PETRONAS GAS BERHAD

(Company No. 198301006447 (101671-H))
(Incorporated in Malaysia)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Domiciled in Malaysia
Principal place of business:
Tower 1, PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088 Kuala Lumpur

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

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

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

RESULTS

In RM'000	**Group**	**Company**
Profit for the year	2,111,404	2,214,348
Attributable to:		
Shareholders of the Company	1,988,940	2,214,348
Non-controlling interests	122,464	—

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2020 as reported in the Directors' Report of that year, a fourth interim dividend of 22 sen per ordinary share amounting to RM435,321,000 and a special interim dividend of 5 sen per ordinary share amounting to RM98,937,000 declared on 22 February 2021 and paid on 19 March 2021; and

DIVIDENDS (continued)

(ii) In respect of the financial year ended 31 December 2021:

- a first interim dividend of 16 sen per ordinary share amounting to RM316,597,000 declared on 25 May 2021 and paid on 18 June 2021;

- a second interim dividend of 16 sen per ordinary share amounting to RM316,597,000 declared on 23 August 2021 and paid on 17 September 2021; and

- a third interim dividend of 18 sen per ordinary share amounting to RM356,172,000 declared on 22 November 2021 and paid on 17 December 2021.

The Directors had on 22 February 2022 declared a fourth interim dividend of 22 sen per ordinary share amounting to RM435,321,000 and a special interim dividend of 10 sen per ordinary share amounting to RM197,873,000, in respect of the financial year ended 31 December 2021.

The financial statements for the current financial year do not reflect the declared interim dividends. The dividends will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2022.

Further details on dividends are disclosed in Note 24 to the financial statements.

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

Directors who served during the financial year until the date of this report are:

Adnan bin Zainol Abidin
Abdul Aziz bin Othman (appointed on 1 January 2021)
Habibah binti Abdul
Farina binti Farikhullah Khan
Dato' Abdul Razak bin Abdul Majid
Datuk Yeow Kian Chai
Datuk Mark Victor Rozario (appointed on 1 June 2021)
Sujit Singh Parhar s/o Sukhdev Singh (appointed on 15 July 2021)
Marina binti Md Taib
Hasliza binti Othman (appointed on 15 July 2021)
Kamalbahrin bin Ahmad (resigned on 1 January 2021)
Emeliana Dallan Rice-Oxley (resigned on 15 July 2021)

DIRECTORS (continued)

Subsidiaries

Regas Terminal (Sg. Udang) Sdn. Bhd.

Abdul Aziz bin Othman (appointed on 5 February 2021)
Zainal Abidin bin Zainudin
Afendy bin Mohamed Ali
Kamalbahrin bin Ahmad (resigned on 5 February 2021)

Regas Terminal (Pengerang) Sdn. Bhd.

Hisham bin Maaulot (appointed on 8 October 2021)
Burhan bin Abdullah
Abdul Razak bin Saim (resigned on 9 October 2021)

Regas Terminal (Lahad Datu) Sdn. Bhd.

Hisham bin Maaulot (appointed on 8 October 2021)
Burhan bin Abdullah
Abdul Razak bin Saim (resigned on 9 October 2021)

Pengerang LNG (Two) Sdn. Bhd.

Directors	Alternates
Abdul Aziz bin Othman* (appointed on 5 February 2021)	Shariza Sharis binti Mohd Yusof (alternate to PGB's nominees)
Chan Yew Kai	Teo Seow Ling (alternate to Chan Yew Kai)
Zainab binti Mohd Salleh	Ngau Wu Wei (alternate to Zainab binti Mohd Salleh)
Zainal Abidin bin Zainuddin* Abdul Razak Faiz bin Sulaiman*	Azman bin Jaafar (alternate to Dato' Ramlee bin A Rahman) (appointed on 1 September 2021)
Dato' Ramlee bin A Rahman (appointed on 1 September 2021)	Dzulkifly bin Hassan (alternate to Lukman bin Abu Bakar) (resigned on 1 September 2021)
Hisham bin Maaulot* (appointed on 20 October 2021)	
Kamalbahrin bin Ahmad* (resigned on 5 February 2021)	
Lukman bin Abu Bakar (resigned on 1 September 2021)	
Abdul Razak bin Saim* (resigned on 20 October 2021)	

*These directors are nominees from PETRONAS Gas Berhad ("PGB")

In accordance with Article 107 of the Company's Constitution, Habibah binti Abdul and Marina binti Md Taib will retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 100 of the Company's Constitution, Datuk Mark Victor Rozario, Sujit Singh Parhar s/o Sukhdev Singh and Hasliza binti Othman who have been appointed to fill casual vacancies on the Board, will retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed 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 Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares in the Company			
Name	**Balance at 1.1.2021**	**Bought**	**Sold**	**Balance at 31.12.2021**
Datuk Yeow Kian Chai	3,000	—	—	3,000

	Number of ordinary shares in PETRONAS Chemicals Group Berhad			
Name	**Balance at 1.1.2021**	**Bought**	**Sold**	**Balance at 31.12.2021**
Adnan bin Zainol Abidin - own	10,000	—	—	10,000
- spouse	6,000	—	—	6,000
Abdul Aziz bin Othman	6,000	—	—	6,000
Marina binti Md Taib	1,000	—	—	1,000

	Number of ordinary shares in PETRONAS Dagangan Berhad			
Name	**Balance at 1.1.2021**	**Bought**	**Sold**	**Balance at 31.12.2021**
Datuk Yeow Kian Chai	3,000	—	—	3,000

None of the other Directors holding office at 31 December 2021 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 27 to 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.

INDEMNITY AND INSURANCE COSTS

During the financial year, Petroliam Nasional Berhad ("PETRONAS") and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million (2020: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM19,851 (2020: RM19,851) and RM17,851 (2020: RM17,851) respectively.

OTHER STATUTORY INFORMATION

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

(i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debt and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had 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 the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(i) any charge on the assets of the Group 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 material contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 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.

In respect of the Directors or past Directors of the Company:

(i) the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiary companies as remuneration for their services to the Company or its subsidiary companies; and

(ii) the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries;

are disclosed in Note 27 to the financial statements.

There are no amounts paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiary companies by any Director or past Director of the Company.

AUDITORS

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

The auditors' remuneration is disclosed in Note 21 to the financial statements.

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

....

Adnan bin Zainol Abidin
Chairman

....

Abdul Aziz bin Othman
Director

Kuala Lumpur,
Date: 22 February 2022

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 9 to 114, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended on that date.

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

Adnan bin Zainol Abidin
Chairman

Abdul Aziz bin Othman
Director

Kuala Lumpur,
Date: 22 February 2022

Company No. 198301006447 (101671-H)

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

I, **Shariza Sharis binti Mohd Yusof,** 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 9 to 114 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 provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Shariza Sharis binti Mohd Yusof
MIA Membership Number: 37533
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 22 February 2022.

BEFORE ME:

PESURUHJAYA SUMPAH
W927
RADZILAN
BIN MAHMOOD
01 FEB 2022 - 31 DEC 2024
MALAYSIA
Lot 6.16D, Level 6,
Wisma Central, Jalan Ampang
50450 Kuala Lumpur

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

In RM'000	Note	2021	2020
ASSETS			
Property, plant and equipment	3	13,272,393	13,216,195
Investments in joint ventures	5	705,018	631,248
Investments in associate	6	151,780	142,482
Long term receivables	7	171,381	208,453
Deferred tax assets	9	167,525	217,915
TOTAL NON-CURRENT ASSETS		14,468,097	14,416,293
Trade and other inventories	10	45,951	44,940
Trade and other receivables	11	889,598	744,484
Cash and cash equivalents	12	3,782,457	3,138,898
TOTAL CURRENT ASSETS		4,718,006	3,928,322
TOTAL ASSETS		19,186,103	18,344,615
EQUITY			
Share capital	13	3,165,204	3,165,204
Reserves	14	9,933,360	9,469,553
Total equity attributable to the shareholders of the Company		13,098,564	12,634,757
Non-controlling interests	15	240,946	333,777
TOTAL EQUITY		13,339,510	12,968,534
LIABILITIES			
Borrowings	16	3,278,907	3,134,260
Deferred tax liabilities	9	1,240,275	1,240,578
Provisions	17	30,550	—
Deferred income	18	1,181	2,127
TOTAL NON-CURRENT LIABILITIES		4,550,913	4,376,965
Trade and other payables	19	1,069,012	839,135
Borrowings	16	168,209	145,161
Taxation		58,459	14,820
TOTAL CURRENT LIABILITIES		1,295,680	999,116
TOTAL LIABILITIES		5,846,593	5,376,081
TOTAL EQUITY AND LIABILITIES		19,186,103	18,344,615

