plant (GPP) 1 with first gas in and first salesgas delivery to power and industrial customers.

1987

Appointment of PGSB as a throughput and servicing agent to PETRONAS in relation to the PGU project in Peninsular Malaysia (Throughput Agreement) on 2 November 1987.

1991

Commissioning of PGU 2 and the official opening of the Segamat Gas Transmission Operation Centre by then the Prime Minister of Malaysia, Tun Dr. Mahathir bin Mohamad.

1992

First salesgas delivery to Senoko Power Station in Singapore via submarine pipeline and the commissioning of GPP2 and GPP3.

1994

Commissioning of GPP4.

1995

Signing of a 20-year agreement between PGSB and PETRONAS for the provision of services relating to Gas Processing and Gas Transmission Agreement (GPTA) in Malaysia on 31 March 1995 with effective date 1 April 1994.

Conversion of PGSB from private limited to a public listed company (PETRONAS Gas Berhad (PGB)) and was listed on the main board of Kuala Lumpur Stock Exchange (now Bursa Malaysia Securities Berhad (Bursa Malaysia)).

1998

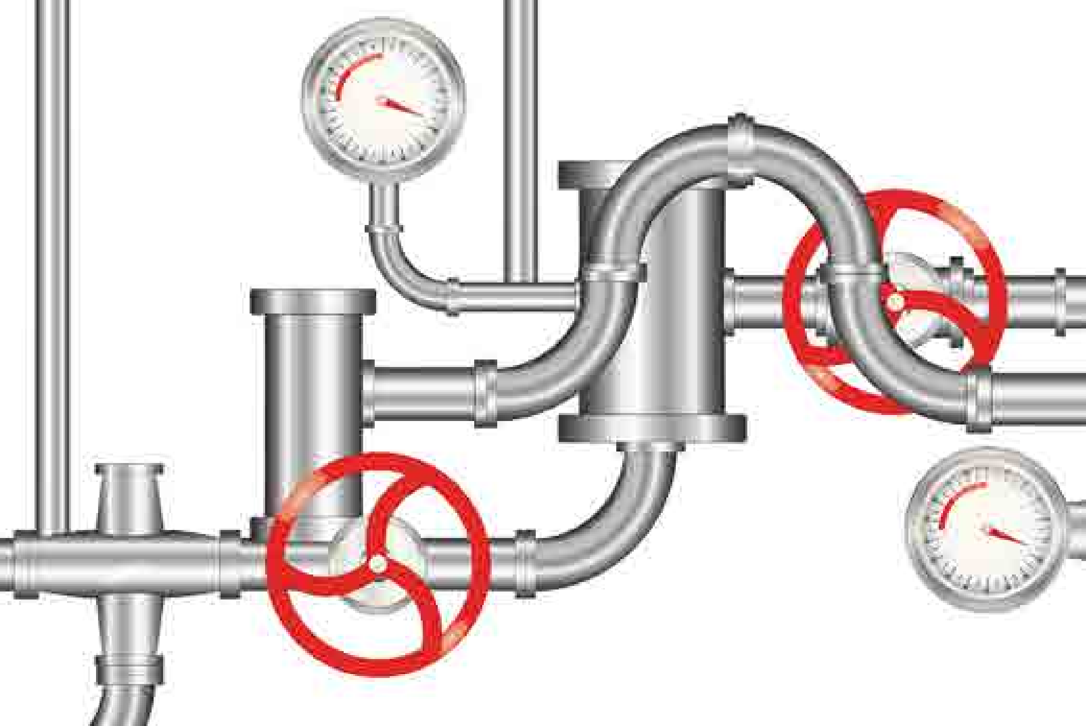
Completion of PGU 3 project and the signing of first Sale and Purchase Agreement with Centralised Utility Facilities (CUF).

1999

Commissioning of GPP5 and GPP6, first delivery of electricity from CUF Kertih and CUF Gebeng to customers.

2000

PGB secured RM1.4 billion worth of Islamic Financing from the domestic private debt securities to partly finance its CUF project.



2005

First gas-in from Malaysia-Thailand Joint Development Area; Signing of Operation and Maintenance Services Agreement with Trans Thai-Malaysia (M) Sdn Bhd.

2009

Ground breaking ceremony of Kimanis Power Plant project on 26 November 2009 by Chief Minister of Sabah, Datuk Seri Panglima Musa bin Haji Aman.

2010

Prime Minister of Malaysia, Dato' Sri Mohd Najib bin Tun Haji Abdul Razak announced on 10 June 2010 the development of Malaysia's first liquefied natural gas (LNG) Regasification Terminal in Sungai Udang, Melaka (RGTSU) by PETRONAS under the 10th Malaysia Plan.

2011

Signing of Engineering, Procurement, Construction, Installation and Commissioning Alliance agreement between PGB and a consortium of contractors for LNG Regasification Terminal Project in Sungai Udang Melaka on 25 February 2011.

PGB Network Code was unveiled to public via official announcement to Bursa Malaysia on 23 December 2011.

2013

Commissioning of RGTSU on 23 May 2013; Commissioning and testing of PGB's Power Venture arm, Kimanis Power Plant.

2014

In November 2014, PGB achieved another milestone as its power venture arm, Kimanis Power Plant, became fully operationalise, allowing additional power for the people of Sabah.

PGB signed a series of agreements towards developing Malaysia's Second LNG Regasification Terminal in Pengerang and a Heads of Agreement with Linde to develop an Air Separation Unit Plant to produce industrial gases for Pengerang Integrated Complex.

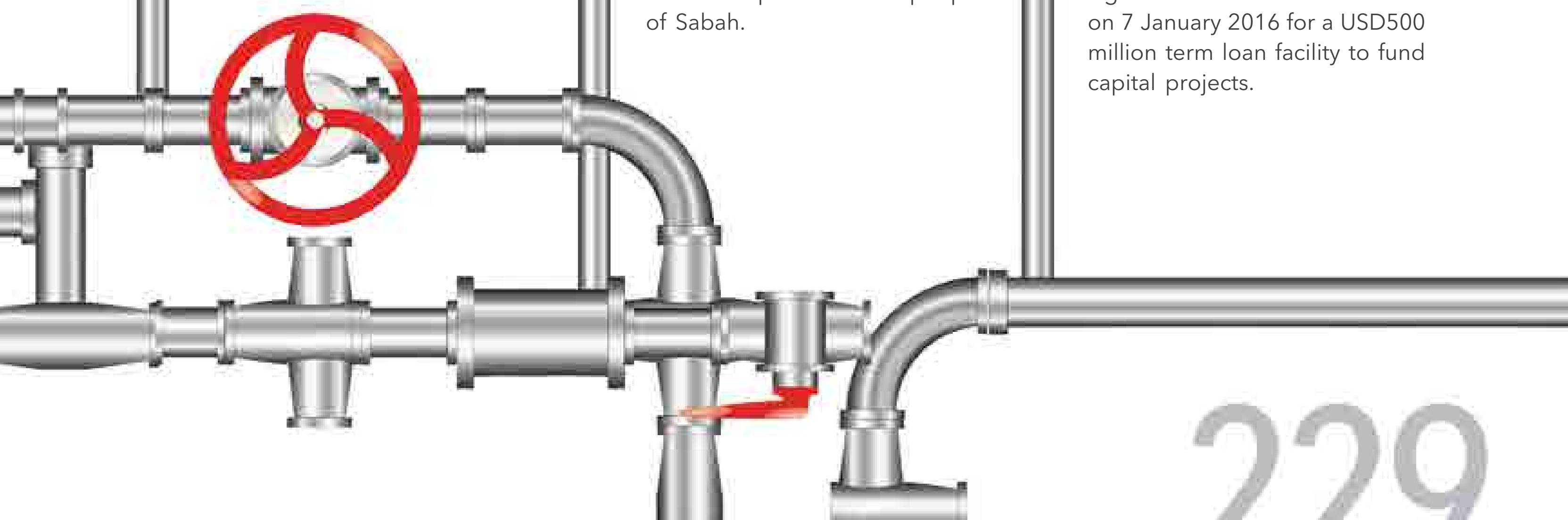
Signing of the new Gas Processing Agreement (GPA) and Gas Transportation Agreements (GTA) with PETRONAS for 20 years, ensuring steady income for PGB.

2015

Completion of the last series of Plant Rejuvenation and Revamp Project for Gas Processing plant 2, 3 and 4, extending their useful life for another 20 years.

2016

Execution of a Facility Agreement with Mizuho Bank on 7 January 2016 for a USD500 million term loan facility to fund capital projects.



2015 SIGNIFICANT EVENTS

FEB 05

PGB inked an agreement with the State Secretary, Johor (Incorporated) (SSI Johor) and Dialog LNG Sdn Bhd to undertake the development of Liquefied Natural Gas (LNG) Regasification Terminal in Pengerang, Johor, under a joint-venture company, Pengerang LNG (Two) Sdn Bhd (PLNG2).

The LNG Regasification Facilities will provide fuel requirement for the Pengerang Cogeneration Plant to power up the PETRONAS' Refinery and Petrochemical Integrated Development (RAPID) complex. Once completed in 2017, it will comprise a regasification unit and two units of 200,000 m^3 LNG storage tanks with an initial send out capacity of 3.5 million tonnes per annum (MTPA), equivalent to approximately 490 million standard cubic feet per day (mmscfd).

APR 22

PGB held a ceremony to commemorate the receipt of gas from the Joint Development Area (JDA) in Thailand to Terengganu Gas Terminal (TGAST) Project in Malaysia (TGAST Phase 1) and TGAST-OSC-GPU Modification Project (TOG Project). The overall scope was to perform interplant piping and blending facilities at OSC and GPU for proper blending of the high carbon dioxide (CO_2) JDA gas with existing feedgas supply to meet CO_2 design limit at Gas Processing Plants.

MAY 11

PGB, as the owner and operator of a 22 km gas pipeline and metering infrastructure project which is known as Prai II Lateral Gas Pipeline (PRISM), signed an Operation and Communication Manual (OCM) with TNB Prai Sdn Bhd to ensure smooth execution of operational activities and communication. The pipeline is able to supply up to 250 mmscfd of natural gas to TNB Prai for a maximum generating capacity of 1000 MW.

Earlier, TNB Prai has sealed a Gas Sales Agreement (GSA) with PETRONAS for the delivery of gas to cater for the former's growing electricity demand and economic development in Penang, Kedah and the northern region of Peninsular Malaysia.

NOV 26

PGB won for the second consecutive year the Industry Excellence Award for Listed Companies of the prestigious National Annual Corporate Report Awards (NACRA) and took home the Industrial Products and Technology award category.

The theme for Annual Report 2014, "Driving Transformation", was recommended by the then PGB Chairman, Datuk George Ratilal, who also called on all PGB staff to pull their resources and efforts together in embracing the success of PGB transformation journey.

NOV 29

Board of Directors visited PGB's projects in Pengerang, Johor, and were enlightened on the LNG Regasification Terminal and Air Separation Unit, which are progressing per schedule. The two projects, located within the 6,242-acre Pengerang Integrated Complex, will supplement the business growth of PETRONAS Downstream at RAPID.

NOV 30

PGB, together with other PETRONAS' subsidiaries, signed the Contractors Integrity Pledge with their respective contractors at the 5th Corporate Integrity Advocacy Programme.

First held in 2013, the programme was jointly organised by the office of PETRONAS Chief Integrity Officer (CIO) and the Malaysian Anti-Corruption Commission (MACC). The event focused on elevating awareness to PETRONAS' employees on the vitality of their roles in promoting integrity and zero tolerance against bribery and corruption, enhance understanding on consistent enforcement of PETRONAS Code of Conduct and Business Ethics (CoBE) and to highlight the significance of integrity in sustaining a high performance culture.
G4-SO4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PetGas is a safe haven for investors, says CIMB Research
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analyst report
PetGas untung RM2.354b
Petronas Gas appoints Shamsul as chairman
Program transformasi
PGB lepas 1,000 benih ikan siakap
Petronas Gas mulakan program sayangi Sungai Paka
Star
Petronas Gas secures RM2.2bil term loan from Mizuho Bank
FOCUS
Most transparent
BH
Berita Harian
Untung PETRONAS Gas RM571.29j

2015 MEDIA MILESTONES

A SNAPSHOT OF OUR YEAR IN THE NEWS

2015 CALENDAR OF EVENTS

JAN 15

GPU's Engineering Department organised a CSR activity to assist flood victims at Madrasul Quran Pinang Baru in Dungun, Terengganu

JAN 29

PGB Head office organised a *gotong-royong* activity to clean up Sekolah Menengah Kebangsaan Dabong in Kelantan affected by the recent major flood

FEB 10

Gotong-royong and donation contribution to the less fortunate community staying in Kampung Bukit Merah, Paka, Terengganu

FEB 26

Flood relief effort to 179 families living in Membakut District affected by the unprecedented flood in Sabah

Ex-LUNAS Emergency Response Tier-2 Exercise to equip staff with all relevant skills during incident and accident by Gurun Regional Office

MAR 9

Engagement session with DOE-Smart Partnership for Earth Day at DOE Johor

MAR 10

Engagement session with one of PETRONAS' customers, Senoko Power Ltd, at Pasir Gudang Regional Office

MAR 16

Donation to 150 families living in Bongawan District affected by the major flood in Sabah

MAR 17

Engagement session and familiarisation visit by the newly-appointed Director General of DOSH, Dato' Ir Mohtar Musri jointly organised by RGT with PETRONAS Penapisan (Melaka) Sdn Bhd (PPMSB)

MAR 26

Visit by analysts from various research houses to RGTSU

APR 15

Visit by Secretary General of the Ministry of Energy, Green Technology and Water Malaysia (KeTTHA) Datuk Loo Took Gee, to Kimanis Power Plant

MAR 21

GPK-ABT Department organised *gotong-royong*, activities for the underprivileged community in Kampung Baru, Kertih, Terengganu

APR 3

Engagement session and visit by high-ranked officers of PETRONAS' Malaysia Marine Academy (or ALAM), accompanied by MISC officers, to witness the LNG unloading process

APR 23

Visit by Korean Gas Corporation (KOGAS) to RGTSU

2015 CALENDAR OF EVENTS

APR 25

Engagement session and public awareness programme known as "Knowing GTR" at Putra Avenue, Putra Heights to gauge residents' understanding and awareness on the presence of gas pipelines and Right of Way (ROW) within their residential area

APR 27

Study visit by Asian Institute of Technology (AIT) and Gas Transmission Co Ltd, Bangladesh to Shah Alam Regional Office

APR 28

Engagement session and public awareness programme organised by Sitiawan Regional Office with community of Kampung Merbau, Ayer Tawar

MAY 14

Evacuation Exercise by Pasir Gudang Regional Office

MAY 20

Familiarisation visit by staff from Indonesia's Badak LNG and PT Dimensi Barumas Perdana to GPS to learn and observe Phonon Diagnostic Technology Execution

JUN 4

Visit by KeTTHA, Ministry of Finance (MOF), Unit Kerjasama Awam Swasta, Jabatan Perdana Menteri (UKAS), TNB Fuel Services Sdn Bhd (TNBF), Suruhanjaya Tenaga (ST) and Single Buyer Department, TNB (SB)

JUN 8

Ex-5 Derang Emergency Response Tier-1 Exercise

JUN 10

Exercise at RGTSU with other stakeholders including MISC, Sungai Udang Port, Jabatan Laut and APMM