The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

In RM'000	**Note**	**2021**	**2020**
Revenue	20	5,648,602	5,592,117
Cost of revenue		(2,928,856)	(2,935,689)
Gross profit		2,719,746	2,656,428
Administration expenses		(131,951)	(125,361)
Other expenses		(43,709)	(22,281)
Other income		115,436	161,408
Operating profit	21	2,659,522	2,670,194
Financing costs	22	(174,982)	(219,781)
Share of profit after tax of equity-accounted joint ventures and associate		157,132	159,788
Profit before taxation		2,641,672	2,610,201
Tax expense	23	(530,268)	(527,920)
PROFIT FOR THE YEAR		2,111,404	2,082,281
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss			
Net movements from exchange differences		7,526	(5,184)
Cash flow hedge		—	(1,980)
Share of cash flow hedge of an equity-accounted joint venture		(9,035)	(1,100)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,109,895	2,074,017
Profit attributable to:			
Shareholders of the Company		1,988,940	2,009,585
Non-controlling interests	15	122,464	72,696
PROFIT FOR THE YEAR		2,111,404	2,082,281
Total comprehensive income attributable to:			
Shareholders of the Company		1,987,431	2,001,321
Non-controlling interests		122,464	72,696
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,109,895	2,074,017
Basic and diluted earnings per ordinary share (sen)	25	100.5	101.6

The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

		Attributable to shareholders of the Company			
		Non-distributable			
In RM'000	**Note**	**Share Capital**	**Capital Reserve**	**Foreign Currency Translation Reserve**	**Hedging Reserve**
Balance at 1 January 2020		3,165,204	411,201	15,132	37,786
Net movement from exchange differences		—	—	(5,184)	—
Cash flow hedge		—	—	—	(1,980)
Share of cash flow hedge of an equity-accounted joint venture		—	—	—	(1,100)
Profit for the year		—	—	—	—
Total comprehensive (expenses)/ income for the year		—	—	(5,184)	(3,080)
Redemption of redeemable preference shares in a subsidiary		—	109,600	—	—
Dividends - 31.12.2019 interim	24	—	—	—	—
Dividends - 31.12.2020 interim	24	—	—	—	—
Total transactions with owners of the Group		—	109,600	—	—
Balance at 31 December 2020		3,165,204	520,801	9,948	34,706

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The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(continued)

		Attributable to shareholders of the Company			
		Distributable			
In RM'000	**Note**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
Balance at 1 January 2020		9,616,039	13,245,362	319,813	13,565,175
Net movement from exchange differences		—	(5,184)	—	(5,184)
Cash flow hedge		—	(1,980)	—	(1,980)
Share of cash flow hedge of an equity-accounted joint venture		—	(1,100)	—	(1,100)
Profit for the year		2,009,585	2,009,585	72,696	2,082,281
Total comprehensive (expenses)/income for the year		2,009,585	2,001,321	72,696	2,074,017
Redemption of redeemable preference shares in a subsidiary		(109,600)	—	—	—
Dividends - 31.12.2019 interim	24	(633,194)	(633,194)	—	(633,194)
Dividends - 31.12.2020 interim	24	(1,978,732)	(1,978,732)	(58,732)	(2,037,464)
Total transactions with owners of the Group		(2,721,526)	(2,611,926)	(58,732)	(2,670,658)
Balance at 31 December 2020		8,904,098	12,634,757	333,777	12,968,534

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The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(continued)

		Attributable to shareholders of the Company			
		Non-distributable			
In RM'000	**Note**	**Share Capital**	**Capital Reserve**	**Foreign Currency Translation Reserve**	**Hedging Reserve**
Balance at 1 January 2021		3,165,204	520,801	9,948	34,706
Net movement from exchange differences		—	—	7,526	—
Share of cash flow hedge of an equity-accounted joint venture		—	—	—	(9,035)
Profit for the year		—	—	—	—
Total comprehensive income/(expenses) for the year		—	—	7,526	(9,035)
Redemption of redeemable preference shares in a subsidiary		—	—	—	—
Dividends - 31.12.2020 interim	24	—	—	—	—
Dividends - 31.12.2021 interim	24	—	—	—	—
Total transactions with owners of the Group		—	—	—	—
Balance at 31 December 2021		3,165,204	520,801	17,474	25,671

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The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(continued)

		Attributable to shareholders of the Company			
		Distributable			
In RM'000	**Note**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
Balance at 1 January 2021		8,904,098	12,634,757	333,777	12,968,534
Net movements from exchange differences		—	7,526	—	7,526
Share of cash flow hedge of an equity-accounted joint venture		—	(9,035)	—	(9,035)
Profit for the year		1,988,940	1,988,940	122,464	2,111,404
Total comprehensive income/(expenses) for the year		1,988,940	1,987,431	122,464	2,109,895
Redemption of redeemable preference shares in a subsidiary		—	—	(102,970)	(102,970)
Dividends - 31.12.2020 interim	24	(534,258)	(534,258)	—	(534,258)
Dividends - 31.12.2021 interim	24	(989,366)	(989,366)	(112,325)	(1,101,691)
Total transactions with owners of the Group		(1,523,624)	(1,523,624)	(215,295)	(1,738,919)
Balance at 31 December 2021		9,369,414	13,098,564	240,946	13,339,510

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The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

In RM'000	**Note**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,641,672	2,610,201
Adjustments for:			
Depreciation and amortisation	3	983,005	1,016,887
Share of profit after tax of equity-accounted joint ventures and associate		(157,132)	(159,788)
Unrealised loss/(gain) on foreign exchange	21	38,355	(23,838)
Interest income	21	(84,257)	(120,919)
Financing costs	22	174,982	219,781
Other non-cash items		2,764	15,371
Operating profit before changes in working capital		3,599,389	3,557,695
Change in trade and other receivables		(137,108)	262,773
Change in trade and other inventories		(5,143)	19,185
Change in trade and other payables		115,276	(78,300)
Cash generated from operations		3,572,414	3,761,353
Interest income		84,257	120,919
Taxation paid		(436,542)	(390,376)
Net cash generated from operating activities		3,220,129	3,491,896
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from joint ventures and associate		76,642	64,906
Repayment of term loan due from a joint venture		38,139	—
Proceeds from disposal of property, plant and equipment		3,276	8,619
Purchase of property, plant and equipment		(1,031,708)	(964,269)
Net cash used in investing activities		(913,651)	(890,744)

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The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(continued)

In RM'000	**Note**	**2021**	**2020**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of Company	24	(1,523,624)	(2,611,926)
Dividends paid to non-controlling interests		(112,325)	(58,732)
Drawdown of Islamic financing facility	16	409,100	1,700,000
Payment of lease liabilities	16	(57,484)	(57,487)
Repayment of:			
- Islamic financing facility	16	(90,000)	—
- Term loan	16	—	(1,800,333)
- Loan from corporate shareholder of a subsidiary	16	—	(439,795)
Interest expense paid	16	(185,616)	(215,677)
Payment to non-controlling interests on redemption of shares		(102,970)	—
Net cash used in financing activities		(1,662,919)	(3,483,950)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		643,559	(882,798)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,138,898	4,021,696
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	3,782,457	3,138,898

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Total cash outflows for leases during the year comprise repayment of lease liabilities and related interests totalling RM189,282,000 (2020: RM197,720,000).

Included in the Group’s cash and cash equivalents are RM23,457,000 (2020: RM24,351,000) in a finance service reserve account being designated as security and a fixed balance amounting to RM30,000 in a trustee reimbursable account in relation to a subsidiary’s Islamic financing facility.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

In RM'000	Note	2021	2020
ASSETS			
Property, plant and equipment	3	8,451,461	7,903,410
Investments in subsidiaries	4	1,341,162	1,608,853
Investments in joint ventures	5	283,059	283,059
Investments in associate	6	76,466	76,466
Long term receivables	7	171,381	208,453
TOTAL NON-CURRENT ASSETS		10,323,529	10,080,241
Trade and other inventories	10	42,248	40,840
Trade and other receivables	11	746,063	602,665
Cash and cash equivalents	12	3,672,309	2,626,718
TOTAL CURRENT ASSETS		4,460,620	3,270,223
TOTAL ASSETS		14,784,149	13,350,464
EQUITY			
Share capital	13	3,165,204	3,165,204
Reserves	14	8,918,010	8,227,286
TOTAL EQUITY		12,083,214	11,392,490
LIABILITIES			
Borrowings	16	412,624	6,774
Deferred tax liabilities	9	1,240,275	1,240,462
Provisions	17	10,318	—
Deferred income	18	1,181	2,127
TOTAL NON-CURRENT LIABILITIES		1,664,398	1,249,363
Trade and other payables	19	977,672	693,019
Borrowings	16	89	82
Taxation		58,776	15,510
TOTAL CURRENT LIABILITIES		1,036,537	708,611
TOTAL LIABILITIES		2,700,935	1,957,974
TOTAL EQUITY AND LIABILITIES		14,784,149	13,350,464

The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

In RM'000	**Note**	**2021**	**2020**
Revenue	20	4,237,056	4,193,578
Cost of revenue		(2,326,367)	(2,248,799)
Gross profit		1,910,689	1,944,779
Administration expenses		(130,594)	(122,736)
Other expenses		(4,813)	(7,120)
Other income		913,898	430,735
Operating profit	21	2,689,180	2,245,658
Financing costs	22	(978)	(44,180)
Profit before taxation		2,688,202	2,201,478
Tax expense	23	(473,854)	(467,038)
PROFIT FOR THE YEAR		2,214,348	1,734,440
Other comprehensive expenses			
Item that may be reclassified subsequently to profit or loss			
Cash flow hedge		—	(1,980)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,214,348	1,732,460

The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

		Attributable to shareholders of the Company			
		Non-distributable		*Distributable*	
In RM'000	**Note**	**Share Capital**	**Hedging Reserve**	**Retained Profits**	**Total**
Balance at 1 January 2020		3,165,204	1,980	9,104,772	12,271,956
Cash flow hedge		—	(1,980)	—	(1,980)
Profit for the year		—	—	1,734,440	1,734,440
Total comprehensive (expense)/ income for the year		—	(1,980)	1,734,440	1,732,460
Dividends - 31.12.2019 interim	24	—	—	(633,194)	(633,194)
Dividends - 31.12.2020 interim	24	—	—	(1,978,732)	(1,978,732)
Total transactions with shareholders of the Company		—	—	(2,611,926)	(2,611,926)
Balance at 31 December 2020		3,165,204	—	8,227,286	11,392,490
Balance at 1 January 2021		3,165,204	—	8,227,286	11,392,490
Profit for the year		—	—	2,214,348	2,214,348
Total comprehensive income for the year		—	—	2,214,348	2,214,348
Dividends - 31.12.2020 interim	24	—	—	(534,258)	(534,258)
Dividends - 31.12.2021 interim	24	—	—	(989,366)	(989,366)
Total transactions with shareholders of the Company		—	—	(1,523,624)	(1,523,624)
Balance at 31 December 2021		3,165,204	—	8,918,010	12,083,214

The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

In RM'000	**Note**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,688,202	2,201,478
Adjustments for:			
Depreciation and amortisation	3	609,718	646,522
Unrealised (gain)/loss on foreign exchange	21	(11,596)	1,605
Interest income	21	(78,607)	(175,939)
Financing costs	22	978	44,180
Other non-cash items		(1,273)	14,780
Operating profit before changes in working capital		3,207,422	2,732,626
Change in trade and other receivables		(133,127)	289,975
Change in trade and other inventories		4,792	1,720
Change in trade and other payables		137,382	(130,627)
Cash generated from operations		3,216,469	2,893,694
Dividends received from subsidiary, joint ventures and associate		(789,673)	(217,074)
Interest income		78,607	175,939
Taxation paid		(430,775)	(384,225)
Net cash generated from operating activities		2,074,628	2,468,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiary, joint ventures and associate		789,673	217,074
Purchase of property, plant and equipment		(1,002,980)	(878,730)
Proceeds from disposal of property, plant and equipment		3,276	8,619
Redemption of preference share in subsidiaries	4	267,691	520,900
Repayment of term loan due from a joint venture		38,139	—
Repayment of term loan due from a subsidiary		—	1,214,529
Net cash generated from investing activities		95,799	1,082,392

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The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(continued)

In RM'000	**Note**	**2021**	**2020**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of Company	24	(1,523,624)	(2,611,926)
Drawdown of Islamic financing facility	16	409,100	—
Payment of lease liabilities	16	(83)	(94)
Repayment of term loan	16	—	(1,800,333)
Interest expense paid	16	(10,229)	(44,413)
Net cash used in financing activities		(1,124,836)	(4,456,766)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,045,591	(906,040)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,626,718	3,532,758
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	3,672,309	2,626,718

continued from previous page

Total cash outflows for leases during the year comprise payment of lease liabilities and related interests totalling RM640,000 (2020: RM800,000).

The notes set out on pages 22 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures and an associate.

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, 2016 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 2021, the Group and the Company have adopted amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 31 to the financial statements.

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

These financial statements were approved and authorised for issue by the Board of Directors on 22 February 2022.

1. BASIS OF PREPARATION (continued)

1.2 Basis of measurement

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

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared 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.

1.4 Use of estimates and judgments

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

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

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

(i) Note 3 : Property, Plant and Equipment;
(ii) Note 9 : Deferred Tax;
(iii) Note 17 : Provisions;
(iv) Note 23 : Tax Expense; and
(v) Note 29 : Financial Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities, including structured 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Subsidiaries (continued)

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 relate 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 from the acquisition date, which is the date on which control is transferred to the Group. 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 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)

Business combinations (continued)

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

Non-controlling interests

Non-controlling interests at the end of 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 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 total comprehensive income for the year between the 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 a fair value through other comprehensive income financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associate.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments such as loans and advances) 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 the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is 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 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation

Recognition and measurement

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

Cost includes expenditures 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 material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components 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.

Subsequent costs

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 item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation for property, plant and equipment other than freehold land and projects-in-progress, is recognised in 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

Depreciation (continued)

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

Plant and pipelines	5 - 55	years
Storage units	20 - 25	years
Plant turnaround/major inspection	3 - 6	years
Office equipment, furniture and fittings	6 - 7	years
Other plant and equipment	3 - 20	years
Computer software and hardware	5	years
Motor vehicles	4	years

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.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Derecognition

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 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

(i) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

Where applicable, for finance lease, the Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method (see Note 2.7(vi)). It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of “revenue”.

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group’s and the Company’s net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments* (see Note 2.8).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances (see Note 2.7).

2.7 Financial instruments

Recognition and initial measurement

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

Regular way purchases or sales are recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

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.

Classification and subsequent measurement

Interest rate benchmark reform

The Group and the Company will apply the practical expedients provided in the amendments to MFRS 9 *Financial Instruments,* MFRS 139 *Financial Instruments: Recognition and Measurement,* MFRS 7 *Financial Instruments: Disclosures,* MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)* in future periods if they become applicable.

As of 31 December 2021, the Group and the Company have had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate and therefore have not yet applied the practical expedients provided in the amendments.

(i) Financial assets

Financial assets are classified as measured at amortised cost or fair value through profit or loss ("FVTPL"), as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition. The financial assets are not subsequently reclassified unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (see Note 2.7(vi)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

b) Fair value through profit or loss

All financial assets not classified as measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument as per Note 2.7(iii)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

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 2.23.

(ii) Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

a) Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.7(vi)).

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial liabilities (continued)

b) 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.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or
- if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expenses are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(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 all, or a component of, 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 accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the hedging instrument that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Hedge accounting (continued)

Cash Flow hedge (continued)

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss as a reclassification adjustment.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iv) Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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 2.7(iii), are recognised in profit or loss.

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 recognised at fair value, with gains and losses recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (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) Effective interest method

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) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.8(i)) where effective interest rate is applied to the amortised cost.

(viii) Derecognition of financial instruments

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, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

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. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost.

The Group and the Company measure loss allowances on cash and cash equivalents at an amount equal to lifetime expected credit loss.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment (see Note 2.7(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment (continued)

(ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current 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 amount 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.

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 profit or loss in the year in which reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.10 Inventories

Inventories are stated 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 the estimated costs necessary to make the sale.

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.