The Launching of PGB's Corporate Social Investment (CSI) initiative *"Sayangi Sungai Paka"* at Kuala Paka, Dungun, Terengganu jointly with Malaysian Nature Society (MNS) to create awareness on the importance of river care and the love for the environment

JUN 15

Ex-Tumpah Emergency Response Exercise at Seremban City Gate in Negeri Sembilan

JUN 17

Public awareness and engagement session with officers of Gurun Police Station at Gurun Regional Office

2015 CALENDAR OF EVENTS

JUN 20

Donation in cash and kind to family members of the Mountain Guides in Ranau, Sabah, and victims of the earthquakes

JUL 9

Shopping for Aidilfitri and donation to the less fortunate families and single parents residing in the Paka and Dungun areas in Terengganu

AUG 12

Familiarisation visit by Customs Department to Gas Processing Kertih to learn more on the operations of Downstream business

JUL 4

"Free Market" in conjunction with Aidilfitri for 24 less-fortunate families where they were invited to choose items ranging from clothing, shoes, shirts, trousers, shoes and many more

JUL 12

Gotong-royong, repair and maintenance of toilet and kitchen organised for the underprivileged community staying in Kemasik, Kemaman, Terengganu. Books and school items were also contributed

AUG 12

Shareholders' familiarisation visit to PGB facility at Gas Processing Santong and Utilities Kertih to learn more about the gas processing plants

AUG 13

ATS Fire Drill at Gas Processing Santong, Terengganu

AUG 20

Gotong-royong at Balai Raya Kampung Bukit Raya, Hulu Langat in Selangor with NGO Yayasan Salam and the local community as part of PGB's CSI Programme on Livelihood

OCT 29

Ex-Tiga Ratus Emergency Response Tier-3 Exercise organised by Gurun Regional Office with 24 local authorities at Jawi, Seberang Prai in Pulau Pinang

AUG 14

Visit by TIM Naziran to RGTSU to assess potential threats and security mechanism to prevent threats. The authorities involved among others were Malaysia Royal Police (or PDRM), National Security Council (or MKN) and Works Department (or JKR)

OCT 22

Engagement session and public awareness programme by JKR Perak Tengah with contractors performing works along PGB's pipeline

DEC 18

4G activity in conjunction with GTR's HSE Month Programme. Planting of trees in support for the government's "Go Green Campaign"

AWARDS AND ACHIEVEMENTS

WE WERE BESTOWED WITH NUMEROUS AWARDS AND CERTIFICATIONS DURING THE YEAR UNDER REVIEW IN RECOGNITION OF OUR COMMENDABLE ACCOMPLISHMENTS

NACRA

Best Excellence Award in the Industrial Products and Technology Category

FOCUS MALAYSIA

9th Most Transparent Big Stock Award

FTSE4GOOD
G4 16

Obtained the prestigious Certificate of Membership for inclusion in the FTSE4Good Index

INSTITUT KIMIA MALAYSIA

IKM Laboratory Excellence Award in the testing of Gas, Water, Waste Water

PAST AWARDS

AWARDS AND ACHIEVEMENTS 2014

WE ARE THRILLED TO HAVE BEEN BESTOWED WITH NUMEROUS AWARDS AND CERTIFICATIONS IN THE YEAR UNDER REVIEW IN RECOGNITION OF OUR STELLAR ACCOMPLISHMENTS.

Awards:

1. MSWG-ASEAN Corporate Governance Index 2014
   - PETRONAS Gas Berhad was recognised for having the best corporate governance practices including transparency and performance in the Oil and Gas Sector.
2. NACRA 2014
   - PETRONAS Gas Berhad won the Best Annual Report in the Industrial Products and Technology Category at the National Annual Corporate Report Awards (NACRA) 2014 for annual report produced for the year ended December 2013.
3. Finance Asia Award
   - PETRONAS Gas Berhad was named the third Best Managed Company in Malaysia by a Finance Asia poll which tallied the votes of 265 investors and analysts across the region.
4. The Edge Billion Ringgit Club
   - PETRONAS Gas Berhad was honoured for having the Best Performing Industrial Stock with a market capitalisation of more than RM10 billion in the Industrial Sector.
5. Focus Malaysia Award
   - PETRONAS Gas Berhad was named the fourth Most Transparent Big Stock in Malaysia in a poll conducted by Focus Malaysia, a leading English business weekly.

Certifications

1. The following certifications validate the high standards to which PETRONAS Gas Berhad adheres in its processes and systems.
   - Jabatan Alam Sekitar Award for compliance with all stipulated conditions related to the management of scheduled wastes.
   - IQNet and SIRIM International Quality Management System ISO 9001:2008.

AWARDS AND ACHIEVEMENTS 2013

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. 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.
2. Alpha Annual Southeast Asia Institutional Investor Corporate Awards
   - PGB won the Best Senior Management Investor Relations (IR) Support Category in Malaysia.
3. MSOSH (Malaysian Society for Occupational Safety and Health)
   - 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
4. NCOSH (National Council for Occupational Safety and Health)
   - OSH National Award Winner for Gurun Regional Office, TOD
5. NACRA (National Annual Corporate Reports Award)
   - 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
6. ICC (Innovative and Creative Circle)
   - Team BUBBLE from PGB was awarded
     - Best Young ICC Award at the Central Mini Regional Convention on Team Excellence
     - Gold Medal at the Central Regional Convention on Team Excellence
     - 3 Stars Gold Medal and Most Potential Group Award at the National Convention Team Excellence ICC
7. IKM (Institut Kimia Malaysia)
   - IKM Laboratory Excellence Award

Certifications:

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

OUR RIGHT RESULTS

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 253 to 331, 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 2015 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 judgements and estimates were made;
- all Malaysian 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 the Company, and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

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 5, note 6 and note 7 to the financial statements respectively.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,985,870	2,321,548
Attributable to:		
Shareholders of the Company	1,987,452	–
Non-controlling interests	(1,582)	–

DIVIDENDS

During the financial year, the Company paid:

i. a third interim dividend of 15 sen per ordinary share amounting to RM296,810,000 in respect of the financial year ended 31 December 2014 on 25 March 2015;

ii. a first interim dividend of 14 sen per ordinary share amounting to RM277,022,000 in respect of the financial year ended 31 December 2015 on 16 June 2015;

iii. a second interim dividend of 14 sen per ordinary share amounting to RM277,022,000 in respect of the financial year ended 31 December 2015 on 11 September 2015; and

iv. a third interim dividend of 15 sen per ordinary share amounting to RM296,810,000 in respect of the financial year ended 31 December 2015 on 14 December 2015.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

DIVIDENDS (continued)

The Directors had on 24 February 2016 declared a fourth interim dividend of 17 sen per ordinary amounting to RM336,384,000 in respect of the financial year ended 31 December 2015.

The financial statements for the current financial year do not reflect the declared interim dividend. The dividend, will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2016.

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:

Tan Sri Dato' Seri Shamsul Azhar bin Abbas (appointed on 1 September 2015)
Dato' N. Sadasivan N.N. Pillay
Datuk Rosli bin Boni
Pramod Kumar Karunakaran
Dato' Ab. Halim bin Mohyiddin
Lim Beng Choon
Yusa' bin Hassan
Habibah binti Abdul
Datuk Manharlal Ratilal (resigned on 1 September 2015)

In accordance with Article 93 of the Company's Articles of Association, Yusa' bin Hassan will retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

In accordance with Article 96 of the Company's Articles of Association, Tan Sri Dato' Seri Shamsul Azhar bin Abbas who was appointed to fill a casual vacancy on the Board, will retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dato' N. Sadasivan N.N. Pillay and Dato' Ab. Halim bin Mohyiddin are retiring at the forthcoming Annual General Meeting. Dato' N. Sadasivan N.N. Pillay and Dato' Ab. Halim bin Mohyiddin offer themselves for re-appointment and are 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 of its related corporations other than wholly owned subsidiaries (including the interests of the spouses and/or children of the Director who themselves are not Directors 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 1.1.2015**	**Bought**	**Sold**	**Balance at 31.12.2015**
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000

	Number of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad			
Name	**Balance at 1.1.2015**	**Bought**	**Sold**	**Balance at 31.12.2015**
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000

	Number of ordinary shares of RM0.10 each in PETRONAS Chemicals Group Berhad			
Name	**Balance at 1.1.2015/ at appointment date**	**Bought**	**Sold**	**Balance at 31.12.2015**
Tan Sri Dato' Seri Shamsul Azhar bin Abbas	20,000	–	–	20,000
Datuk Rosli bin Boni	12,000	–	(2,000)	10,000
Pramod Kumar Karunakaran	6,000	–	–	6,000
Dato' Ab. Halim bin Mohyiddin				
– own	5,000	–	–	5,000
– others	5,000	–	–	5,000
Yusa' bin Hassan	14,000	–	(14,000)	–

None of the other Directors holding office at 31 December 2015 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 material contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (continued)

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, except for the loss on unrealised foreign exchange as disclosed in the note 20 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There were no significant events during the financial year other than as disclosed in note 25.

SUBSEQUENT EVENTS

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

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Tan Sri Dato' Seri Shamsul Azhar bin Abbas

Yusa' bin Hassan

Kuala Lumpur,
24 February 2016

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 253 to 331, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2015 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 35 on page 331 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:

Tan Sri Dato' Seri Shamsul Azhar bin Abbas

Yusa' bin Hassan

Kuala Lumpur,
24 February 2016

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 253 to 331 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 24 February 2016.

BEFORE ME:

PESURUHJAYA SUMPAH
No: W626
Nama: HAJJAH JAMILAH ISMAIL
MALAYSIA

Lot 5.3D Tingkat 5
Wisma Central
Jalan Ampang
50450 Kuala Lumpur

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Note	31.12.2015 RM'000	31.12.2014 RM'000
ASSETS			
Property, plant and equipment	3	**11,323,848**	10,858,461
Prepaid lease payment	4	**4,518**	–
Investment in associate	6	**128,063**	132,335
Investment in joint ventures	7	**547,647**	468,399
Deferred tax assets	8	**456,360**	511,434
TOTAL NON-CURRENT ASSETS		**12,460,436**	11,970,629
Trade and other inventories	10	**46,367**	43,384
Trade and other receivables	11	**644,389**	608,718
Cash and cash equivalents	12	**1,230,815**	637,746
TOTAL CURRENT ASSETS		**1,921,571**	1,289,848
TOTAL ASSETS		**14,382,007**	13,260,477
EQUITY			
Share capital	13	**1,978,732**	1,978,732
Reserves	14	**9,460,067**	8,555,146
Total equity attributable to the shareholders of the Company		**11,438,799**	10,533,878
Non-controlling interests	15	**156,137**	35,125
TOTAL EQUITY		**11,594,936**	10,569,003
LIABILITIES			
Finance lease liabilities	16	**1,029,596**	861,223
Deferred tax liabilities	8	**922,594**	1,033,321
Deferred income	17	**6,852**	7,798
TOTAL NON-CURRENT LIABILITIES		**1,959,042**	1,902,342
Trade and other payables	18	**796,539**	668,185
Finance lease liabilities	16	**28,664**	21,027
Taxation		**2,826**	99,920
TOTAL CURRENT LIABILITIES		**828,029**	789,132
TOTAL LIABILITIES		**2,787,071**	2,691,474
TOTAL EQUITY AND LIABILITIES		**14,382,007**	13,260,477

The notes set out on pages 262 to 331 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Revenue	19	**4,455,955**	4,391,716
Cost of revenue	19	**(2,316,526)**	(2,179,498)
Gross profit	19	**2,139,429**	2,212,218
Administration expenses		**(89,468)**	(74,843)
Other expenses		**(205,211)**	(96,215)
Other income		**172,213**	100,899
Operating profit	20	**2,016,963**	2,142,059
Financing costs	21	**(90,055)**	(76,328)
Share of profit after tax of equity-accounted associate and joint ventures		**75,202**	288,728
Profit before taxation		**2,002,110**	2,354,459
Tax expense	22	**(16,240)**	(512,379)
Profit for the year		**1,985,870**	1,842,080
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Share of cash flow hedge of an equity-accounted joint venture		**28,939**	7,950
Net movement from exchange differences		**55,955**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,070,764**	1,850,030
Profit/(loss) attributable to:			
Shareholders of the Company		**1,987,452**	1,843,186
Non-controlling interests	15	**(1,582)**	(1,106)
PROFIT FOR THE YEAR		**1,985,870**	1,842,080
Total comprehensive income/(expense) attributable to:			
Shareholders of the Company		**2,058,705**	1,851,136
Non-controlling interests		**12,059**	(1,106)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,070,764**	1,850,030
Basic and diluted earnings per ordinary share (sen)	24	**100.4**	93.1

The notes set out on pages 262 to 331 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		Attributable to shareholders of the Company			
		Non-distributable			
	Note	**Share capital RM'000**	**Share premium RM'000**	**Hedging reserve RM'000**	**Foreign currency translation reserve RM'000**
Balance at 1 January 2014		1,978,732	1,186,472	4,596	–
Share of cash flow hedge of an equity-accounted joint venture		–	–	7,950	–
Profit for the year		–	–	–	–
Total comprehensive income for the year		–	–	7,950	–
Issuance of shares to non-controlling interest		–	–	–	–
Dividends – 31.12.2013 final	23	–	–	–	–
Dividends – 31.12.2014 interim	23	–	–	–	–
Total transactions with shareholders of the Company		–	–	–	–
Balance at 31 December 2014		1,978,732	1,186,472	12,546	–
Balance at 1 January 2015		**1,978,732**	**1,186,472**	**12,546**	**-**
Net movement from exchange differences		**-**	**-**	**-**	**42,314**
Share of cash flow hedge of an equity-accounted joint venture		**-**	**-**	**28,939**	**-**
Profit for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**28,939**	**42,314**
Issuance of shares to non-controlling interest		**-**	**-**	**-**	**-**
Dilution of equity shareholding in a subsidiary	25	**-**	**-**	**-**	**(5,943)**
Dividends – 31.12.2014 interim	23	**-**	**-**	**-**	**-**
Dividends – 31.12.2015 interim	23	**-**	**-**	**-**	**-**
Total transactions with shareholders of the Company		**-**	**-**	**-**	**(5,943)**
Balance at 31 December 2015		**1,978,732**	**1,186,472**	**41,485**	**36,371**

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The notes set out on pages 262 to 331 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		Attributable to shareholders of the Company			
		Distributable			
	Note	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2014		7,095,930	10,265,730	(183)	10,265,547
Share of cash flow hedge of an equity-accounted joint venture		–	7,950	–	7,950
Profit for the year		1,843,186	1,843,186	(1,106)	1,842,080
Total comprehensive income for the year		1,843,186	1,851,136	(1,106)	1,850,030
Issuance of shares to non-controlling interest		–	–	36,414	36,414
Dividends – 31.12.2013 final	23	(791,494)	(791,494)	–	(791,494)
Dividends – 31.12.2014 interim	23	(791,494)	(791,494)	–	(791,494)
Total transactions with shareholders of the Company		(1,582,988)	(1,582,988)	36,414	(1,546,574)
Balance at 31 December 2014		7,356,128	10,533,878	35,125	10,569,003
Balance at 1 January 2015		7,356,128	10,533,878	35,125	10,569,003
Net movement from exchange differences		–	42,314	13,641	55,955
Share of cash flow hedge of an equity-accounted joint venture		–	28,939	–	28,939
Profit for the year		1,987,452	1,987,452	(1,582)	1,985,870
Total comprehensive income for the year		1,987,452	2,058,705	12,059	2,070,764
Issuance of shares to non-controlling interest		–	–	102,833	102,833
Dilution of equity shareholding in a subsidiary	25	(177)	(6,120)	6,120	–
Dividends – 31.12.2014 interim	23	(296,810)	(296,810)	–	(296,810)
Dividends – 31.12.2015 interim	23	(850,854)	(850,854)	–	(850,854)
Total transactions with shareholders of the Company		(1,147,841)	(1,153,784)	108,953	(1,044,831)
Balance at 31 December 2015		8,195,739	11,438,799	156,137	11,594,936