2.11 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 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 the Company.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

2.13 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 a business combination or items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax expense 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, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Taxation (continued)

Deferred tax (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on 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 profit will be available against which the related tax benefit can be realised.

Unused reinvestment allowance and unused 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 unused tax incentive can be utilised.

2.14 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 the reporting date have been retranslated to the functional currency at rates ruling on the reporting 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 ruling at reporting date.

The income and expenses are translated at the exchange rates at the dates of the transactions or an average rate that approximates those rates.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings will be capitalised. Borrowing costs incurred subsequently to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2.16 Revenue

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group and the Company recognise revenue when or as it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
(b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or
(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, then the Group or the Company satisfies the performance obligation and recognises revenue at a point in time.

2.17 Financing costs

Financing costs comprise of interest component of finance lease payments, interest payable on borrowings and profit share margin on Islamic Financing Facilities, as well as accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.15. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.5.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Deferred income

Deferred income is recognised in 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 profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period, for the effects of all dilutive 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 results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

2.21 Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Government grants

Government grants related to assets, including non-monetary grants at fair value, are deducted against the construction cost of the assets. Subsequently, the grants are recognised in profit or loss on a systematic basis over the life of the asset as a reduced depreciation expense.

2.23 Fair value measurement

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.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of 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.

(ii) Non-financial assets

For non-financial assets, 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 and the Company use observable market data as far as possible. Fair value is 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 identifiable 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.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group **2021** *In RM'000*	**At** **1.1.2021**	**Additions**	**Disposals/** **Write-offs**	**Transfers/** **Adjustments**	**At** **31.12.2021**
At cost:					
Freehold land	4,504	—	—	—	4,504
Land improvement	109,006	—	—	—	109,006
Buildings	455,896	4,790	(21)	9,734	470,399
Plant and pipelines	21,702,244	26,436	(20,277)	524,956	22,233,359
Storage units	817,416	—	—	—	817,416
Plant turnaround/major inspection	1,551,926	—	—	167,274	1,719,200
Office equipment, furniture and fittings	60,965	191	(322)	3,487	64,321
Other plant and equipment	511,761	3,095	(107)	(21,406)	493,343
Computer software and hardware	149,329	—	(7,626)	18,933	160,636
Motor vehicles	26,756	—	(1,945)	—	24,811
Projects-in-progress	1,360,204	1,146,199	—	(715,936)	1,790,467
	26,750,007	1,180,711	(30,298)	(12,958)	27,887,462
Right-of-use					
Leasehold land	660,986	14,173	(34)	1,869	676,994
Plant and pipelines	729,882	—	—	(176,034)	553,848
Storage units	989,549	—	—	—	989,549
	2,380,417	14,173	(34)	(174,165)	2,220,391
	29,130,424	^1,194,884	(30,332)	*(187,123)	30,107,853

^ Includes asset on decommissioning costs of RM29,340,000.

* Includes the following adjustments:

i. Adjustments to right-of-use assets following lease modification arising from rate revision in accordance with MFRS 16 *Leases* amounting to RM171,081,000.

ii. Adjustments to property, plant and equipment transferred to inventory of RM8,701,000, consumables assets expensed-off of RM790,000 and finalisation of project costs amounting to RM4,095,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group **2021** *In RM'000*	**At 1.1.2021**	**Charge for the year**	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**At 31.12.2021**
Accumulated depreciation and impairment losses:					
Freehold land	—	—	—	—	—
Land improvement	5,311	1,677	—	—	6,988
Buildings	174,568	12,978	(7)	57	187,596
Plant and pipelines	13,812,291	608,195	(19,179)	689	14,401,996
Storage units	103,456	34,843	—	—	138,299
Plant turnaround/major inspection	852,433	189,236	—	—	1,041,669
Office equipment, furniture and fittings	43,909	4,010	(322)	75	47,672
Other plant and equipment	185,429	28,652	(74)	(807)	213,200
Computer software and hardware	102,827	18,753	(7,626)	1	113,955
Motor vehicles	22,247	2,081	(1,945)	—	22,383
Projects-in-progress	—	—	—	—	—
	15,302,471	900,425	(29,153)	15	16,173,758
Right-of-use					
Leasehold land	164,572	8,672	(5)	14	173,253
Plant and pipelines	85,914	23,308	—	(32,645)	76,577
Storage units	361,272	50,600	—	—	411,872
	611,758	82,580	(5)	(32,631)	661,702
	15,914,229	983,005	(29,158)	*(32,616)	16,835,460

* Relates to depreciation adjustment of right-of-use assets following lease modification arising from rate revision in accordance with MFRS 16 *Leases*.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group **2020** *In RM'000*	**At** **1.1.2020**	**Additions**	**Disposals/** **Write-offs**	**Transfers/** **Adjustments**	**At** **31.12.2020**
At cost:					
Freehold land	4,504	—	—	—	4,504
Land improvement	109,006	—	—	—	109,006
Buildings	453,697	—	(536)	2,735	455,896
Plant and pipelines	21,597,416	580	(40,909)	145,157	21,702,244
Storage units	817,416	—	—	—	817,416
Plant turnaround/major inspection	1,338,690	—	(5,902)	219,138	1,551,926
Office equipment, furniture and fittings	56,030	220	(289)	5,004	60,965
Other plant and equipment	415,969	3,311	(1,471)	93,952	511,761
Computer software and hardware	136,565	—	(4,306)	17,070	149,329
Motor vehicles	26,340	1,233	(817)	—	26,756
Projects-in-progress	891,236	966,675	—	(497,707)	1,360,204
	25,846,869	972,019	(54,230)	(14,651)	26,750,007
Right-of-use					
Leasehold land	653,946	7,462	(110)	(312)	660,986
Plant and pipelines	698,187	—	—	31,695	729,882
Storage units	989,549	—	—	—	989,549
	2,341,682	7,462	(110)	31,383	2,380,417
	28,188,551	979,481	(54,340)	*16,732	29,130,424

* Relates to inventories transferred to property, plant and equipment of RM18,186,000 offset by consumable assets expensed-off of RM1,454,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group **2020** *In RM'000*	**At 1.1.2020**	**Charge for the year**	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**At 31.12.2020**
Accumulated depreciation and impairment losses:					
Freehold land	—	—	—	—	—
Land improvement	3,634	1,677	—	—	5,311
Buildings	162,765	12,063	(260)	—	174,568
Plant and pipelines	13,211,903	632,134	(31,727)	(19)	13,812,291
Storage units	68,617	34,844	—	(5)	103,456
Plant turnaround/major inspection	650,457	207,878	(5,902)	—	852,433
Office equipment, furniture and fittings	40,492	3,653	(281)	45	43,909
Other plant and equipment	162,337	24,525	(1,433)	—	185,429
Computer software and hardware	95,520	11,613	(4,306)	—	102,827
Motor vehicles	20,574	2,449	(776)	—	22,247
Projects-in-progress	—	—	—	—	—
	14,416,299	930,836	(44,685)	21	15,302,471
<u>Right-of-use</u>					
Leasehold land	156,050	8,554	(32)	—	164,572
Plant and pipelines	59,017	26,897	—	—	85,914
Storage units	310,672	50,600	—	—	361,272
	525,739	86,051	(32)	—	611,758
	14,942,038	1,016,887	(44,717)	*21	15,914,229

* Relates to depreciation adjustment of property, plant and equipment transferred to inventories.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2021** *In RM'000*	**At 1.1.2021**	**Additions**	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**At 31.12.2021**
At cost:					
Freehold land	4,504	—	—	—	4,504
Buildings	353,855	—	(21)	6,001	359,835
Plant and pipelines	17,469,733	11,784	(20,277)	487,298	17,948,538
Plant turnaround/major inspection	1,489,148	—	—	168,849	1,657,997
Office equipment, furniture and fittings	42,833	191	(322)	429	43,131
Other plant and equipment	309,030	3,046	(107)	29,065	341,034
Computer software and hardware	140,328	—	(7,626)	7,434	140,136
Motor vehicles	26,010	—	(1,945)	—	24,065
Projects-in-progress	1,342,981	1,136,691	—	(706,059)	1,773,613
	21,178,422	1,151,712	(30,298)	(6,983)	22,292,853
Leased to others as operating lease					
Buildings	717	—	—	287	1,004
Right-of-use					
Leasehold land	648,723	14,173	(34)	(221)	662,641
	21,827,862	^1,165,885	(30,332)	*(6,917)	22,956,498

^ Includes asset on decommissioning costs of RM9,898,000.

* Relates to property, plant and equipment transferred to inventories of RM6,689,000 and reclassification of consumable assets expensed-off RM228,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2021** *In RM'000*	**At 1.1.2021**	**Charge for the year**	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**At 31.12.2021**
Accumulated depreciation and impairment losses:					
Freehold land	—	—	—	—	—
Buildings	159,512	8,078	(7)	—	167,583
Plant and pipelines	12,512,943	381,360	(19,178)	—	12,875,125
Plant turnaround/major inspection	807,470	180,540	—	—	988,010
Office equipment, furniture and fittings	30,607	2,254	(323)	25	32,563
Other plant and equipment	130,560	15,952	(74)	—	146,438
Computer software and hardware	99,184	11,452	(7,626)	—	103,010
Motor vehicles	21,665	1,917	(1,945)	—	21,637
Projects-in-progress	—	—	—	—	—
	13,761,941	601,553	(29,153)	25	14,334,366
Leased to others as operating lease					
Buildings	671	86	—	—	757
Right-of-use					
Leasehold land	161,840	8,079	(5)	—	169,914
	13,924,452	609,718	(29,158)	*25	14,505,037

* Relates to depreciation adjustment arising from reclassification of consumable assets expensed-off.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2020** *In RM'000*	**At 1.1.2020**	**Additions**	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**At 31.12.2020**
At cost:					
Freehold land	4,504	—	—	—	4,504
Buildings	351,852	—	(536)	2,539	353,855
Plant and pipelines	17,388,171	499	(40,659)	121,722	17,469,733
Plant turnaround/major inspection	1,289,214	—	(5,902)	205,836	1,489,148
Office equipment, furniture and fittings	37,978	185	(289)	4,959	42,833
Other plant and equipment	284,943	3,311	(1,470)	22,246	309,030
Computer software and hardware	125,854	—	(4,306)	18,780	140,328
Motor vehicles	25,594	1,233	(817)	—	26,010
Projects-in-progress	805,066	914,784	—	(376,869)	1,342,981
	20,313,176	920,012	(53,979)	(787)	21,178,422
Leased to others as operating lease					
Buildings	717	—	—	—	717
Right-of-use					
Leasehold land	641,825	7,320	(110)	(312)	648,723
	20,955,718	927,332	(54,089)	*(1,099)	21,827,862

* Relates to consumable assets expensed-off of RM1,499,000 offset by inventories transferred to property, plant and equipment of RM400,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2020** *In RM'000*	**At** **1.1.2020**	**Charge for** **the year**	**Disposals/** **Write-offs**	**Transfers/** **Adjustments**	**At** **31.12.2020**
Accumulated depreciation and impairment losses:					
Freehold land	—	—	—	—	—
Buildings	152,095	7,677	(260)	—	159,512
Plant and pipelines	12,138,040	406,555	(31,652)	—	12,512,943
Plant turnaround/major inspection	617,050	196,322	(5,902)	—	807,470
Office equipment, furniture and fittings	28,752	2,136	(281)	—	30,607
Other plant and equipment	119,489	12,504	(1,433)	—	130,560
Computer software and hardware	92,745	10,745	(4,306)	—	99,184
Motor vehicles	20,156	2,285	(776)	—	21,665
Projects-in-progress	—	—	—	—	—
	13,168,327	638,224	(44,610)	—	13,761,941
Leased to others as operating lease					
Buildings	591	80	—	—	671
Right-of-use					
Leasehold land	153,654	8,218	(32)	—	161,840
	13,322,572	646,522	(44,642)	—	13,924,452

3. PROPERTY, PLANT AND EQUIPMENT (continued)

In RM'000	Group		Company	
Carrying amount	**2021**	**2020**	**2021**	**2020**
Freehold land	4,504	4,504	4,504	4,504
Land improvement	102,018	103,695	—	—
Buildings	282,803	281,328	192,252	194,343
Plant and pipelines	7,831,363	7,889,953	5,073,413	4,956,790
Storage units	679,117	713,960	—	—
Plant turnaround/major inspection	677,531	699,493	669,987	681,678
Office equipment, furniture and fittings	16,649	17,056	10,568	12,226
Other plant and equipment	280,143	326,332	194,596	178,470
Computer software and hardware	46,681	46,502	37,126	41,144
Motor vehicles	2,428	4,509	2,428	4,345
Projects-in-progress	1,790,467	1,360,204	1,773,613	1,342,981
	11,713,704	11,447,536	7,958,487	7,416,481
Leased to others as operating lease				
Buildings	—	—	247	46
Right-of-use				
Leasehold land	503,741	496,414	492,727	486,883
Plant and pipelines	477,271	643,968	—	—
Storage units	577,677	628,277	—	—
	1,558,689	1,768,659	492,727	486,883
	13,272,393	13,216,195	8,451,461	7,903,410

3.1 As a lessee

Right-of-use assets

Group

Right-of-use assets are mainly in relation to lease of land from state governments and a related company, rental of seabed from state government, usage of jetty facilities from a related company and charter hire of floating storage units from a related company.

Company

Right-of-use assets are in relation to lease of lands from state government and a related company.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 As a lessee (continued)

Depreciation of right-of-use assets

The following is the depreciation of right-of-use assets recognised in profit or loss:

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Total depreciation	82,580	86,051	8,079	8,218

Extension options

Certain lease contracts contain extension option exercisable before the end of the non-cancellable contract period. The discounted potential future lease payments arising from exercisable extension option was not included in the lease liabilities due to uncertainty at the reporting date as to whether the Group will exercise the extension terms.

Significant judgments and assumptions in relation to leases

The Group also applied judgment and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgment to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Lease modification

During the year, lease modification arose from the rate revisions on the rental of seabed from state government and usage of jetty facilities of the Group's subsidiaries. In accordance to MFRS 16 *Leases*, the change in the consideration of the leases has been adjusted by remeasuring the lease liabilities using the discount rate at the date of modification ranging from 8.2% to 8.4%. Corresponding adjustments were made against the respective right-of-use assets.

3.2 As a lessor

Property, plant and equipment leased to others as operating lease

The Company leased out a warehouse to a subsidiary under operating lease arrangement expiring in 2024. The lease income recognised in profit or loss during the year amounted to RM103,000 (2020: RM103,000).

The operating lease payments to be received until end of the lease tenure amounted to RM266,000 (2020: RM61,000).

3.3 Restrictions of land title

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.4 Project-in-progress

Included in additions to project-in-progress of the Group and of the Company are borrowing costs capitalised during the year of RM8,297,000 (2020: RM6,003,000) and RM6,511,000 (2020: RM233,000) respectively. The interest rate on borrowings capitalised for Group and Company was 5.5% (2020: 7.0%) and 2.4% (2020: 2.3%) per annum respectively.

3.5 Impairment

No impairment on assets were recognised as at 31 December 2021 and as at 31 December 2020.

3.6 Land lease agreement for seabed land at a subsidiary

A subsidiary of the Group has entered into an agreement with the state government (“the lessor”) to lease a seabed land situated off the coast of Sg. Udang in Melaka for 25 years from 2011 to 2036 on which the subsidiary’s LNG regasification terminal and offshore pipeline resides. Upon termination or expiry of the agreement, the land is to be re-delivered to the lessor in a manner to be mutually agreed between both parties.

Under the agreement, the lessor may require the land to be delivered together with all of the subsidiary’s equipment, erections, fixtures, structures and sub-structures (“the assets”) constructed on the land at a consideration to be mutually agreed between the parties. Should there be no mutual agreement on the consideration, the lessor may then require the subsidiary to remove the assets, or they may appoint a third party to carry out the removal works and recharge the subsidiary for the costs incurred. The subsidiary of the Group has assessed that currently it is not probable that the subsidiary will be required to remove the assets.

4. INVESTMENTS IN SUBSIDIARIES

In RM'000	Company 2021	2020
Investment at cost:		
- unquoted shares		
At beginning of the year	1,608,853	2,129,753
Redemption of redeemable preference shares	(267,691)	(520,900)
At end of the year	1,341,162	1,608,853

Redemption of redeemable preference shares relates to redemption by Pengerang LNG (Two) Sdn. Bhd. in the current year and by Regas Terminal (Sg. Udang) Sdn. Bhd. in the previous year.