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The notes set out on pages 262 to 331 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**4,574,476**	4,547,268
Cash paid to suppliers and employees		**(1,591,607)**	(1,631,831)
		2,982,869	2,915,437
Interest income from fund investments		**31,755**	37,056
Taxation paid		**(168,987)**	(375,830)
Net cash generated from operating activities		**2,845,637**	2,576,663
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associate and joint ventures		**29,165**	26,987
Acquisition of subsidiary, net of cash acquired		**-**	2,101
Prepaid lease payment		**(4,133)**	-
Purchase of property, plant and equipment		**(1,169,372)**	(1,254,029)
Maturity of other investments		**-**	15,000
Reimbursement of project cost		**56,236**	-
Proceeds from disposal of property, plant and equipment		**368**	268
Net cash used in investing activities		**(1,087,736)**	(1,209,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(1,147,664)**	(1,582,988)
Financing costs paid		**(88,814)**	(76,247)
Repayment of finance lease liabilities		**(23,861)**	(18,546)
Proceeds from shares issued to a non-controlling interest		**102,833**	36,414
Net cash used in financing activities		**(1,157,506)**	(1,641,367)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**600,395**	(274,377)
NET FOREIGN EXCHANGE DIFFERENCE		**(7,326)**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**637,746**	912,123
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**1,230,815**	637,746

The notes set out on pages 262 to 331 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Note	31.12.2015 RM'000	31.12.2014 RM'000
ASSETS			
Property, plant and equipment	3	**7,608,286**	7,537,445
Investment in subsidiaries	5	**2,776,901**	2,514,767
Investment in associate	6	**76,466**	76,466
Investment in joint ventures	7	**192,250**	192,250
TOTAL NON-CURRENT ASSETS		**10,653,903**	10,320,928
Trade and other inventories	10	**44,197**	42,904
Trade and other receivables	11	**553,519**	613,330
Cash and cash equivalents	12	**1,116,541**	492,474
TOTAL CURRENT ASSETS		**1,714,257**	1,148,708
TOTAL ASSETS		**12,368,160**	11,469,636
EQUITY			
Share capital	13	**1,978,732**	1,978,732
Reserves	14	**8,906,360**	7,732,476
TOTAL EQUITY		**10,885,092**	9,711,208
LIABILITIES			
Deferred tax liabilities	8	**922,594**	1,033,321
Deferred income	17	**6,852**	7,798
TOTAL NON-CURRENT LIABILITIES		**929,446**	1,041,119
Trade and other payables	18	**550,796**	617,390
Taxation		**2,826**	99,919
TOTAL CURRENT LIABILITIES		**553,622**	717,309
TOTAL LIABILITIES		**1,483,068**	1,758,428
TOTAL EQUITY AND LIABILITIES		**12,368,160**	11,469,636

The notes set out on pages 262 to 331 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Revenue	19	**3,818,817**	3,775,496
Cost of revenue	19	**(1,976,943)**	(1,871,257)
Gross profit	19	**1,841,874**	1,904,239
Administration expenses		**(89,262)**	(73,339)
Other expenses		**(2,158)**	(43,389)
Other income		**532,260**	327,622
Profit before taxation/Operating profit	20	**2,282,714**	2,115,133
Tax income/(expense)	22	**38,834**	(420,764)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,321,548**	1,694,369

The notes set out on pages 262 to 331 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		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 2014		1,978,732	1,186,472	6,434,623	9,599,827
Profit for the year		–	–	1,694,369	1,694,369
Total comprehensive income for the year		–	–	1,694,369	1,694,369
Dividends – 31.12.2013 final	23	–	–	(791,494)	(791,494)
Dividends – 31.12.2014 interim	23	–	–	(791,494)	(791,494)
Total distribution to shareholders of the Company		–	–	(1,582,988)	(1,582,988)
Balance at 31 December 2014		1,978,732	1,186,472	6,546,004	9,711,208
Balance at 1 January 2015		1,978,732	1,186,472	6,546,004	9,711,208
Profit for the year		–	–	2,321,548	2,321,548
Total comprehensive income for the year		–	–	2,321,548	2,321,548
Dividends – 31.12.2014 interim	23	–	–	(296,810)	(296,810)
Dividends – 31.12.2015 interim	23	–	–	(850,854)	(850,854)
Total distribution to shareholders of the Company		–	–	(1,147,664)	(1,147,664)
Balance at 31 December 2015		1,978,732	1,186,472	7,719,888	10,885,092

The notes set out on pages 262 to 331 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**3,941,100**	3,916,009
Cash paid to suppliers and employees		**(1,390,395)**	(1,427,079)
		2,550,705	2,488,930
Interest income from fund investments		**26,390**	28,484
Taxation paid		**(168,986)**	(375,830)
Net cash generated from operating activities		**2,408,109**	2,141,584
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment from subsidiaries		**64,050**	289,190
Acquisition of subsidiary	25	**-**	(94,666)
Subscription of additional shares in existing subsidiaries		**(262,134)**	-
Dividends received		**384,217**	226,987
Purchase of property, plant and equipment		**(822,879)**	(1,208,747)
Maturity of other investments		**-**	15,000
Proceeds from disposal of property, plant and equipment		**368**	268
Net cash used in investing activities		**(636,378)**	(771,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(1,147,664)**	(1,582,988)
Net cash used in financing activities		**(1,147,664)**	(1,582,988)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**624,067**	(213,372)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**492,474**	705,846
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**1,116,541**	492,474

The notes set out on pages 262 to 331 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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 5, note 6 and note 7 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 2015 comprises the Company and its subsidiaries (collectively 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 requirements of 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 2015, the Group and the Company have adopted amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board (MASB) as described fully in note 32.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted for 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 33. New and revised pronouncements that are not relevant to the operation of the Group and of the Company are set out in note 34.

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2016.

1. BASIS OF PREPARATION (continued)

1.2 Basis of measurement

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

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 judgements

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

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

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

(i) Note 3 : Property, plant and equipment;
(ii) Note 6 : Investment in associate;
(iii) Note 7 : Investment in joint ventures;
(iv) Note 8 : Deferred tax; and
(v) Note 30 : 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, 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 only 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Associate (continued)

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 if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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.

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 as described in note 2.2.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

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. 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.

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
Office equipment, furniture and fittings	6 - 7 years
Other plant and equipment	3 - 7 years
Computer hardware and software	5 years
Motor vehicles	4 years
Plant turnaround/major inspection	3 - 7 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

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

A lease arrangement is accounted for as finance or operating lease in accordance with the accounting policy stated below. 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.

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 financial lease liabilities.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leased assets (continued)

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.

Prepaid lease payments

The payment made on entering into a lease arrangement or acquiring a leasehold land are accounted for as prepaid lease payments that are amortised over the lease term of 65 years in accordance with the pattern of benefits provided.

Leasehold land is classified into long lease and short lease. Long lease is defined as a lease with an unexpired lease period of 50 years or more. Short lease is defined as a lease with an unexpired lease period of less than 50 years.

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, unless the investment is classified as held for sale. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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), contingent consideration in a business combination 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 2.21.

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 method as described in note 2.8(vi).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

i) Financial assets (continued)

Held-to-maturity investments

The Group and the Company did not have any held-to-maturity investments during the year ended 31 December 2015 and the year ended 31 December 2014.

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2.9(i)).

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.

Subsequent measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

ii) Financial liabilities (continued)

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), contingent consideration in a business combination and 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

iii) Hedge accounting (continued)

Cash flow hedge (continued)

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.

iv) Derivative financial instruments

The Group and the Company use 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

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 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 impairment loss 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 available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment (continued)

ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and financial 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.

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 recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. 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 deposits restricted, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 material stores 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 future taxable profits will be available against which 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates approximating those ruling at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 which are treated as assets and liabilities of the acquirer company pursuant to the adoption of MFRS framework.

The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the date of transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Financing costs

Finance costs comprise interest payable on borrowings.

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is accounted for in accordance with the policy set out in note 2.5.

2.18 Deferred income

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

2.19 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.

2.20 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, and for which discrete financial information is available. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Fair value measurements

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.

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.

When measuring the fair value of an asset or a liability, the Group/Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. PROPERTY, PLANT AND EQUIPMENT

Group 31.12.2015	At 1.1.2015 RM'000	Additions RM'000	Disposals/ write-offs RM'000
At cost			
Freehold land	4,504	-	-
Leasehold land	538,876	726	-
Buildings	264,561	-	(74)
Plant and pipelines	18,453,586	1,246	(184,602)
Office equipment, furniture and fittings	36,318	282	(549)
Other plant and equipment	243,561	11,047	(11,199)
Computer hardware and software	92,908	821	(120)
Motor vehicles	28,915	2,199	(2,460)
Plant turnaround/major inspection	532,160	-	(43,407)
Projects-in-progress	1,627,856	1,206,072	-
	21,823,245	1,222,393	(242,411)

Group 31.12.2015	At 1.1.2015 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000
Accumulated depreciation & impairment losses:			
Freehold land	-	-	-
Leasehold land	116,683	6,855	-
Buildings	93,635	30,148	(74)
Plant and pipelines	10,223,024	643,076	(182,547)
Office equipment, furniture and fittings	27,377	2,745	(549)
Other plant and equipment	93,859	5,833	(11,065)
Computer hardware and software	74,427	6,736	(120)
Motor vehicles	23,178	2,722	(2,460)
Plant turnaround/major inspection	312,601	78,703	(43,407)
Projects-in-progress	-	-	-
	10,964,784	776,818	(240,222)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 31.12.2015	Transfers/ adjustment RM'000	Translation exchange difference RM'000	At 31.12.2015 RM'000
At cost			
Freehold land	-	-	4,504
Leasehold land	-	-	539,602
Buildings	77,636	-	342,123
Plant and pipelines	1,087,665	-	19,357,895
Office equipment, furniture and fittings	3,942	-	39,993
Other plant and equipment	41,680	-	285,089
Computer hardware and software	6,048	-	99,657
Motor vehicles	10	-	28,664
Plant turnaround/major inspection	53,004	-	541,757
Projects-in-progress	(1,327,687)	79,703	1,585,944
	(57,702)*	79,703	22,825,228

Group 31.12.2015	Transfers/ adjustment RM'000	Translation exchange difference RM'000	At 31.12.2015 RM'000
Accumulated depreciation & impairment losses:			
Freehold land	-	-	-
Leasehold land	6	-	123,544
Buildings	2	-	123,711
Plant and pipelines	(4,649)	-	10,678,904
Office equipment, furniture and fittings	257	-	29,830
Other plant and equipment	5,102	-	93,729
Computer hardware and software	4	-	81,047
Motor vehicles	11	-	23,451
Plant turnaround/major inspection	(733)	-	347,164
Projects-in-progress	-	-	-
	-	-	11,501,380

continued from previous page

* Relates to adjustments upon finalisation of cost previously accrued and reimbursement of project cost amounting to RM18,631,000 and RM39,071,000 respectively.

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 31.12.2014	At 1.1.2014 RM'000	Additions RM'000	Acquisition of a subsidiary RM'000	Disposals/ write-offs RM'000	Transfers/ adjustment RM'000	At 31.12.2014 RM'000
At cost						
Freehold land	4,544	–	–	–	(40)	4,504
Leasehold land	541,287	4,589	–	–	(7,000)	538,876
Buildings	241,532	130	–	–	22,899	264,561
Plant and pipelines	17,671,585	8,062	–	(131,338)	905,277	18,453,586
Office equipment, furniture and fittings	39,629	69	–	(3,942)	562	36,318
Other plant and equipment	187,734	14,679	–	(967)	42,115	243,561
Computer hardware and software	84,564	41	–	(405)	8,708	92,908
Motor vehicles	29,014	909	–	(1,008)	–	28,915
Plant turnaround/major inspection	457,952	–	–	(72,946)	147,154	532,160
Projects-in-progress	1,697,329	1,058,423	94,294	–	(1,222,190)	1,627,856
	20,955,170	1,086,902	94,294	(210,606)	(102,515)*	21,823,245

* Relates to adjustments upon finalisation of cost previously accrued amounting to RM102,515,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 31.12.2014	At 1.1.2014 RM'000	Charge for the year RM'000	Impairment RM'000	Disposals/ write-offs RM'000	Transfers/ adjustment RM'000	At 31.12.2014 RM'000
Accumulated depreciation & impairment losses:						
Freehold land	–	–	–	–	–	–
Leasehold land	109,827	6,856	–	–	–	116,683
Buildings	87,533	6,102	–	–	–	93,635
Plant and pipelines	9,645,397	671,628	30,850	(124,851)	–	10,223,024
Office equipment, furniture and fittings	25,236	2,971	–	(830)	–	27,377
Other plant and equipment	83,736	10,865	–	(742)	–	93,859
Computer hardware and software	67,771	7,061	–	(405)	–	74,427
Motor vehicles	20,938	3,080	–	(840)	–	23,178
Plant turnaround/ major inspection	303,624	78,372	–	(69,395)	–	312,601
Projects-in-progress	–	–	–	–	–	–
	10,344,062	786,935	30,850	(197,063)	–	10,964,784

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 31.12.2015	At 1.1.2015 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers/ adjustment RM'000	At 31.12.2015 RM'000
At cost					
Freehold land	4,504	-	-	-	4,504
Leasehold land	538,876	726	-	-	539,602
Buildings	264,561	-	(74)	61,847	326,334
Plant and pipelines	15,057,418	1,223	(184,602)	1,127,562	16,001,601
Office equipment, furniture and fittings	27,590	264	(549)	3,482	30,787
Other plant and equipment	245,136	10,957	(11,199)	9,654	254,548
Computer hardware and software	92,876	803	(120)	5,243	98,802
Motor vehicles	28,823	2,199	(2,460)	13	28,575
Plant turnaround/major inspection	514,665	-	(43,407)	53,012	524,270
Projects-in-progress	1,437,203	640,530	-	(1,260,962)	816,771
	18,211,652	656,702	(242,411)	(149)*	18,625,794

* Relates to adjustments upon finalisation of cost previously accrued amounting to RM149,000.

Company 31.12.2015	At 1.1.2015 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers/ adjustment RM'000	At 31.12.2015 RM'000
Accumulated depreciation & impairment losses:					
Freehold land	-	-	-	-	-
Leasehold land	116,683	6,855	-	6	123,544
Buildings	93,635	29,938	(74)	1	123,500
Plant and pipelines	9,940,442	466,865	(182,547)	(3,148)	10,221,612
Office equipment, furniture and fittings	25,303	1,389	(549)	262	26,405
Other plant and equipment	91,441	4,366	(11,065)	3,598	88,340
Computer hardware and software	74,425	6,695	(120)	4	81,004
Motor vehicles	23,176	2,700	(2,460)	10	23,426
Plant turnaround/major inspection	309,102	64,715	(43,407)	(733)	329,677
Projects-in-progress	-	-	-	-	-
	10,674,207	583,523	(240,222)	-	11,017,508

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 31.12.2014	**At 1.1.2014 RM'000**	**Additions RM'000**	**Disposals/ write-offs RM'000**	**Transfers/ adjustment RM'000**	**At 31.12.2014 RM'000**
At cost					
Freehold land	4,544	–	–	(40)	4,504
Leasehold land	541,287	4,589	–	(7,000)	538,876
Buildings	241,532	130	–	22,899	264,561
Plant and pipelines	14,189,248	701	(131,338)	998,807	15,057,418
Office equipment, furniture and fittings	30,901	69	(3,942)	562	27,590
Other plant and equipment	187,738	14,679	(967)	43,686	245,136
Computer hardware and software	84,564	9	(405)	8,708	92,876
Motor vehicles	29,012	819	(1,008)	–	28,823
Plant turnaround/major inspection	457,952	–	(72,946)	129,659	514,665
Projects-in-progress	1,627,601	1,014,251	–	(1,204,649)	1,437,203
	17,394,379	1,035,247	(210,606)	(7,368)*	18,211,652

* Relates to adjustments upon finalisation of cost previously accrued amounting to RM7,368,000.

Company 31.12.2014	**At 1.1.2014 RM'000**	**Charge for the year RM'000**	**Impairment RM'000**	**Disposals/ write-offs RM'000**	**Transfers/ adjustment RM'000**	**At 31.12.2014 RM'000**
Accumulated depreciation & impairment losses:						
Freehold land	–	–	–	–	–	–
Leasehold land	109,827	6,856	–	–	–	116,683
Buildings	87,533	6,102	–	–	–	93,635
Plant and pipelines	9,537,681	496,762	30,850	(124,851)	–	9,940,442
Office equipment, furniture and fittings	24,471	1,662	–	(830)	–	25,303
Other plant and equipment	83,736	8,447	–	(742)	–	91,441
Computer hardware and software	67,771	7,059	–	(405)	–	74,425
Motor vehicles	20,938	3,078	–	(840)	–	23,176
Plant turnaround/ major inspection	303,624	74,873	–	(69,395)	–	309,102
Projects-in-progress	–	–	–	–	–	–
	10,235,581	604,839	30,850	(197,063)	–	10,674,207

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group Carrying amount		Company Carrying amount	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Freehold land	**4,504**	4,504	**4,504**	4,504
Leasehold land	**416,058**	422,193	**416,058**	422,193
Buildings	**218,412**	170,926	**202,834**	170,926
Plant and pipelines	**8,678,991**	8,230,562	**5,779,588**	5,116,976
Office equipment, furniture and fittings	**10,163**	8,941	**4,382**	2,287
Other plant and equipment	**191,360**	149,702	**166,609**	153,695
Computer hardware and software	**18,610**	18,481	**17,798**	18,451
Motor vehicles	**5,213**	5,737	**5,149**	5,647
Plant turnaround/major inspection	**194,593**	219,559	**194,593**	205,563
Projects-in-progress	**1,585,944**	1,627,856	**816,771**	1,437,203
	11,323,848	10,858,461	**7,608,286**	7,537,445

Restrictions of land title

The titles of certain land are in the process of being registered in the Company's name.

Leased floating storage unit

The Group leases certain plant and pipelines under a finance lease agreement with a net book value of RM768,670,000 (2014: RM812,804,000).

Leasehold land

Included in the carrying amounts of leasehold land are:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Leasehold land with unexpired lease period of more than 50 years	**288,977**	292,063	**288,977**	292,063
Leasehold land with unexpired lease period of less than 50 years	**127,081**	130,130	**127,081**	130,130
	416,058	422,193	**416,058**	422,193

4. PREPAID LEASE PAYMENT

Group 31.12.2015	**At 1.1.2015 RM'000**	**Additions RM'000**	**Translation exchange difference RM'000**	**At 31.12.2015 RM'000**
At cost				
Leasehold land				
– long lease	-	**4,133**	**414**	**4,547**

Group 31.12.2015	**At 1.1.2015 RM'000**	**Charge for the year RM'000**	**Translation exchange difference RM'000**	**At 31.12.2015 RM'000**
Accumulated amortisation				
Leasehold land				
- long lease	-	**26**	**3**	**29**

	Carrying amount	
Group	**2015 RM'000**	**2014 RM'000**
Leasehold land		
– long lease	**4,518**	–

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5. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	**2014 RM'000**
Investment at cost:		
- unquoted shares		
At beginning of the year	**2,514,767**	2,420,101
Additional investment during the year	**262,134**	-
Acquisition during the year	**-**	94,666
At end of the year	**2,776,901**	2,514,767

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest	
			2015 %	**2014 %**
Regas Terminal (Sg. Udang) Sdn. Bhd.	Manage and operate LNG regasification terminal	Malaysia	**100**	100
Regas Terminal (Pengerang) Sdn. Bhd.	Dormant	Malaysia	**100**	100
Regas Terminal (Lahad Datu) Sdn. Bhd.	Dormant	Malaysia	**99**	99
Pengerang LNG (Two) Sdn. Bhd.	Intended to manage and operate LNG regasification terminal	Malaysia	**65**	72

6. INVESTMENT IN ASSOCIATE

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Investment at cost:				
- quoted shares in Malaysia	**76,466**	76,466	**76,466**	76,466
Share of post-acquisition profits and reserves	**51,597**	55,869	**-**	-
	128,063	132,335	**76,466**	76,466
Market value of quoted shares	**456,024**	611,832	**456,024**	611,832

6. INVESTMENT IN ASSOCIATE (continued)

Details of the associate are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2015 %	Effective ownership and voting interest 2014 %
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.

	2015 RM'000	2014 RM'000
Group's share of results		
Share of total comprehensive income for the year	**17,693**	26,773
Other information		
Dividends received	**21,965**	23,485

7. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Investment at cost:				
– unquoted shares	**192,250**	192,250	**192,250**	192,250
Share of post-acquisition profits and reserves	**355,397**	276,149	**-**	-
	547,647	468,399	**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.

7. INVESTMENT IN JOINT VENTURES (continued)

	2015 RM'000	2014 RM'000
Group's summarised financial information		
As at 31 December		
Non-current assets	**1,882,842**	1,855,127
Current assets	**347,668**	295,143
Non-current liabilities	**(1,020,364)**	(1,118,883)
Current liabilities	**(297,167)**	(248,461)
Net assets	**912,979**	782,926
Included in the net assets are:		
Cash and cash equivalents	**231,719**	200,901
Non-current liabilities (excluding other payables and provisions)	**(1,020,364)**	(1,118,883)
Current liabilities (excluding trade and other payables and provisions)	**(99,790)**	(34,788)
Group's share of net assets	**547,647**	468,399
Year ended 31 December		
Profit for the year	**99,140**	436,932
Other comprehensive income	**48,233**	13,250
Total comprehensive income for the year	**147,373**	450,182
Included in the total comprehensive income are:		
Revenue	**252,774**	1,744,096
Depreciation and amortisation	**(367)**	(368)
Interest income	**90,508**	40,091
Interest expense	**(58,725)**	(4,987)
Tax (expenses)/income	**(5,725)**	291,179
Group's share of results		
Share of profit for the year	**57,509**	261,955
Share of other comprehensive income	**28,939**	7,950
Share of total comprehensive income for the year	**86,448**	269,905
Other information		
Dividends received	**7,200**	3,502

7. INVESTMENT IN JOINT VENTURES (continued)

Group's share of the net assets and results is significantly contributed by Kimanis Power Sdn. Bhd.

Details of the joint ventures are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2015 %	Effective ownership and voting interest 2014 %
Kimanis Power Sdn. Bhd. (KPSB)	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 sole control over these investees considering that strategic and financial decisions of the relevant activities of these investees require unanimous consent by all shareholders.

8. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year prior to and after offsetting are as follows:

Group 31.12.2015	At 1.1.2015 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2015 RM'000
Deferred tax liabilities			
Property, plant and equipment	1,110,201	108,279	**1,218,480**
Deferred tax assets			
Deferred income	16,684	227	**16,911**
Unutilised investment tax allowance	(604,998)	(164,159)	**(769,157)**
	(588,314)	(163,932)	**(752,246)**
Net deferred tax	521,887	(55,653)	**466,234**

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8. DEFERRED TAX (continued)

Group 31.12.2014	**At 1.1.2014 RM'000**	**Charged to profit or loss RM'000**	**At 31.12.2014 RM'000**
Deferred tax liabilities			
Property, plant and equipment	1,020,751	89,450	1,110,201
Deferred tax assets			
Deferred income	(2,325)	19,009	16,684
Foreign currency translation	(14,080)	14,080	–
Unutilised investment tax allowance	(626,395)	21,397	(604,998)
	(642,800)	54,486	(588,314)
Net deferred tax	377,951	143,936	521,887

Company 31.12.2015	**At 1.1.2015 RM'000**	**Charged/(credited) to profit or loss RM'000**	**At 31.12.2015 RM'000**
Deferred tax liabilities			
Property, plant and equipment	1,016,637	43,512	1,060,149
Deferred tax assets			
Deferred income	16,684	227	16,911
Unutilised investment tax allowance	–	(154,466)	(154,466)
	16,684	(154,239)	(137,555)
Net deferred tax	1,033,321	(110,727)	922,594

8. DEFERRED TAX (continued)

Company 31.12.2014	**At 1.1.2014 RM'000**	**Charged to profit or loss RM'000**	**At 31.12.2014 RM'000**
Deferred tax liabilities			
Property, plant and equipment	983,325	33,312	1,016,637
Deferred tax assets			
Deferred income	(2,325)	19,009	16,684
Net deferred tax	981,000	52,321	1,033,321

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:

	Group		**Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deferred tax assets				
Deferred tax liabilities	**158,331**	93,564	**-**	-
Deferred tax assets	**(614,691)**	(604,998)	**-**	-
	(456,360)	(511,434)	**-**	-
Deferred tax liabilities				
Deferred tax liabilities	**1,060,149**	1,035,419	**1,060,149**	1,035,419
Deferred tax assets	**(137,555)**	(2,098)	**(137,555)**	(2,098)
	922,594	1,033,321	**922,594**	1,033,321
Net deferred tax	**466,234**	521,887	**922,594**	1,033,321

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

9. DERIVATIVE

		Group	
	Note	Nominal value 2015 RM'000	Carrying amount 2015 RM'000
Derivative assets held for trading at fair value through profit or loss			
Forward foreign exchange		**18,200**	112
Derivative liabilities held for trading at fair value through profit or loss			
Forward foreign exchange		**(121,131)**	(998)
Included within:			
Trade and other receivables	11		112
Trade and other payables	18		(998)

In the normal course of business, the Company enters into derivative financial instruments to manage the Company's normal business exposures in relation to foreign currency exchange rates consistent with its risk management policies and objectives. The forward foreign exchange contract has maturity of less than one year after the end of the reporting period.

10. TRADE AND OTHER INVENTORIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Liquefied gases and water	**2,144**	1,931	**2,144**	1,931
Maintenance materials and spares	**44,223**	41,453	**42,053**	40,973
	46,367	43,384	**44,197**	42,904
Recognised in profit or loss:				
Inventories recognised as cost of sales	**30,660**	37,038	**30,265**	36,621

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Trade receivables		**13,933**	22,580	**13,933**	22,580
Other receivables	11.1	**28,733**	46,063	**14,311**	45,405
Deposits		**1,001**	1,030	**1,001**	1,030
Prepayments		**22,045**	15,964	**252**	360
Derivative assets	9	**112**	–	**-**	–
Amount due from:					
Holding company	11.2	**350,708**	287,551	**287,456**	235,668
Subsidiaries	11.3	**-**	–	**8,710**	72,760
Related companies	11.4	**198,390**	200,793	**198,389**	200,790
Joint ventures	11.5	**16,726**	16,323	**16,726**	16,323
Related parties	11.6	**12,741**	18,414	**12,741**	18,414
		644,389	608,718	**553,519**	613,330

11.1 Included in other receivables for the year are good and service tax (GST) receivables amounting to RM14,023,000 for the Group.

11.2 The amount due from holding company relates to:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Trade	**306,136**	287,036	**250,658**	235,156
Non-trade	**44,572**	515	**36,798**	512
	350,708	287,551	**287,456**	235,668

Included in amount due from holding company for the year are good and service tax (GST) receivables amounting to RM34,169,000 for the Group and RM26,459,000 for the Company.

11.3 The amount due from subsidiaries are non-trade in nature and arose in the normal course of business. Included in these receivables are accrual of payment to be made on behalf of subsidiaries amounting to RM Nil (2014: RM2,194,000).

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11. TRADE AND OTHER RECEIVABLES (continued)

11.4 The amount due from related companies arose in the normal course of business relates to:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Trade	**83,268**	110,104	**83,268**	110,104
Non-trade	**115,122**	90,689	**115,121**	90,686
	198,390	200,793	**198,389**	200,790

11.5 The amount due from joint ventures arose in the normal course of business relates to:

Group/Company	**2015 RM'000**	**2014 RM'000**
Trade	**1,786**	3,452
Non-trade	**14,940**	12,871
	16,726	16,323

11.6 The amount due from related parties are trade in nature and is in relation to associates and joint ventures of the holding company.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Cash with PETRONAS Integrated Financial Shared Services Centre	**1,217,024**	550,010	**1,103,983**	407,648
Cash and bank balances	**13,791**	87,736	**12,558**	84,826
	1,230,815	637,746	**1,116,541**	492,474

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 Services Centre (IFSSC) to enable more efficient cash management for the Group and the Company.

12. CASH AND CASH EQUIVALENTS (continued)

Included in cash with IFSSC and cash and bank balances are interest-bearing balances (including fund investments) amounting to RM1,229,442,000 (2014: RM637,594,000) for the Group and RM1,116,399,000 (2014: RM492,322,000) for the Company.

13. SHARE CAPITAL

	Company	
	2015 RM'000	**2014 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

14. RESERVES

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).

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currency are different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

15. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

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16. FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	2015			2014		
Group	**Minimum lease payments RM'000**	**Interest RM'000**	**Principal RM'000**	**Minimum lease payments RM'000**	**Interest RM'000**	**Principal RM'000**
Less than one year	**124,132**	**95,468**	**28,664**	100,744	79,717	21,027
Between 1 – 2 years	**123,793**	**92,765**	**31,028**	101,020	77,693	23,327
Between 2 – 5 years	**371,718**	**259,387**	**112,331**	302,232	219,036	83,196
More than 5 years	**1,443,121**	**556,884**	**886,237**	1,275,446	520,746	754,700
	2,062,764	**1,004,504**	**1,058,260**	1,779,442	897,192	882,250

The finance lease liabilities are in relation to charter hire of floating storage units from a related company.