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2021 %	2020 %
Regas Terminal (Sg. Udang) Sdn. Bhd.	Own 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	100	100
Pengerang LNG (Two) Sdn. Bhd.	Own and operate LNG regasification terminal	Malaysia	65	65

Summarised financial information of non-controlling interest has not been disclosed as the non-controlling interest of the subsidiary is not individually material to the Group.

5. INVESTMENTS IN JOINT VENTURES

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Investments at cost				
- unquoted shares	283,059	283,059	283,059	283,059
Share of post-acquisition profits and reserves	421,959	348,189	—	—
	705,018	631,248	283,059	283,059

The Group's involvements 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.

In RM'000	**2021**	**2020**
Group summarised financial information of joint ventures		
As at 31 December		
Non-current assets	2,092,529	2,157,360
Current assets	1,074,110	936,490
Non-current liabilities	(1,527,636)	(1,623,704)
Current liabilities	(373,481)	(348,949)
Net assets	1,265,522	1,121,197
Included in the net assets are:		
Cash and cash equivalents	624,838	471,747
Non-current financial liabilities (excluding other payables and provisions)	(1,527,636)	(1,434,984)
Current financial liabilities (excluding trade and other payables and provisions)	(7,969)	(11,717)
Group's share of net assets	705,018	631,248
Profit for the year	216,858	241,862
Other comprehensive income/(expense)	6,508	(11,996)
Total comprehensive income for the year	223,366	229,866
Included in the total comprehensive income are:		
Revenue	546,579	680,342
Depreciation and amortisation	(42,519)	(39,683)
Interest income	78,153	77,673
Interest expense	(40,934)	(91,310)
Tax expense	(21,839)	(35,367)

5. INVESTMENTS IN JOINT VENTURES (continued)

In RM'000	**2021**	**2020**
Group's share of results		
Share of profit from continuing operations	118,192	129,329
Share of other comprehensive income/(expense)	2,578	(6,284)
Share of total comprehensive income	120,770	123,045
Other information		
Dividends received	47,000	39,160

Group's share of the net assets and results are significantly contributed by Kimanis Power Sdn. Bhd. and Pengerang Gas Solutions Sdn. Bhd.

Details of the joint ventures are as follows:

Name of entity	**Principal activities**	**Country of incorporation**	**Effective ownership and voting interest**	
			2021	**2020**
			%	**%**
Kimanis Power Sdn. Bhd.*	Generation and sale of electricity	Malaysia	60	60
Kimanis O&M Sdn. Bhd.*	Dormant	Malaysia	60	60
Pengerang Gas Solutions Sdn. Bhd.*	Own and operate air separation unit plant	Malaysia	51	51
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 these entities, the Group has determined that it does not have sole control over these entities considering that strategic and financial decisions of the relevant activities of these entities require unanimous consent by all shareholders.

6. INVESTMENTS IN ASSOCIATE

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Investments at cost				
- quoted shares	76,466	76,466	76,466	76,466
Share of post-acquisition profits and reserves	75,314	66,016	—	—
	151,780	142,482	76,466	76,466
Market value of quoted shares	503,527	516,827	503,527	516,827

Details of the material associate are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest 2021 %	Effective ownership and voting interest 2020 %
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 policies of the associate through representation on the Board of Directors.

In RM'000	2021	2020
Group's share of results		
Group's share of total comprehensive income for the year	38,940	30,458
Other information		
Dividends received	29,642	25,746

7. LONG-TERM RECEIVABLES

In RM'000	Note	Group and Company 2021	Group and Company 2020
Due from a joint venture	7.1	171,696	208,856
Less: Expected credit losses		(315)	(403)
		171,381	208,453

7.1 Term loan due from a joint venture is unsecured, bears interest at a rate of 5.5% (2020: 5.5%) per annum and repayable in tranches at various due dates from 2021 to 2025.

8. DERIVATIVES

In RM'000	Note	Nominal value 2021	Carrying amount 2021	Nominal value 2020	Carrying amount 2020
Group					
Derivative assets at fair value through profit or loss					
Forward foreign exchange contracts	11	257,275	1,104	5,215	15
Derivative liabilities at fair value through profit or loss					
Forward foreign exchange contracts	19	120,396	761	49,492	161
Included within:					
Trade and other receivables	11		1,104		15
Trade and other payables	19		761		161
Company					
Derivative assets at fair value through profit or loss					
Forward foreign exchange contracts	11	33,288	462	260	2
Derivative liabilities at fair value through profit or loss					
Forward foreign exchange contracts	19	4,968	59	260	2
Included within:					
Trade and other receivables	11		462		2
Trade and other payables	19		59		2

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to interest rates and foreign currency exchange rates consistent with their risk management policies and objectives.

9. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In RM'000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Group						
Property, plant and equipment	—	—	(1,571,022)	(1,608,606)	(1,571,022)	(1,608,606)
Deferred income	510	737	—	—	510	737
Expected credit loss	98	628	—	—	98	628
Unabsorbed capital allowances	1,841	2,198	—	—	1,841	2,198
Unused investment tax allowances	495,823	582,380	—	—	495,823	582,380
Tax assets/(liabilities)	498,272	585,943	(1,571,022)	(1,608,606)	(1,072,750)	(1,022,663)
Set off tax	(330,747)	(368,028)	330,747	368,028	—	—
Net tax assets/(liabilities)	167,525	217,915	(1,240,275)	(1,240,578)	(1,072,750)	(1,022,663)
Company						
Property, plant and equipment	—	—	(1,240,891)	(1,241,835)	(1,240,891)	(1,241,835)
Deferred income	510	737	—	—	510	737
Expected credit loss	106	636	—	—	106	636
Tax assets/(liabilities)	616	1,373	(1,240,891)	(1,241,835)	(1,240,275)	(1,240,462)
Set off tax	(616)	(1,373)	616	1,373	—	—
Net tax assets/(liabilities)	—	—	(1,240,275)	(1,240,462)	(1,240,275)	(1,240,462)

9. DEFERRED TAX (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Unused tax losses	38,882	38,882	—	—

The unused tax losses relates to a subsidiary of the Group. In accordance with Paragraph 5 of Income Tax (Exemption) (No.7) Order 2013 (Income based exemption for statutory income of a qualifying person derived from RAPID Complex), the subsidiary's unused tax losses does not expire. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group can utilise the benefits in the foreseeable future.

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

Group 2021 *In RM'000*	**At 1.1.2021**	**Charged/ (Credited) to profit or loss**	**At 31.12.2021**
Deferred tax liabilities			
Property, plant and equipment	1,608,606	(37,584)	1,571,022
Deferred tax assets			
Deferred income	(737)	227	(510)
Expected credit loss	(628)	530	(98)
Unabsorbed capital allowances	(2,198)	357	(1,841)
Unused investment tax allowances	(582,380)	86,557	(495,823)
	(585,943)	87,671	(498,272)
Net deferred tax	1,022,663	50,087	1,072,750

Group 2020 *In RM'000*	**At 1.1.2020**	**Charged/ (Credited) to profit or loss**	**At 31.12.2020**
Deferred tax liabilities			
Property, plant and equipment	1,623,826	(15,220)	1,608,606
Deferred tax assets			
Deferred income	(964)	227	(737)
Expected credit loss	(118)	(510)	(628)
Unabsorbed capital allowances	(59,626)	57,428	(2,198)
Unused investment tax allowances	(603,450)	21,070	(582,380)
	(664,158)	78,215	(585,943)
Net deferred tax	959,668	62,995	1,022,663

9. DEFERRED TAX (continued)

Company **2021** *In RM'000*	**At** **1.1.2021**	**Charged/ (Credited) to profit or loss**	**At** **31.12.2021**
Deferred tax liabilities			
Property, plant and equipment	1,241,835	(944)	1,240,891
Deferred tax assets			
Deferred income	(737)	227	(510)
Expected credit loss	(636)	530	(106)
	(1,373)	757	(616)
Net deferred tax	1,240,462	(187)	1,240,275

Company **2020** *In RM'000*	**At** **1.1.2020**	**Charged/ (Credited) to profit or loss**	**At** **31.12.2020**
Deferred tax liabilities			
Property, plant and equipment	1,234,582	7,253	1,241,835
Deferred tax assets			
Deferred income	(964)	227	(737)
Expected credit loss	(634)	(2)	(636)
	(1,598)	225	(1,373)
Net deferred tax	1,232,984	7,478	1,240,462