17. DEFERRED INCOME

Group/Company	**Note**	**2015 RM'000**	**2014 RM'000**
At beginning of the year		**12,877**	27,656
Addition		**1,268**	540
Less: recognised in the profit or loss		**(6,306)**	(15,319)
At end of the year		**7,839**	12,877
Analysis of deferred income:			
Current	18	**987**	5,079
Non-current		**6,852**	7,798
		7,839	12,877

Deferred income mainly relates to the payments received in advance or the right to receive payments from third party amounting to RM41,000 (2014: RM540,000), a related company amounting to RM Nil (2014: RM3,594,000) and a related party amounting to RM7,798,000 (2014: RM8,743,000) 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

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables and accruals	18.1	**627,692**	523,034	**402,656**	504,503
Derivative liabilities	9	**998**	-	**-**	-
Amount due to:					
Holding company	18.2	**69,590**	119,859	**68,785**	102,204
Related companies	18.2	**97,272**	20,213	**78,368**	5,604
Deferred income	17	**987**	5,079	**987**	5,079
		796,539	668,185	**550,796**	617,390

18.1 Included in other payables and accruals are amounts owing to suppliers and contractors for purchase of property, plant and equipment for the Group of RM279,178,000 (2014: RM244,788,000) and for the Company of RM72,089,000 (2014: RM238,415,000). Also included in other payables is interest payable of RM7,918,000 (2014: RM6,677,000) for the Group.

18.2 The amount due to holding company and related companies are non-trade in nature and arose in the normal course of business. These payables arise in the normal course of business.

19. REVENUE AND GROSS PROFIT

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue				
- gas processing fees	**1,533,622**	1,480,247	**1,533,622**	1,480,247
- gas transportation fees	**1,311,611**	1,286,690	**1,311,611**	1,286,690
- sale of industrial utilities	**973,584**	1,008,559	**973,584**	1,008,559
- regasification fees	**637,138**	616,220	**-**	-
Total	**4,455,955**	4,391,716	**3,818,817**	3,775,496
Cost of revenue				
- cost of gas processing	**(836,669)**	(778,579)	**(836,669)**	(778,579)
- cost of gas transportation	**(302,465)**	(280,024)	**(302,465)**	(280,024)
- cost of industrial utilities	**(837,809)**	(812,654)	**(837,809)**	(812,654)
- cost of regasification	**(339,583)**	(308,241)	**-**	-
Total	**(2,316,526)**	(2,179,498)	**(1,976,943)**	(1,871,257)
Gross profit	**2,139,429**	2,212,218	**1,841,874**	1,904,239

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20. OPERATING PROFIT

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Included in operating profit are the following charges:				
Audit fees	**395**	376	**262**	249
Depreciation of property, plant and equipment	**776,818**	786,935	**583,523**	604,839
Impairment losses on property, plant and equipment	**-**	30,850	**-**	30,850
Loss on changes in fair value of other investments	**-**	10	**-**	10
Loss on realised foreign exchange	**-**	1,264	**-**	572
Loss on unrealised foreign exchange	**203,123**	51,969	**71**	2
Property, plant and equipment				
– expensed off	**2,428**	592	**1,828**	592
– written off	**2,087**	13,362	**2,087**	13,362
Rental of				
– equipment and motor vehicles	**16,644**	7,131	**9,395**	6,482
– land and buildings	**10,457**	9,199	**9,295**	8,032
Staff costs				
– wages, salaries and others	**324,385**	318,365	**313,825**	309,986
– contributions to Employees Provident Fund	**50,163**	49,696	**48,803**	48,662
and crediting:				
Dividend income in Malaysia from				
– subsidiary (unquoted)	**-**	–	**355,052**	200,000
– associate (quoted)	**-**	–	**21,965**	23,485
– joint venture (unquoted)	**-**	–	**7,200**	3,502
Gain on realised foreign exchange	**10,931**	–	**1,319**	–
Gain on disposal of property, plant and equipment	**266**	87	**266**	87
Interest income from fund investments	**31,755**	36,895	**26,390**	28,323
Reimbursement of project cost	**17,165**	–	**-**	–
Rental income on land and buildings	**2,468**	3,484	**2,930**	3,945

21. FINANCING COSTS

	Group	
	2015 RM'000	**2014 RM'000**
Interest expense recognised in profit or loss		
– Finance lease liabilities	**90,055**	76,328

22. TAX EXPENSE/(INCOME)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current tax expense				
– current year	**113,020**	365,441	**113,020**	365,441
– (over)/under provision in prior year	**(41,127)**	3,002	**(41,127)**	3,002
Total current tax expense	**71,893**	368,443	**71,893**	368,443
Deferred tax (income)/expenses				
– origination and reversal of temporary differences	**(45,924)**	121,101	**(110,727)**	52,321
– (over)/under provision in prior year	**(9,729)**	22,835	**–**	–
Total deferred tax (income)/expenses	**(55,653)**	143,936	**(110,727)**	52,321
Total tax expenses/(income) recognised in profit or loss	**16,240**	512,379	**(38,834)**	420,764
Tax expense on share of profit of associate	**4,846**	7,333	**–**	–
Tax expenses/(income) on share of profit of joint ventures	**3,340**	(174,765)	**–**	–
Total tax expenses/(income)	**24,426**	344,947	**(38,834)**	420,764

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22. TAX EXPENSE/(INCOME) (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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Profit for the year	**1,985,870**	1,842,080	**2,321,548**	1,694,369
Total tax expenses/(income)	**24,426**	344,947	**(38,834)**	420,764
Profit excluding tax	**2,010,296**	2,187,027	**2,282,714**	2,115,133
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	**502,574**	546,757	**570,679**	528,783
Non-deductible expenses	**63,860**	36,502	**1,660**	9,934
Effect of unabsorbed capital allowance and unutilised tax losses recognised	**(21,012)**	(77,817)	**-**	-
Income not subject to tax	**(910)**	(1,772)	**-**	-
Tax exempt income	**(6,297)**	(8,799)	**(101,010)**	(63,402)
Tax incentives	**(462,933)**	(175,761)	**(469,036)**	(57,553)
	75,282	319,110	**2,293**	417,762
(Over)/under provision in prior year	**(50,856)**	25,837	**(41,127)**	3,002
Total tax expenses/(income)	**24,426**	344,947	**(38,834)**	420,764

23. DIVIDENDS

	Company	
	2015 RM'000	**2014 RM'000**
Ordinary		
Final paid:		
2013 – Final dividend of 40 sen per ordinary share.	-	791,494
Interim paid:		
2014 – First interim dividend of 20 sen per ordinary share.	-	395,747
2014 – Second interim dividend of 20 sen per ordinary share.	-	395,747
2014 – Third interim dividend of 15 sen per ordinary share.	**296,810**	–
2015 – First interim dividend of 14 sen per ordinary share.	**277,022**	–
2015 – Second interim dividend of 14 sen per ordinary share.	**277,022**	–
2015 – Third interim dividend of 15 sen per ordinary share.	**296,810**	–
	1,147,664	1,582,988

The Directors had on 24 February 2016 declared a fourth interim dividend of 17 sen per ordinary share amounting to RM336,384,000 in respect of the financial year ended 31 December 2015.

The financial statements for the current financial year do not reflect the declared interim dividend. The dividend, will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2016.

The net dividend per ordinary share for the respective financial year ended 31 December 2015 takes into account the total interim dividends declared for the financial year as follows:

	Company	
	2015 Sen	**2014 Sen**
First interim dividend per ordinary share declared and paid – net	**14**	20
Second interim dividend per ordinary share declared and paid – net	**14**	20
Third interim dividend per ordinary share declared and paid – net	**15**	15
Fourth interim dividend per ordinary share declared but not paid – net	**17**	–
	60	55

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24. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per ordinary share (EPS) at 31 December 2015 was based on the Group's net profit attributable to shareholders of the Company of RM1,987,452,000 (2014: RM1,843,186,000), over the number of ordinary shares outstanding during the year of 1,978,732,000 (2014: 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. ACQUISITION AND DILUTION OF INTEREST IN A SUBSIDIARY

Dilution of interest in Pengerang LNG (Two) Sdn. Bhd.

On 25 September 2015, the Group's equity shareholding in its subsidiary, Pengerang LNG (Two) Sdn. Bhd. (PLNG), reduced from 72% to 65% upon issuance of 2,000,000 new ordinary shares of RM1 each in PLNG2 to State Secretary Johor Incorporated (SSI), a non-controlling party subsequent to registration of land lease for development of the liquefied natural gas (LNG) Regasification Terminal in Pengerang, Johor. This was in accordance with the intended equity shareholding structure prescribed in the Shareholders Agreement entered into between the Company, Dialog LNG Sdn. Bhd. (Dialog) and PLNG2 on 14 November 2014.

The decrease in equity shareholding did not result in a loss of control. PLNG2 continues to be a subsidiary of the Company.

Acquisition of Pengerang LNG (Two) Sdn. Bhd.

The Company had on 12 December 2014 subscribed for 780,000 ordinary shares of RM1 each representing 72% of the issued and paid-up capital of PLNG2 and 93,886 redeemable preference shares of RM1 each with premium of RM999 each for a total consideration of RM94,666,000. Upon subscription of the ordinary shares, PLNG2 becomes a subsidiary of the Group. PLNG2 is incorporated in Malaysia under the Companies Act, 1965.

26. 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Property, plant and equipment				
Approved and contracted for				
Less than one year	**1,237,301**	557,028	**164,153**	171,371
Between one and five years	**1,791,391**	2,070,742	**327,278**	44,013
	3,028,692	2,627,770	**491,431**	215,384
Approved but not contracted for				
Less than one year	**847,472**	798,122	**529,605**	703,689
Between one and five years	**966,432**	1,268,096	**768,915**	919,332
	1,813,904	2,066,218	**1,298,520**	1,623,021
	4,842,596	4,693,988	**1,789,951**	1,838,405
Share of capital expenditure of joint ventures				
Approved and contracted for				
Less than one year	**-**	–	**-**	–
Between one and five years	**-**	–	**-**	–
	-	–	**-**	–
Approved but not contracted for				
Less than one year	**4,151**	960	**-**	–
Between one and five years	**5,070**	518	**-**	–
	9,221	1,478	**-**	–
	9,221	1,478	**-**	–
Total commitments	**4,851,817**	4,695,466	**1,789,951**	1,838,405

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27. 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 or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa or where the Group or the Company and the party are subject to common control. 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 and an entity that provides key management personnel services to the Group. Key management personnel includes all Directors of the Group.

Key management personnel compensation

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Directors				
Fees	**547**	568	**547**	568
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**29**	27	**29**	27
	576	595	**576**	595

The Company paid management fee to the holding company in relation to services of key management personnel of the Company as disclosed below.

27. RELATED PARTY DISCLOSURES (continued)

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		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Government of Malaysia's related entities:				
Tenaga Nasional Berhad				
Purchase of electricity	**(82,266)**	(78,484)	**(63,214)**	(59,209)
Sales of industrial utilities	**69,018**	78,269	**69,018**	78,269
Bendahari Negeri Melaka				
Land lease rental, ex gratia & fisherman fund	**-**	(1,185)	**-**	-
TNB Repair and Maintenance Sdn. Bhd.				
Provision of repair and maintenance services	**(44,649)**	(49,391)	**(44,649)**	(49,391)
State Secretary, Johor (Incorporated)				
Land acquisition	**(4,133)**	-	**-**	-
Holding company:				
Gas processing fee income	**1,533,622**	1,480,247	**1,533,622**	1,480,247
Gas transportation fee income	**1,311,611**	1,286,690	**1,311,611**	1,286,690
Regasification fee income	**637,138**	616,220	**-**	-
Interest income from fund investments	**31,661**	35,196	**26,390**	26,624
Internal gas consumption and performance incentive	**26,812**	-	**26,812**	-
Agent services fee income	**9,456**	-	**9,456**	-
Reimbursement of project cost	**56,236**	-	**-**	-
Purchase of fuel gas	**(496,533)**	(487,563)	**(496,533)**	(487,563)
Insurance expense	**(15,171)**	(15,387)	**(12,307)**	(12,502)
Information, communication and technology charges	**(26,101)**	(32,848)	**(25,610)**	(32,517)
Corporate security charges	**(10,543)**	(14,045)	**(10,309)**	(13,833)
Rental of office premises	**(9,295)**	(8,032)	**(9,295)**	(8,032)
Supply chain and management services	**(11,334)**	(14,813)	**(10,679)**	(14,005)
Management fees	**(737)**	(737)	**(737)**	(737)
Internal audit services	**(197)**	(766)	**(197)**	(607)
Fees for representation on the Board of Directors	**(172)**	(250)	**(172)**	(250)

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27. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Related companies:				
PETRONAS Chemicals Aromatics Sdn. Bhd.				
Sale of industrial utilities	**47,784**	47,103	**47,784**	47,103
Vinyl Chloride (Malaysia) Sdn. Bhd.				
Sale of industrial utilities	**5,013**	16,969	**5,013**	16,969
PETRONAS Chemicals Ammonia Sdn. Bhd.				
Sale of industrial utilities	**116,398**	118,851	**116,398**	118,851
Compressed air maintenance fees	**(238)**	(414)	**(238)**	(414)
Laboratory services	**(16)**	(5)	**(16)**	(5)
PETRONAS Chemicals MTBE Sdn. Bhd.				
Sale of industrial utilities	**116,541**	117,367	**116,541**	117,367
Rental of equipments	**(155)**	(145)	**(155)**	(145)
PETRONAS Chemicals LDPE Sdn. Bhd.				
Sale of industrial utilities	**81,716**	83,484	**81,716**	83,484
Bekalan Air KIPC Sdn. Bhd.				
Purchase of treated water	**(13,153)**	(15,933)	**(13,153)**	(15,933)
Management fee income	**888**	930	**888**	930
PETRONAS Dagangan Berhad				
Fuel card services	**(856)**	(1,072)	**(850)**	(1,072)
MISC Intergrated Logistic Sdn. Bhd.				
Transportation services	**(576)**	(482)	**(576)**	(482)
PETRONAS Carigali Sdn. Bhd.				
Project management fee income	**567**	2,104	**567**	2,104
Overbilling of project management fees	**-**	(5,095)	**-**	(5,095)
Operations and maintenance services income	**40,793**	24,887	**40,793**	24,887
Purchase of pipeline	**(61,574)**	-	**(61,574)**	-
CEFS Response				
Contribution for emergency response services	**(1,223)**	(7,898)	**(1,223)**	(7,898)
PETRONAS Chemicals Derivatives Sdn. Bhd.				
Sale of industrial utilities	**313,560**	319,310	**313,560**	319,310
PETRONAS Chemicals Ethylene Sdn. Bhd.				
Sale of industrial utilities	**4,276**	4,447	**4,276**	4,447

27. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Related companies (continued):				
PETRONAS Refinery and Petrochemical Sdn. Bhd.				
Management fee	**7,738**	–	**7,738**	–
PETRONAS Management Training Sdn. Bhd.				
Training and development related costs	**(3,180)**	(2,656)	**(3,180)**	(2,656)
PETRONAS Technical Training Sdn. Bhd.				
Training and development related costs	**(9,506)**	(5,773)	**(9,289)**	(5,609)
PETRONAS Technical Services Sdn. Bhd.				
Technical consultancy fees	**(52,126)**	(22,466)	**(30,021)**	(22,025)
PETRONAS Technology Ventures Sdn. Bhd.				
Purchase of chemicals	**(583)**	(1,270)	**(583)**	(1,270)
Purchase of software	**(200)**	–	**(200)**	–
PETRONAS Penapisan (Melaka) Sdn. Bhd.				
Lease of land for pipeline route	**(76)**	(76)	**-**	–
Rental of office premises	**(14)**	(75)	**-**	–
Lease of land for office building	**(11)**	(11)	**-**	–
Facilities usage charges	**-**	(169)	**-**	–
Gas Asia Terminal (L) Pte. Ltd.				
Time charter services	**(186,293)**	(154,147)	**-**	–
Lease and rental of building	**(931)**	(789)	**-**	–
Repair and maintenance	**-**	(78)	**-**	–
PrimeSourcing International Sdn. Bhd.				
Supply of parts and materials	**(36,049)**	(108,551)	**(36,049)**	(108,551)
PETRONAS Penapisan (Terengganu) Sdn. Bhd.				
Marine facilities income	**1,932**	1,505	**1,932**	1,505
Sungai Udang Port Sdn. Bhd.				
Marine services	**(6,876)**	(6,927)	**-**	–
Voltage Renewables Sdn. Bhd.				
Sale of industrial utilities	**137**	–	**137**	–

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27. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Subsidiaries:				
Regas Terminal (Sg. Udang) Sdn. Bhd.				
Management fee income	**-**	-	**5,627**	5,627
Rental income of warehouse	**-**	-	**103**	104
Pipeline maintenance fee income	**-**	-	**1,161**	1,161
Lab sampling fee income	**-**	-	**20**	31
Annual access right fee income	**-**	-	**357**	357
Regas Terminal (Pengerang) Sdn. Bhd.				
Management fee income	**-**	-	**-**	2,261
Regas Terminal (Lahad Datu) Sdn. Bhd.				
Management fee income adjustment	**-**	-	**(1,307)**	128
Pengerang LNG (Two) Sdn. Bhd.				
Management fee income	**-**	-	**2,865**	205
Joint venture:				
Industrial Gases Solutions Sdn. Bhd.				
Sale of industrial utilities	**3,748**	6,074	**3,748**	6,074
Associates and joint ventures of the holding company:				
Kertih Terminals Sdn. Bhd.				
Sale of industrial utilities	**6,984**	7,069	**6,984**	7,069
BASF PETRONAS Chemicals Sdn. Bhd.				
Sale of industrial utilities	**114,246**	111,285	**114,246**	111,285
BP PETRONAS Acetyls Sdn. Bhd.				
Sale of industrial utilities	**36,690**	40,070	**36,690**	40,070
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.				
Access right of way fee income	**2,095**	2,095	**2,095**	2,095
Annual operations and maintenance fee income	**5,462**	5,856	**5,462**	5,856

27. RELATED PARTY DISCLOSURES (continued)

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 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 11, note 16, note 17 and note 18.

28. OPERATING SEGMENTS, PRODUCTS AND SERVICES

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 salesgas and other by-products such as ethane, propane and butane.
- Gas transportation – activities include transportation of the processed gas to PETRONAS' end customers 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.

Performance is measured based on segment gross profit. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments.

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28. OPERATING SEGMENTS, PRODUCTS AND SERVICES (continued)

Group *Business segments* **31.12.2015**	**Gas Processing RM'000**	**Gas Transportation RM'000**	**Utilities RM'000**	**Regasification RM'000**	**Total RM'000**
Revenue	1,533,622	1,311,611	973,584	637,138	4,455,955
Segment results	696,953	1,009,146	135,775	297,555	2,139,429
Unallocated expenses					(122,466)
Operating profit					2,016,963
Financing costs					(90,055)
Share of profit after tax of equity-accounted associate and joint ventures					75,202
Profit before taxation					2,002,110
Tax expense					(16,240)
Profit for the year					1,985,870
Included in the measure of segment profit are:					
Depreciation and amortisation	(346,636)	(79,359)	(157,186)	(193,295)	(776,476)
Unallocated depreciation and amortisation	-	-	-	-	(342)

28. OPERATING SEGMENTS, PRODUCTS AND SERVICES (continued)

Group *Business segments* **31.12.2014**	**Gas Processing RM'000**	**Gas Transportation RM'000**	**Utilities RM'000**	**Regasification RM'000**	**Total RM'000**
Revenue	1,480,247	1,286,690	1,008,559	616,220	4,391,716
Segment results	701,668	1,006,666	195,905	307,979	2,212,218
Unallocated expenses					(70,159)
Operating profit					2,142,059
Financing costs					(76,328)
Share of profit after tax of equity-accounted associate and joint ventures					288,728
Profit before taxation					2,354,459
Tax expense					(512,379)
Profit for the year					1,842,080
Included in the measure of segment profit are:					
Depreciation and amortisation	(341,833)	(82,296)	(180,368)	(182,096)	(786,593)
Unallocated depreciation and amortisation	–	–	–	–	(342)

28. OPERATING SEGMENTS, PRODUCTS AND SERVICES (continued)

Group *Business segments* **31.12.2015**	**Gas Processing RM'000**	**Gas Transportation RM'000**	**Utilities RM'000**	**Regasification RM'000**	**Total RM'000**
Segment assets	4,376,359	2,575,063	1,184,502	4,389,278	12,525,202
Investment in associate					128,063
Investment in joint ventures					547,647
Unallocated assets					1,181,095
Total assets					14,382,007
Included in the measure of segment assets are:					
Capital expenditure	425,453	124,587	104,305	565,690	1,220,035
Unallocated capital expenditure	–	–	–	–	2,358

Group *Business segments* **31.12.2014**	**Gas Processing RM'000**	**Gas Transportation RM'000**	**Utilities RM'000**	**Regasification RM'000**	**Total RM'000**
Segment assets	4,292,276	2,437,755	1,265,132	4,046,346	12,041,509
Investment in associate					132,335
Investment in joint ventures					468,399
Unallocated assets					618,234
Total assets					13,260,477
Included in the measure of segment assets are:					
Capital expenditure	803,863	134,809	77,301	51,066	1,067,039
Unallocated capital expenditure	–	–	–	–	19,863

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 expenses mainly comprises forex gain or loss, other corporate income and expenses.

28. OPERATING SEGMENTS, PRODUCTS AND SERVICES (continued)

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 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 6 and note 7 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	2015 RM'000	2014 RM'000
Gas processing fee	**1,533,622**	1,480,247
Gas transportation fee	**1,311,611**	1,286,690
Utilities		
– Electricity	**449,883**	484,387
– Steam	**293,415**	292,160
– Industrial gases	**165,517**	173,880
– Others	**64,769**	58,132
Regasification fee	**637,138**	616,220
	4,455,955	4,391,716

Geographical information for revenue and non-current assets is not presented as the Group is pre-dominantly operating in Malaysia.

29. HOLDING AND ULTIMATE HOLDING COMPANY

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

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30. 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);
- Held for trading (HFT); and
iii. Financial liabilities measured at amortised cost (FL).

Group	Note	L&R/(FL) RM'000	FVTPL -HFT RM'000	Total carrying amount RM'000
2015				
Financial assets				
Trade and other receivables (excluding prepayments and GST receivables)	11	**574,040**	**112**	**574,152**
Cash and cash equivalents	12	**1,230,815**	**-**	**1,230,815**
		1,804,855	**112**	**1,804,967**
Financial liabilities				
Finance lease liabilities	16	**(1,058,260)**	**-**	**(1,058,260)**
Trade and other payables (excluding deferred income)	18	**(794,554)**	**(998)**	**(795,552)**
		(1,852,814)	**(998)**	**(1,853,812)**
2014				
Financial assets				
Trade and other receivables (excluding prepayments)	11	592,754	–	592,754
Cash and cash equivalents	12	637,746	–	637,746
		1,230,500	–	1,230,500
Financial liabilities				
Finance lease liabilities	16	(882,250)	–	(882,250)
Trade and other payables (excluding deferred income)	18	(663,106)	–	(663,106)
		(1,545,356)	–	(1,545,356)

30. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company	**Note**	**L&R/(FL) RM'000**	**Total carrying amount RM'000**
2015			
Financial assets			
Trade and other receivables (excluding prepayments and GST receivables)	11	**526,808**	**526,808**
Cash and cash equivalents	12	**1,116,541**	**1,116,541**
		1,643,349	**1,643,349**
Financial liabilities			
Trade and other payables (excluding deferred income)	18	**(549,809)**	**(549,809)**
2014			
Financial assets			
Trade and other receivables (excluding prepayments)	11	612,970	612,970
Cash and cash equivalents	12	492,474	492,474
		1,105,444	1,105,444
Financial liabilities			
Trade and other payables (excluding deferred income)	18	(612,311)	(612,311)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

30. 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.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

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 their receivables from customers and fund 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 321.

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Receivables (continued)

		Group		Company	
At net	**Note**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current		**410,795**	380,392	**355,317**	328,512
Past due 1 to 30 days		**839**	55,581	**839**	55,581
Past due 31 to 60 days		-	678	-	678
Past due 61 to 90 days		-	590	-	590
Past due more than 90 days		**6,230**	4,345	**6,230**	4,345
		417,864	441,586	**362,386**	389,706
Representing:					
Trade receivables	11	**13,933**	22,580	**13,933**	22,580
Amounts due from holding company	11.2	**306,136**	287,036	**250,658**	235,156
Amounts due from related companies	11.4	**83,268**	110,104	**83,268**	110,104
Amounts due from joint ventures	11.5	**1,786**	3,452	**1,786**	3,452
Amounts due from related parties	11.6	**12,741**	18,414	**12,741**	18,414
		417,864	441,586	**362,386**	389,706

As at the reporting date, significant receivables relate to amounts due from holding company and amounts due from related companies.

Fund investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investments activities which was managed by IFSSC on behalf of the Company comprising primarily money market placement. 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 is governed by a counterparty credit risk management framework.

As at the reporting date, the maximum exposure to credit risk arising from fund investments is represented by the carrying amounts in the statement of financial position.

The fund 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.

30. FINANCIAL INSTRUMENTS (continued)

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.

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	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
2015							
Finance lease liabilities	**1,058,260**	**9.1**	**2,062,764**	**124,132**	**123,793**	**371,718**	**1,443,121**
Trade and other payables (excluding deferred income)	**795,552**	**-**	**795,552**	**795,552**	**-**	**-**	**-**
	1,853,812		**2,858,316**	**919,684**	**123,793**	**371,718**	**1,443,121**
2014							
Finance lease liabilities	882,250	9.1	1,779,442	100,744	101,020	302,232	1,275,446
Trade and other payables (excluding deferred income)	663,106	–	663,106	663,106	–	–	–
	1,545,356		2,442,548	763,850	101,020	302,232	1,275,446

* The contractual cash flow is inclusive of the principal and interest payments.

30. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company	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
2015							
Trade and other payables (excluding deferred income)	**549,809**	**-**	**549,809**	**549,809**	**-**	**-**	**-**
2014							
Trade and other payables (excluding deferred income)	612,311	-	612,311	612,311	-	-	-

* The contractual cash flow is inclusive of the principal and interest payments.

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 includes 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 due to changes in interest rates. 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.

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk (continued)

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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Fixed rate instruments				
Financial assets	**12,418**	87,584	**12,416**	84,674
Financial liabilities	**(1,058,260)**	(882,250)	**-**	-
	(1,045,842)	(794,666)	**12,416**	84,674
Floating rate instruments				
Financial assets	**1,217,024**	550,010	**1,103,983**	407,648

Cash flow sensitivity analysis for variable rate instrument

A change of 50 to 70 basis points (b.p.s) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Changes in interest b.p.s (+/-)	**50 b.p.s**	70 b.p.s	**50 b.p.s**	70 b.p.s
Profit or loss	**6,085**	3,850	**5,520**	2,854

For the Group's and the Company's interest-bearing financial assets and liabilities that are fixed rate instrument 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.

30. 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.

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 the 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 derivative financial instruments to hedge and minimise their exposure to the foreign currency movements.

The Group's and the Company's exposure to foreign currency risk (a currency which is other than the functional currency of the Group entities), based on carrying amounts as at the reporting date are as follows:

	Group Denominated in USD RM'000	Group Denominated in MYR RM'000	Company Denominated in USD RM'000
2015			
Financial assets			
Trade and other receivables	**19,680**	**–**	**–**
Financial liabilities			
Finance lease liabilities	**(1,058,260)**	**–**	**–**
Trade and other payables	**(56,629)**	**(21,481)**	**(35,602)**
	(1,114,889)	**(21,481)**	**(35,602)**
Net exposure	**(1,095,209)**	**(21,481)**	**(35,602)**
2014			
Financial assets			
Trade and other receivables	16,566	–	–
Financial liabilities			
Finance lease liabilities	(882,250)	–	–
Trade and other payables	(93,585)	–	(72,493)
	(975,835)	–	(72,493)
Net exposure	(959,269)	–	(72,493)

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk sensitivity analysis

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss as at 31 December 2015 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2015 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 judgement 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.

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:

	Appreciation in foreign currency rate %	Group Effect on profit/(loss) RM'000	Company Effect on profit/(loss) RM'000
2015			
USD	**10**	**(109,521)**	**(3,560)**
MYR	**10**	**(2,148)**	**-**
2014			
USD	5	(47,963)	(3,625)

A depreciation in the above foreign currency rates would have had equal but opposite effect, on the basis that all other variables remain constant.

The USD foreign currency exposure mainly relates to finance lease liabilities in relation to charter hire by floating storage units. The Group mitigates the cashflow exposure through a back to back charging arrangement with its customer.

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

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.

Group	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
2015				
Financial assets				
Derivative assets	**112**	**-**	**112**	**112**
Financial liabilities				
Finance lease liabilities	**-**	**(1,058,260)**	**(1,058,260)**	**(1,058,260)**
Derivative liabilities	**(998)**	**-**	**(998)**	**(998)**
	(998)	**(1,058,260)**	**(1,059,258)**	**(1,059,258)**
2014				
Financial liabilities				
Finance lease liabilities	-	882,250	882,250	882,250

The fair value of finance lease liabilities has been estimated using the discounted cash flows method.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

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30. FINANCIAL INSTRUMENTS (continued)

Income/(expense), net gains and losses arising from financial instruments

	Interest income RM'000	Interest expense RM'000	Others RM'000	Total RM'000
Group				
2015				
Financial instruments at fair value through profit or loss				
– Held for trading	**-**	**-**	**(861)**	**(861)**
Loans and receivables	**31,755**	**-**	**10,931**	**42,686**
Financial liabilities at amortised cost	**-**	**(90,055)**	**(202,262)**	**(292,317)**
Total	**31,755**	**(90,055)**	**(192,192)**	**(250,492)**
2014				
Financial instruments at fair value through profit or loss				
– Designated upon initial recognition	–	–	(10)	(10)
Loans and receivables	36,895	–	2,265	39,160
Financial liabilities at amortised cost	–	(76,328)	(55,498)	(131,826)
Total	36,895	(76,328)	(53,243)	(92,676)
Company				
2015				
Loans and receivables	**26,390**	**-**	**-**	**26,390**
Financial liabilities at amortised cost	**-**	**-**	**1,248**	**1,248**
Total	**26,390**	**-**	**1,248**	**27,638**
2014				
Financial instruments at fair value through profit or loss				
– Designated upon initial recognition	–	–	(10)	(10)
Loans and receivables	28,323	–	–	28,323
Financial liabilities at amortised cost	–	–	(574)	(574)
Total	28,323	–	(584)	27,739

31. 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.

32. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2015, the Group has adopted the following amendments to MFRSs that have been issued by the MASB as listed below.

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
Amendments to MFRS 8 *Operating Segments (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements 2011-2013 Cycle)*
Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
Amendments to MFRS 124 *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

The adoption of the above amendments to MFRSs did not have material impact to the financial statements of the Group.

33. 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 in these financial statements.