10. TRADE AND OTHER INVENTORIES

	Group		**Company**	
In RM'000	**2021**	**2020**	**2021**	**2020**
Liquefied gases and water	2,113	2,385	2,113	2,385
Maintenance materials and spares	43,838	42,555	40,135	38,455
	45,951	44,940	42,248	40,840
Recognised in profit or loss as:				
Cost of revenue	23,685	27,498	23,243	27,107
Inventories written-off	266	12,721	266	12,721
Reversal of inventories written-off	(2,251)	—	(2,251)	—
Impairment losses on inventories	6,117	1,214	6,032	1,214

11. TRADE AND OTHER RECEIVABLES

In RM'000	Note	Group 2021	Group 2020	Company 2021	Company 2020
Trade receivables		31,728	11,257	30,887	11,257
Other receivables		6,554	7,092	3,745	6,060
Deposit		948	932	948	931
Prepayments		26,918	26,737	10,142	9,255
Amount due from:					
- holding company	11.1	170,185	148,324	170,181	148,121
- subsidiaries	11.2	—	—	2,365	2,812
- joint ventures and associate	11.3	10,925	7,007	10,925	7,007
- related companies	11.4	568,890	492,810	444,062	366,921
- related parties	11.5	27,772	15,444	27,772	15,444
Term loans due from joint venture		44,704	34,927	44,704	34,927
Derivative assets	8	1,104	15	462	2
		889,728	744,545	746,193	602,737
Less: Expected credit losses		(130)	(61)	(130)	(72)
		889,598	744,484	746,063	602,665

11.1 Amount due from holding company arose in the normal course of business and relates to:

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Trade	153,503	145,385	153,499	145,381
Non-trade	16,682	2,939	16,682	2,740
	170,185	148,324	170,181	148,121

In the previous year, included in amount due from holding company at year end were GST receivables amounting to RM2,906,000 for the Group and RM2,696,000 for the Company.

11.2 Amount due from subsidiaries arose in the normal course of business and relates to:

In RM'000	Company 2021	Company 2020
Trade	421	366
Non-trade	1,944	2,446
	2,365	2,812

11. TRADE AND OTHER RECEIVABLES (continued)

11.3 Amount due from joint ventures and associate arose in the normal course of business and relates to:

	Group and Company	
In RM'000	**2021**	**2020**
Trade	400	914
Non-trade	10,525	6,093
	10,925	7,007

11.4 Amount due from related companies arose in the normal course of business and relates to:

		Group		Company
In RM'000	**2021**	**2020**	**2021**	**2020**
Trade	560,833	465,997	440,760	345,129
Non-trade	8,057	26,813	3,302	21,792
	568,890	492,810	444,062	366,921

11.5 Amount due from related parties arose in the normal course of business and relates to:

	Group and Company	
In RM'000	**2021**	**2020**
Trade	27,707	15,428
Non-trade	65	16
	27,772	15,444

12. CASH AND CASH EQUIVALENTS

		Group		Company
In RM'000	**2021**	**2020**	**2021**	**2020**
Cash with PETRONAS Integrated Financial Shared Service Centre	3,708,399	2,915,550	3,672,306	2,623,186
Cash and bank balances	74,058	223,348	3	3,532
	3,782,457	3,138,898	3,672,309	2,626,718

The Group's and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC") to enable more efficient cash management for the Group and the Company.

Included in the Group's cash and cash equivalents are RM23,457,000 (2020: RM24,351,000) in a finance service reserve account being designated as security and a fixed balance amounting to RM30,000 in a trustee reimbursable account in relation to a subsidiary's Islamic financing facility.

All of the Group's and the Company's cash and cash equivalents in the current year and in the previous year are interest-bearing balances.

13. SHARE CAPITAL

Company	No of shares	2021 Amount	No of shares	2020 Amount
	'000	RM'000	'000	RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	1,978,732	3,165,204	1,978,732	3,165,204

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

14. RESERVES

Retained Profits

The Company has sufficient retained earnings to distribute single tier dividends paid out of income derived from operations which are tax exempted in the hands of shareholders pursuant to Paragraph 12B, Schedule 6 of the Income Tax Act, 1967.

Capital Reserve

Capital reserve represents available reserve in a subsidiary that has been capitalised arising from redemption of preference shares.

Foreign Currency Translation Reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from that of the Group's presentation currency.

Hedging Reserve

Hedging 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 2.7(iii). When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out from equity to either profit or loss or the carrying value of assets, as appropriate. If the forecast transaction is no longer expected to occur, the gain or loss recognised in equity is transferred to profit or loss.

15. NON-CONTROLLING INTERESTS

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

16. BORROWINGS

In RM'000	Note	Group 2021	Group 2020	Company 2021	Company 2020
Non-current					
Secured					
Islamic financing facility	16.1	1,500,000	1,610,000	—	—
Lease liabilities	16.2	1,372,967	1,524,260	6,684	6,774
Total non-current secured borrowings		2,872,967	3,134,260	6,684	6,774
Unsecured					
Islamic financing facility	16.3	405,940	—	405,940	—
Total non-current unsecured borrowings		405,940	—	405,940	—
Total non-current borrowings		3,278,907	3,134,260	412,624	6,774
Current					
Secured					
Islamic financing facility	16.1	110,000	90,000	—	—
Lease liabilities	16.2	58,209	55,161	89	82
Total current secured borrowings		168,209	145,161	89	82
Total current borrowings		168,209	145,161	89	82
Total borrowings		3,447,116	3,279,421	412,713	6,856

16. BORROWINGS (continued)

Terms and debt repayment schedule:

Group *In RM'000*	**Total**	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured					
Islamic financing facility	1,610,000	110,000	105,000	330,000	1,065,000
Lease liabilities	1,431,176	58,209	68,753	247,460	1,056,754
	3,041,176	168,209	173,753	577,460	2,121,754
Unsecured					
Islamic financing facility	405,940	—	—	405,940	—
Total borrowings	3,447,116	168,209	173,753	983,400	2,121,754
Company					
Secured					
Lease liabilities	6,773	89	97	220	6,367
Unsecured					
Islamic financing facility	405,940	—	—	405,940	—
Total borrowings	412,713	89	97	406,160	6,367

16. BORROWINGS (continued)

16.1 The secured Islamic financing facility obtained by a subsidiary of the Group comprise:

In RM'000	**2021**	**2020**
RM-denominated Islamic Murabahah Medium Term Notes	1,610,000	1,700,000

The RM-denominated Islamic Murabahah Medium Term Notes ("Sukuk Murabahah") relates to issuance by a subsidiary of the Group totalling RM1.7 billion under its Islamic Medium Term Note Programme ("Programme").

The Sukuk Murabahah bears profit rates ranging from 2.03% to 3.74% per annum and the remaining amount is fully repayable at their various tranches due dates from 2022 to 2040.

It is secured by way of first ranking assignment and charge over a finance service reserve account as disclosed in Note 12 which is to be funded to a minimum balance equivalent to the next 6 months' principal and next 6 months' periodic profit payment due.

In connection with the Programme, the subsidiary ("Issuer") has agreed to the following significant covenants:

i) Issuer shall maintain a maximum debt to equity ratio of 80:20; and

ii) Issuer shall maintain a Finance Service Cover Ratio of not less than 1.25 times.

16.2 The Group's lease liabilities represent committed future payments for rights-of-use assets in relation to charter hire of floating storage units, usage of jetty facilities, lease of land and rental of seabed by subsidiaries of the Group from related companies and state government.

The lease liabilities bear interest at rates ranging from 8.1% to 9.1% per annum.

16.3 The unsecured Islamic financing facility obtained by the Group and the Company comprises:

In RM'000	**2021**	**2020**
Commodity Murabahah Term Financing	405,940	—

On 22 February 2021, the Company obtained a 3-year unsecured Commodity Murabahah Term Financing facility for a maximum aggregate principal up to RM1.3 billion.

The Commodity Murabahah bears a profit rate ranging from 2.41% to 2.43% per annum and is repayable in full in March 2024.