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 101 *Presentation of Financial Statements: Disclosure Initiative*

33. PRONOUNCEMENTS YET IN EFFECT (continued)

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 116 *Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 127 *Separate Financial Statements: Equity Method in Separate Financial Statements*
Amendments to MFRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 *Financial Instruments (2014)*
MFRS 15 *Revenue from Contracts with Customers*

Effective for a date yet to be confirmed

Amendments to MFRS 10, *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 128, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

i. MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue,* IC Interpretation 13 *Customer Loyalty Programmes,* IC Interpretation 15 *Agreements for Construction of Real Estate,* IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

ii. MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

34. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued amendments 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 2016

Amendments to MFRS 10 *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 12 *Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception*

34. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY (continued)

Effective for annual periods beginning on or after 1 January 2016 (continued)

MFRS 14 *Regulatory Deferral Accounts*
Amendments to MFRS 116 *Property, Plant and Equipment – Agriculture: Bearer Plants*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 138 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 141 *Agriculture – Agriculture: Bearer Plants*

35. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The retained profits as at the end of reporting period consist of:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
– realised	**8,494,324**	7,609,990	**8,642,552**	7,578,575
– unrealised	**(666,789)**	(574,622)	**(922,664)**	(1,032,571)
	7,827,535	7,035,368	**7,719,888**	6,546,004
Total share of retained profits/(accumulated losses) from associated company:				
– realised	**74,949**	80,340	**–**	–
– unrealised	**(23,351)**	(24,471)	**–**	–
	51,598	55,869	**–**	–
Total share of retained profits from joint ventures:				
– realised	**109,266**	84,820	**–**	–
– unrealised	**204,645**	178,782	**–**	–
	313,911	263,602	**–**	–
Consolidation adjustments	**2,695**	1,289	**–**	–
Total retained profits	**8,195,739**	7,356,128	**7,719,888**	6,546,004

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 2015 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 253 to 331.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that 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 judgement, 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 2015 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.

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 35 on page 331 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
Firm Number: AF 0758
Chartered Accountants

ADRIAN LEE LYE WANG
Approval Number: 2679/11/17(J)
Chartered Accountant

Petaling Jaya,

Date: 24 February 2016

ANALYSIS OF SHAREHOLDINGS

AS AT 15 FEBRUARY 2016

Category	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	431	4.38	2,961	0.00*
100 – 1,000	6,757	68.70	6,254,040	0.32
1,001 – 10,000	1,853	18.84	6,179,861	0.31
10,001 – 100,000	462	4.70	16,609,655	0.84
100,001 to less than 5% of issued shares	330	3.35	421,243,598	21.29
5% and above of issued shares	3	0.03	1,528,441,800	77.24
Total	9,836	100.00	1,978,731,915	100.00

**Insignificant % shareholding*

CLASSIFICATION OF SHAREHOLDERS

	No. of Shareholders		No. of Shares		Shares Percentage	
Category	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
INDIVIDUALS	8,245	90	11,875,671	290,272	0.60	0.01
BODY CORPORATE						
Banks/Finance companies	61	0	259,027,400	0	13.09	0.00
Investment trusts/Foundation/ Charities	6	0	139,000	0	0.01	0.00
Other types of companies	191	5	2,301,604	1,088,600	0.11	0.06
GOVERNMENT AGENCIES/ INSTITUTIONS	6	0	1,435,000	0	0.07	0.00
NOMINEES	670	562	1,535,034,262	167,540,106	77.58	8.47
OTHERS	0	0	0	0	0.00	0.00
Total	9,179	657	1,809,812,937	168,918,978	91.46	8.54

LIST OF TOP 30 SHAREHOLDERS

REGISTERED AS AT 15 FEBRUARY 2016

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)*	224,431,900	11.34
3.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	104,241,900	5.27
4.	AMANAHRAYA TRUSTEES BERHAD *(AMANAH SAHAM BUMIPUTERA)*	55,180,000	2.79
5.	CARTABAN NOMINEES (ASING) SDN BHD *(EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67))*	19,408,660	0.98
6.	AMANAHRAYA TRUSTEES BERHAD *(AMANAH SAHAM WAWASAN 2020)*	17,594,100	0.89
7.	AMSEC NOMINEES (TEMPATAN) SDN BHD *(AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI))*	13,877,300	0.70
8.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *(GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1))*	13,515,000	0.68
9.	CARTABAN NOMINEES (TEMPATAN) SDN BHD *(EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD)*	13,459,300	0.68
10.	AMANAHRAYA TRUSTEES BERHAD *(AS 1MALAYSIA)*	13,174,700	0.67
11.	HSBC NOMINEES (ASING) SDN BHD *(BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND)*	12,751,196	0.64
12.	AMANAHRAYA TRUSTEES BERHAD *(AMANAH SAHAM MALAYSIA)*	9,272,600	0.47
13.	HSBC NOMINEES (ASING) SDN BHD *(EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A))*	9,256,084	0.47
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *(EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN))*	8,460,400	0.43
15.	AMANAHRAYA TRUSTEES BERHAD *(PUBLIC ISLAMIC DIVIDEND FUND)*	7,563,000	0.38

LIST OF TOP 30 SHAREHOLDERS

REGISTERED AS AT 15 FEBRUARY 2016

No.	Name	No. of Shares	% of Total Shareholdings
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *(MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240))*	7,300,000	0.37
17.	AMANAHRAYA TRUSTEES BERHAD *(AMANAH SAHAM DIDIK)*	6,289,100	0.32
18.	CARTABAN NOMINEES (ASING) SDN BHD *(GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C))*	6,247,000	0.32
19.	AMANAHRAYA TRUSTEES BERHAD *(PUBLIC ISLAMIC SELECT ENTERPRISES FUND)*	5,629,400	0.28
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *(MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100))*	4,897,500	0.25
21.	AMANAHRAYA TRUSTEES BERHAD *(PUBLIC ISLAMIC SECTOR SELECT FUND)*	4,741,800	0.24
22.	HSBC NOMINEES (ASING) SDN BHD *(EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT))*	4,370,866	0.22
23.	HSBC NOMINEES (ASING) SDN BHD *(EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (JPMELAB AIF APG))*	4,285,100	0.22
24.	PERMODALAN NASIONAL BERHAD	4,023,600	0.20
25.	HSBC NOMINEES (TEMPATAN) SDN BHD *(HSBC (M) TRUSTEES BHD FOR CIMB ISLAMIC DALI EQUITY THEME FUND)*	3,930,400	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 *(HSBC BK PLC FOR ABU DHABI INVESTMENT AUTHORITY (AGUS))*	3,860,251	0.20
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES))	3,679,600	0.19
29.	PERTUBUHAN KESELAMATAN SOSIAL	3,568,400	0.18
30.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ITTIKAL SEQUEL FUND)	3,567,500	0.18
	TOTAL	**1,792,235,757**	**90.57**

LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name	No. of Shares	% of Total Shareholding
1.	Tan Sri Dato' Seri Shamsul Azhar bin Abbas	–	–
2.	Yusa' bin Hassan	–	–
3.	Habibah binti Abdul	–	–
4.	Lim Beng Choon	–	–
5.	Dato' N. Sadasivan N.N. Pillay	–	–
6.	Datuk Rosli bin Boni	–	–
7.	Ir. Pramod Kumar Karunakaran	–	–
8.	Dato' Ab. Halim bin Mohyiddin	5,000	0.00*

**Insignificant % shareholding*

LIST OF MANAGEMENT'S SHAREHOLDINGS

The Management Committee members do not hold any shares in PGB.

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholding
1.	CIMB Group Nominees (Tempatan) Sdn Bhd		
	– *Exempt AN for Petroliam Nasional Berhad*	1,199,768,000	60.63
	– *Exempt AN for PETRONAS Research Fund*	536,400	0.03
	TOTAL	1,200,304,400	60.66
2.	Employees Provident Fund Board	237,277,500	11.99
3.	Kumpulan Wang Persaraan *(Diperbadankan)*	109,789,400	5.55

AUTHORISED & ISSUED SHARE CAPITAL

	Company	
	2015 RM	**2014 RM**
Authorised: 2,000,000,000 ordinary shares of RM1.00 each	2,000,000,000	2,000,000,000
Issued and fully paid: 1,978,731,915 ordinary shares of RM1.00 each	1,978,731,915	1,978,731,915

SUMMARY AND USAGE OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2015

A summary and usage of the landed property, plant and equipment of PETRONAS Gas Berhad and its subsidiaries as at 31 December 2015:

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 2015 (RM'000)
TERENGGANU							
Gas Processing Plants, Kertih Km 105, Jalan Kuantan-Kuala Terengganu 24300 Kertih, Kemaman, Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				2,429,511
Lot No. 1903	30.09.1991	28.02.2043 (Sub-Lease 60 years)	Plant	87.9			
			GPP 1		31.3	95,998	
			GPP 2		23.4	123,310	
			GPP 3		23.1	123,310	
Lot No. 3541	30.09.1991	03.04.2050 (60 years)	GPP 4/DPCU 2	34.6	21.5	266,400	
			Compressor station		24.1	65,010	
Lot No. 1902	30.09.1991	26.02.2082 (99 years)	Office				
			Administration building 1	2.7	30.4	1,282	
			Administration building 2		25.7	6,892	
			Fire station		27.8	3,248	

SUMMARY AND USAGE OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2015

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 2015 (RM'000)
Gas Processing Plants, Paka Km 8, Kg. Tok Arun, Off Jalan Santong 23100 Paka, Dungun, Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				967,693
Lot No. 7346	03.08.1997	13.07.2058 (60 years)	Plant GPP 5 GPP 6 DPCU 3	189.6	 16.9 16.0 17.3	 200,000 220,000 60,000	
			Office Administration building		18.2	12,220	
Lot No. 7220	03.08.1997	20.06.2058 (60 years)	(Vacant)	26.9			
Export Terminal Operation Tanjung Sulong, 24000 Kemaman, Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				256,864
Lot No. 1314	24.07.1993	19.03.2025 (40 years)	Plant Unit 1,2,3,4	9.7	31.1	1,146	
			Office Administration building				
Lot No. 1333	24.07.1993	11.03.2027 (40 years)	Marine facility Breakwater Jetty	2.8	31.1		

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 2015 (RM'000)
Centralised Utility Facilities (CUF) Operations, Kertih Kertih Integrated Petrochemical Complex, Km 105, Jalan Kuantan Kuala Terengganu, 24300 Kertih, Kemaman, Terengganu Darul Iman		Leasehold Expiry:	Leasehold land				551,571
			Plant				
			CGN B		16.1	667	
			CGN C		16.1	667	
			CGN D, E, F		15.6	2,000	
			Water plant		15.6	2,000	
			CGN G		15.7	667	
			ASU		14.8	15,451	
			Lab & workshop		14.8	729	
Lot No. 8065	21.12.1999	19.08.2060 (60 years)	Control room	37.1	14.6	1,820	
			Office				
			Administration building		14.9	514	
PAHANG							
Kuantan Regional Operations Office Lot 1, Sector 1, Bandar Indera Mahkota 25200 Kuantan, Pahang Darul Makmur		Leasehold Expiry:	Leasehold land				8,005
Lot No. PT16756	04.01.1989	04.01.2088 (99 years)	Office Regional office	11.2	24.2	2,428	

SUMMARY AND USAGE OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2015

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 2015 (RM'000)
Kuantan Compressor Station, Kampung Mahkota, Km 19, Jalan Gambang, 26070 Kuantan, Pahang Darul Makmur		Leasehold Expiry:	Leasehold land				115,521
Lot No. 104462	04.01.1989	26.08.2101 (99 years)	Plant	20.1			
			Compressor station		22.1	1,142	
			Compressor station		6.2	4,378	
Centralised Utility Facilities (CUF) Operations, 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			258,540
			Plant				
			CGN A		16.1	667	
			CGN B		16.1	667	
			CGN C		16.1	667	
			N2GEN		16.1	360	
			Water plant		15.6	2,000	
Lot No. PT15127			Office				
			Maintenance building		14.6	1,015	
			Warehouse		14.6	1,004	

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 2015 (RM'000)
JOHOR							
Segamat Operation Centre, Gas Transmission System, Km 10, Lebuhraya Segamat-Kuantan 85000 Segamat, Johor Darul Takzim		Leasehold Expiry:	Leasehold land				59,214
Lot No. PTD564	22.09.1991	18.02.2102 (99 years)	Plant Compressor station	61.3	18.0	2,792	
			Office Operation centre		23.4	8,080	
Pasir Gudang Regional Operations Office, PLO 332, Jalan Perak 4, Pasir Gudang Industrial Area, 81700 Pasir Gudang, Johor Darul Takzim		Leasehold Expiry:	Leasehold land				7,349
Lot No. PTD84942	23.04.1989	22.04.2088 (99 years)	Office Regional office	4.1	23.5	2,428	

SUMMARY AND USAGE OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2015

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 2015 (RM'000)
NEGERI SEMBILAN							
Seremban Regional Operations Office, Km 11, Jalan Seremban – Tampin, 71450 Sg. Gadut, Seremban, Negeri Sembilan Darul Khusus			Freehold land	14.0			6,421
Lot No. 21958	16.02.1994	Freehold	Office Regional office		24.4	2,428	
SELANGOR							
Shah Alam Regional Operations Office, Lot 1, Jalan Jemuju Lima 16/13E, Shah Alam Industrial Area, Section 16, 40200 Shah Alam, Selangor Darul Ehsan		Leasehold Expiry:	Leasehold land	2.9			7,141
Lot No. PT606	12.10.1990	11.10.2089 (99 years)	Office Regional office		24.1	2,428	

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 2015 (RM'000)
Meru Compressor Station, Lot 1586 (G3907) Mukim of Jeram District of Kuala Selangor, Selangor Darul Ehsan		Leasehold Expiry:	Leasehold land (Vacant)	5.4	N/A	N/A	1,027
Lot No. PT6875	04.08.1998	10.08.2107 (99 years)					
PERAK							
Sitiawan Regional Operations Office, Lot 33263, Jalan Dato' Ahmad Yunus, 32000 Sitiawan, Perak Darul Ridzuan		Leasehold Expiry:	Leasehold land	3.2			4,740
Lot No. PT4535	04.11.1997	27.06.2101 (99 years)	Office Regional office		18.2	1,604	
KEDAH							
Gurun Regional Operations Office, PO Box 31, Km 1, Jalan Jeniang 08300 Gurun, Kedah Darul Aman		Leasehold Expiry:	Leasehold land	2.9			5,352
Lot No. 8173	18.12.1997	22.04.2102 (99 years)	Office Regional office		17.3	1,604	

SUMMARY AND USAGE OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2015

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 2015 (RM'000)
8.0 km TTM Pipeline land at District of Kubang Pasu, Kuala Muda, Pendang, and Pokok Sena, Kedah Darul Aman	1.11.2006	Leasehold Expiry: 31.10.2105 (99 years)	Leasehold land	24.7			840
			Pipeline Pipeline across 8.0 km		10.8	N/A	
SARAWAK							
Miri Operations Office, Lot 2075, Block 4, Jalan Cattleya 2B, Piasau Industrial Area, PO Box 1504, 98008 Miri, Sarawak	N/A		Pipeline Meter Station Pipeline across 42.2 km	N/A - located along road reserve area	25.8	2,066	14,257
Bintulu Gas Meter Station, Kidurong Industrial Area, Part of Lot 155 Block 20 Kemena Land District, 97007 Bintulu, Sarawak		Leasehold Expiry:	Pipeline Meter Station Pipeline across 4.2 km	0.1	19.2	630	86
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 (Melaka) Sdn Bhd Sungai Udang, Melaka	1.07.2011	Leasehold Expiry: 30.06.2038 (25 years)	Floating Storage Units Jetty Regasification Unit	N/A	2.6	N/A	2,899,403
	1.10.2012	30.04.2036 (24 years)	Office Administration building	0.3	0.5	3,000	15,579

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 2015 (RM'000)
PIPELINES							
PGU I – total gas pipeline comprises 6 km from Kertih to Paka, Terengganu & 32 km from Kertih to Teluk Kalong, Terengganu and two 40 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	31.3	N/A	33,100
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: 968.3 Melaka: 191 Negeri Sembilan: 463.9 Selangor: 295.7	24.1	N/A	523,787

SUMMARY AND USAGE OF LANDED PROPERTY, PLANT AND EQUIPMENT

AS AT 31 DECEMBER 2015

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 2015 (RM'000)
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 and Sector 3 – 90 km of NPS 36" mainline from Gurun to Pauh, Perlis, Indera Kayangan	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: 468.8 Perlis: 87.3	Sector 1: 20.1 Sector 2&3: 18.2	N/A N/A	505,711
PGU Loop 1 – total gas pipeline of 265 km from Kertih, Terengganu to Segamat, Johor	04.10.1999	N/A	Pipelines Pipelines in leasehold land Terengganu: 77 lots Pahang: 315 lots	Terengganu: 158.9 Pahang: 104.6	16.4	N/A	316,168

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 2015 (RM'000)
PGU Loop 2 – total gas pipeline of 226 km from Segamat, Johor to Meru, Selangor	01.11.2000	N/A	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	15.4	N/A	330,042
TOTAL							**9,317,922**

Abbreviations:

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

TOP 10 LANDED PROPERTY PLANT & EQUIPMENT

Name of Facilities and Location	Description	Net Book Value (RM'000)
LNG Regasification Terminal, Sungai Udang	Floating Storage Units, Jetty Regasification Unit and Pipelines and Administration Buildings	2,914,982
Gas Processing Plants, Kertih	Leasehold land, Plant and Office Buildings	2,429,511
Gas Processing Plants, Santong	Leasehold land, Plant and Office Buildings	967,693
Utilities Plants, Kertih	Leasehold land, Plant and Office Buildings	551,571
PGU II	Leasehold land and Pipelines	523,787
PGU III	Leasehold land and Pipelines	505,711
PGU Loop 2	Leasehold land and Pipelines	330,042
PGU Loop 1	Leasehold land and Pipelines	316,168
Utilities Plants, Gebeng	Leasehold land, Plant and Office Buildings	258,540
Export Terminal	Leasehold land, Plant and Marine Facility	256,864

CORPORATE DIRECTORY

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GAS PROCESSING AND UTILITIES DIVISION

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Utilities Plant, Gebeng
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26080 Kuantan
Pahang Darul Makmur
T: +(609) 586 3300
F: +(609) 586 3311

Tanjung Sulong Export Terminal
Tanjung Sulong, 24000 Kemaman
Terengganu Darul Iman
T: +(609) 862 4321
F: +(609) 863 1146

GAS TRANSMISSION AND REGASIFICATION DIVISION

PETRONAS Gas Berhad Segamat
Km 10, Lebuhraya Segamat-Kuantan
85000 Segamat
Johor Darul Takzim
T: +(607) 935 3000
F: +(607) 931 6521

Gurun Regional Office
Km 1, Jalan Jeniang
08300 Gurun
Kedah Darul Aman
T: +(604) 468 5518
F: +(604) 468 5519

Bintulu Operations Centre
Lot 8, Block 16, Kemena Land District
Km 39.5, Bintulu/Miri Coastal Highway
97000 Bintulu, P.O. Box 2190
97011 Bintulu, Sarawak
T: +(6086) 85 4800
F: +(6086) 85 4999

Miri Regional Office
Lot 1590 & 1591
Eastwood Valley Industrial Area
Jalan Miri By Pass, P.O. Box 1504
98008 Miri, Sarawak
T: +(6085) 42 2811
F: +(6085) 41 6410

Sitiawan Regional Office
Lot 33263, Jalan Dato' Ahmad Yunus
32000 Sitiawan, Perak Darul Ridzuan
T: +(605) 692 5611/12/13/14
F: +(605) 692 5615

Shah Alam Regional Office
Lot 1, Jalan Jemuju Lima 16/13E
Kawasan Perindustrian Seksyen 16
40200 Shah Alam
Selangor Darul Ehsan
T: +(603) 5510 6222
F: +(603) 5510 1528

Seremban Regional Office
Km 11, Jalan Seremban Tampin
71450 Sungai Gadut
Negeri Sembilan Darul Khusus
T: +(606) 677 6777
F: +(606) 677 7799

Pasir Gudang Regional Office
PLO 332, Jalan Perak 4
Kawasan Perindustrian Pasir Gudang
81700 Pasir Gudang
Johor Darul Takzim
T: +(607) 251 0333
F: +(607) 251 0400

Kuantan Regional Office
Lot 1, Sektor 1, Bandar Indera Mahkota
25200 Kuantan
Pahang Darul Makmur
T: +(609) 573 2811
F: +(609) 573 2813

Kertih Regional Office
Aras 1, Kompleks Pejabat PETRONAS
Wilayah Pantai Timur
24300 Kertih, Kemaman
Terengganu Darul Iman
T: +(609) 867 3500
F: +(609) 864 0375

Kimanis Operation Centre
c/o Sabah Oil and Gas Terminal (SOGT)
Level 1, Km 53 Papar-Beaufort Highway
Kimanis
89608 Papar, Sabah
T: +(6087) 88 903410
F: +(6087) 88 903312

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 33rd Annual General Meeting of the Company will be held at the Sapphire Room, Mandarin Oriental Hotel, Kuala Lumpur City Centre, 50088 Kuala Lumpur on **Tuesday, 26 April 2016** at **10.30 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 2015 together with the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note A.*	
2.	To re-elect the following Director pursuant to Article 93 of the Company's Articles of Association and, being eligible, offers himself for re-election: (a) Yusa' bin Hassan *Please refer to Explanatory Note B.*	**(Resolution 1)**
3.	To re-elect the following Director pursuant to Article 96 of the Company's Articles of Association and, being eligible, offers himself for re-election: (a) Tan Sri Dato' Seri Shamsul Azhar bin Abbas *Please refer to Explanatory Note B.*	**(Resolution 2)**
4.	To approve the payment of Directors' Fees of up to RM986,000 payable to Non-Executive Directors with effect from 1 January 2016 until the next Annual General Meeting of the Company. *Please refer to Explanatory Note C.*	**(Resolution 3)**
5.	To re-appoint Messrs KPMG as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *Please refer to Explanatory Note D.*	**(Resolution 4)**
As Special Business		
6.	To consider and, if thought fit, to pass the following Ordinary Resolution with or without modifications: "THAT the following Directors retiring in accordance with Section 129(6) of the Companies Act, 1965, Malaysia, are hereby re-appointed as Directors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company: (a) Dato' N. Sadasivan N.N. Pillay (b) Dato' Ab. Halim bin Mohyiddin *Please refer to Explanatory Note E.*	**(Resolution 5)** **(Resolution 6)**
7.	To transact any other business for which due notice has been given.	

By Order of the Board

Intan Shafinas (Tuty) binti Hussain (LS0009774)
Company Secretary

Yeap Kok Leong (MAICSA 0862549)
Company Secretary

Kuala Lumpur
1 April 2016

Notes:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming 33rd Annual General Meeting (AGM) of the Company, the Company shall be requesting the Record of Depositories as at **18 April 2016**. Only a depositor whose name appears on the Record of Depositors as at **18 April 2016** 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 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.

5. Where a member or the authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two 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.

NOTICE OF ANNUAL GENERAL MEETING

8. Explanatory Notes:

(i) Note A

Audited Financial Statements for the Financial Year Ended 31 December 2015

The audited financial statements are laid before the shareholders pursuant to the provisions of Section 169(1) and (3) of the Companies Act, 1965, Malaysia. The same is for discussion and not put forward for voting.

(ii) Note B

Re-election of Directors who retire in accordance with Article 93 and Article 96 of the Company's Articles of Association (AA)

Article 93 of the AA provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office once at least in each three years but shall be eligible for re-election at the AGM.

Article 96 of the AA provides, amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

The Nomination and Remuneration Committee (NomRem) of the Company determines the eligibility of each Director standing for re-election at the AGM based on the performance of the Directors, taking into account the results of their latest Board Evaluation, contribution to the Board through their skills, experience, strength and qualities, level of independence and ability to act in the best interest of the Company in decision-making.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on page 40 to page 47 of the 2015 Annual Report.

The Board endorsed the NomRem recommendation that the Directors who retire in accordance with Article 93 and Article 96 of the AA are eligible to stand for re-election.

(iii) Note C

Non-Executive Directors' Fees

The remuneration structure of the Non-Executive Directors (NEDs) of the Company is as follows:

- Monthly fixed fees for duties as Director/Chairman; and
- Meeting allowances for each meeting attended.

Yusa' bin Hassan who is an Executive Director is not entitled to Directors' fees. Whilst Ir. Pramod Kumar Karunakaran, being a Non-Independent Non-Executive Director, who is an employee of Petroliam Nasional Berhad (PETRONAS) and holding the position of Vice President, his fees are paid directly to PETRONAS.

The shareholders at the last AGM held on 30 April 2015 approved RM986,000 as payment of Directors' fees for the financial year ended 31 December 2015 (FYE2015). The actual Directors' fees for the Non-Executive Directors paid during the same period was RM576,000.

Details of the fees payable to the NEDs for the financial year ended 31 December 2015 are enumerated on page 181 of the 2015 Annual Report.

The Directors' fees proposed for the period 1 January 2016 up to the next AGM are calculated based on the number of scheduled Board's and Board Committees' meetings and assumption that all the NEDs will remain in office until the next AGM and there is no proposed revision to the existing Directors' fees.

The resolutions for the total Directors' fees for the financial year ending 31 December 2016 and payment of the fees from 1 January 2017 until the conclusion of the next AGM (FYE2016/2017) are to facilitate payment of the Directors' fees for FYE2016/2017. The Directors' fees in FYE2016/2017 are recommended based on individual Directors' performance and contribution in FYE2015, responsibilities undertaken and time commitment required from the Directors.

The Board will seek shareholders' approval at the next AGM 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.

(iv) **Explanatory Note D**

Re-appointment of Auditors

The Board at its meeting held on 24 February 2016 endorsed for the re-appointment of Messrs KPMG as External Auditors of the Company for the financial year ending 31 December 2016 be presented to the shareholders for approval.

(v) **Explanatory Note E**

Re-election of Directors who retire in accordance with Section 129(6) of the Companies Act, 1965, Malaysia

Pursuant to Section 129(6) of the Companies Act, 1965, Malaysia, the proposed Resolutions 5 and 6 are to seek shareholders' approval on the re-appointment of Dato' N. Sadasivan N.N. Pillay and Dato' Ab. Halim bin Mohyiddin as Directors who are over the age of 70 and if re-appointed, the appointment shall be valid until the conclusion of the next AGM.

STATEMENT ACCOMPANYING NOTICE OF 33RD ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The following are Directors retiring pursuant to Articles 93 and 96 of the Company's Articles of Association:

1. The Director who is standing for re-election pursuant to Article 93 of the Articles of Association of the Company is as follows:
   - Yusa' bin Hassan — Resolution 1

2. The Director who is standing for re-election pursuant to Article 96 of the Articles of Association of the Company is as follows:
   - Tan Sri Dato' Seri Shamsul Azhar bin Abbas — Resolution 2

3. The Directors who are standing for re-election pursuant to Section 129(6) of the Companies Act, 1965 are as follows:
   - Dato' N. Sadasivan N.N. Pillay — Resolution 5
   - Dato' Ab. Halim bin Mohyiddin — Resolution 6

The profiles of the respective Directors who are standing for re-election as stated in the Notice of 33rd AGM are set out in the Profile of the Board of Directors on page 40 to page 47 inclusive, of the 2015 Annual Report.

The details of the Directors' interests in the securities of the Company as at 15 February 2016 are stated on page 337 of the 2015 Annual Report.

ADMINISTRATIVE DETAILS FOR THE 33RD ANNUAL GENERAL MEETING

REGISTRATION

(1) Registration will start at 8.30 a.m. on 26 April 2016 in front of the Sapphire Room, Mandarin Oriental Kuala Lumpur.

(2) Please produce your original MyKad to the registration staff for verification and ensure you collect your MyKad thereafter.

(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 MyKad of that person.

(5) Kindly note that the registration counter will only handle the verification of identity and registration.

HELPDESK

(1) Please proceed to the Helpdesk for any clarification or enquiry.

(2) The Helpdesk will also handle revocation of Proxy's appointment.

PARKING

(1) Please take note that PETRONAS Gas Berhad (PGB) will not be providing cash reimbursement for parking. Instead, you are advised to park at P2, P3 or P4 of Mandarin Oriental Hotel, Kuala Lumpur or Suria KLCC. Please produce your parking ticket for validation at the counter near the Sapphire Room.

(2) By validating the parking ticket, you will not be charged for parking when you leave. Please be advised, that the parking ticket will expire by 4.00 p.m. on 26 April 2016 and any additional cost incurred after the said time will not be borne by PGB.

(3) Kindly note that PGB will not reimburse any parking cost incurred at any location. As such, please observe the abovementioned parking area.

SITE VISIT

Please be informed that there will be a registration booth available for the Shareholders' Visitation Programme, to be organised at a later date to be informed by PGB.

PROXY FORM

PETRONAS GAS BERHAD (101671-H)

PETRONAS

NO. OF SHARES HELD	
CDS ACCOUNT NO.	

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 33rd Annual General Meeting to be held at the Sapphire Room, Mandarin Oriental Hotel, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, **26 April 2016** at **10.30 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 re-elect the following Director pursuant to Article 93 of the Company's Articles of Association and, being eligible, offers himself for re-election: (a) Yusa' bin Hassan		
2.	To re-elect the following Director pursuant to Article 96 of the Company's Articles of Association and, being eligible, offers himself for re-election: (a) Tan Sri Dato' Seri Shamsul Azhar bin Abbas		
3.	To approve the payment of Directors' Fees of up to RM986,000 payable to Non-Executive Directors with effect from 1 January 2016 until the next Annual General Meeting of the Company.		
4.	To re-appoint Messrs KPMG, as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
	Special Business		
5.	To re-appoint Dato' N. Sadasivan N.N. Pillay as a 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.		
6.	To re-appoint Dato' Ab. Halim bin Mohyiddin as a 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.		
7.	To transact any other business for which due notice has been given.		

* Strike out whichever not applicable.

As witness my/our hand this __________ day ____________ 2016.

____
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 33rd Annual General Meeting of the Company, the Company shall be requesting the Record of Depositories as at 18 April 2016. Only a depositor whose name appears on the Record of Depositors as at 18 April 2016 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 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.
5. Where a member or the authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two 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

FOLD HERE

www.petronasgas.com

PETRONAS GAS BERHAD (101671-H)

Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre
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Tel: (03) 2051 5000 • Fax: (03) 2051 6555