16. BORROWINGS (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group *In RM'000*	**Islamic financing facilities**	**Lease liabilities**	**Total**
Balance at 1 January 2021	1,700,000	1,579,421	3,279,421
Changes from financing cash flows			
- payment of lease liabilities	—	(57,484)	(57,484)
- drawdown of Islamic financing facility	409,100	—	409,100
- repayment of Islamic financing facility	(90,000)	—	(90,000)
Total changes from financing cash flows	319,100	(57,484)	261,616
Effect of changes in foreign exchange rates	—	50,757	50,757
Other liability-related changes			
- prepayment made	—	(101)	(101)
- re-measurement of lease liabilities	—	(141,491)	(141,491)
- accrued interest expense	461	—	461
- interest capitalised	7,003	1,294	8,297
- interest expense	47,908	125,864	173,772
- interest paid	(58,532)	(127,084)	(185,616)
Total other liability-related changes	(3,160)	(141,518)	(144,678)
Balance at 31 December 2021	2,015,940	1,431,176	3,447,116

16. BORROWINGS (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Group *In RM'000*	**Islamic financing facility**	**Lease liabilities**	**Term loan**	**Loan from corporate shareholder of a subsidiary**	**Total**
Balance at 1 January 2020	—	1,656,692	1,781,242	460,982	3,898,916
Changes from financing cash flows					
- payment of finance lease liabilities	—	(57,487)	—	—	(57,487)
- drawdown of Islamic financing facility	1,700,000	—	—	—	1,700,000
- repayment of term loan		—	(1,800,333)	—	(1,800,333)
- repayment of loan from corporate shareholder of a subsidiary	—	—	—	(439,795)	(439,795)
Total changes from financing cash flows	1,700,000	(57,487)	(1,800,333)	(439,795)	(597,615)
Effect of changes in foreign exchange rates	—	(26,639)	19,091	(21,187)	(28,735)
Other liability-related changes					
- prepayment made	—	(597)	—	—	(597)
- acquisition of new lease	—	6,950	—	—	6,950
- accrued interest expense	(9,605)	—	—	—	(9,605)
- interest capitalised	1,557	2,642	1,497	307	6,003
- interest expense	10,018	138,093	42,210	29,460	219,781
- interest paid	(1,970)	(140,233)	(43,707)	(29,767)	(215,677)
Total other liability-related changes	—	6,855	—	—	6,855
Balance at 31 December 2020	1,700,000	1,579,421	*—	**—	3,279,421

* The unsecured term loan obtained by the Company was prepaid on 21 October 2020.

** Loan from corporate shareholder of a subsidiary bore interest at a rate of 6.5% per annum and was prepaid in full on 21 October 2020.

16. BORROWINGS (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company *In RM'000*	**Lease liabilities**	**Islamic financing facility**	**Total**
Balance at 1 January 2021	6,856	—	6,856
Changes from financing cash flows			
- drawdown of Islamic financing facility	—	409,100	409,100
- payment of lease liabilities	(83)	—	(83)
Total changes from financing cash flows	(83)	409,100	409,017
Other liability-related changes			
- interest capitalised	—	6,511	6,511
- interest expense	558	—	558
- interest paid	(558)	(9,671)	(10,229)
Total other liability-related changes	—	(3,160)	(3,160)
Balance at 31 December 2021	6,773	405,940	412,713

Company *In RM'000*	**Lease liabilities**	**Term loan**	**Total**
Balance at 1 January 2020	—	1,781,242	1,781,242
Changes from financing cash flows			
- payment of lease liabilities	(94)	—	(94)
- repayment of term loan	—	(1,800,333)	(1,800,333)
Total changes from financing cash flows	(94)	(1,800,333)	(1,800,427)
Effect of changes in foreign exchange rates	—	19,091	19,091
Other liability-related changes			
- acquisition of new lease	6,950	—	6,950
- interest capitalised	—	233	233
- interest expense	706	43,474	44,180
- interest paid	(706)	(43,707)	(44,413)
Total other liability-related changes	6,950	—	6,950
Balance at 31 December 2020	6,856	*—	6,856

* The unsecured term loan obtained by the Company was prepaid on 21 October 2020.

17. PROVISIONS

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Provision for decommissioning of property, plant and equipment	30,550	—	10,318	—

The movements of provision for decommissioning during the financial year are as follows:

In RM'000	**Group**	**Company**
At initial recognition	29,340	9,898
Unwinding of discount	1,210	420
At 31 December 2021	30,550	10,318

The provision comprises of provision for decommissioning of property, plant and equipment in relation to the Group's and Company's obligation to decommission and remove certain assets, and to restore land leased to its original condition upon expiry between 2036 and 2046.

The corresponding amount of the provision for decommissioning made has been capitalised into the relevant property, plant and equipment and accounted for in accordance with the policy set out in Note 2.4.

The provision has been made based on present value of estimated decommissioning costs using discount rates ranging from 3.9% to 4.2%.

18. DEFERRED INCOME

In RM'000	Note	Group and Company 2021	2020
At beginning of the year		3,072	4,017
Addition		1,734	1,735
Less: recognised in the profit or loss		(2,680)	(2,680)
At end of the year		2,126	3,072
Analysis of deferred income:			
Non-current		1,181	2,127
Current	19	945	945
		2,126	3,072

Deferred income mainly relates to the payments received in advance from a related party amounting to RM2,126,000 (2020: RM3,072,000) for the utilisation of Company's properties over a period of time by the related party. The deferred income is subsequently recognised in the profit or loss on a time apportionment basis over the specified period.

19. TRADE AND OTHER PAYABLES

In RM'000	Note	Group 2021	2020	Company 2021	2020
Other payables and accruals	19.1	834,966	572,251	782,002	524,977
Amount due to:					
- holding company	19.2	55,603	63,853	50,755	56,161
- related companies	19.2	176,004	201,925	143,176	110,759
- subsidiaries	19.2	—	—	2	175
- joint venture	19.2	733	—	733	—
Derivative liabilities	8	761	161	59	2
Deferred income	18	945	945	945	945
		1,069,012	839,135	977,672	693,019

19.1 Included in other payables and accruals are amounts owing to suppliers and contractors for purchase of property, plant and equipment for the Group of RM450,480,000 (2020: RM316,644,000) and for the Company of RM450,480,000 (2020: RM297,473,000).

19.2 Amounts due to holding company, related companies, subsidiaries and joint venture arose in the normal course of business and are non-trade in nature.

20. REVENUE

Revenue from contracts with customers

The Group's total revenue which also represents revenue from contracts with customers are disaggregated by primary geographical market and major products and services as follows:

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Geographical locations				
Peninsular Malaysia	5,640,977	5,581,068	4,229,431	4,182,529
Sabah and Sarawak	7,625	11,049	7,625	11,049
Total revenue from contracts with customers	5,648,602	5,592,117	4,237,056	4,193,578
Products and services				
Gas processing services	1,719,813	1,710,677	1,719,813	1,710,677
Gas transportation services	1,165,712	1,165,728	1,165,712	1,165,728
Regasification services	1,391,139	1,396,570	—	—
Utilities				
- Electricity	542,298	547,498	542,298	547,498
- Steam	465,093	433,006	465,093	433,006
- Industrial gases	273,667	265,462	273,667	265,462
- Others*	63,017	61,334	63,017	61,334
LNG ancillary services	22,334	3,432	—	—
Operations and maintenance services	5,529	8,410	7,456	9,873
Total revenue from contracts with customers	5,648,602	5,592,117	4,237,056	4,193,578

** Others relate to sale of water and other utilities products.*

20. REVENUE (continued)

Revenue from contracts with customers (continued)

The Group's disaggregated revenue for each reportable segments are as follows:

Group 2021 *In RM'000*	**Gas Processing**	**Gas Transportation**	**Regasification**	**Utilities**	**Total**
Gas processing services	1,719,813	—	—	—	1,719,813
Gas transportation services	—	1,165,712	—	—	1,165,712
Regasification services	—	—	1,391,139	—	1,391,139
Utilities	—	—	—	1,344,075	1,344,075
LNG ancillary services	—	—	22,334	—	22,334
Operations and maintenance services	—	4,202	—	1,327	5,529
	1,719,813	1,169,914	1,413,473	1,345,402	5,648,602

Group 2020 *In RM'000*	**Gas Processing**	**Gas Transportation**	**Regasification**	**Utilities**	**Total**
Gas processing services	1,710,677	—	—	—	1,710,677
Gas transportation services	—	1,165,728	—	—	1,165,728
Regasification services	—	—	1,396,570	—	1,396,570
Utilities	—	—	—	1,307,300	1,307,300
LNG ancillary services	—	—	3,432	—	3,432
Operations and maintenance services	—	7,160	—	1,250	8,410
	1,710,677	1,172,888	1,400,002	1,308,550	5,592,117

20. REVENUE (continued)

Nature of goods and services

The following describes information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

Nature of products and services	Timing of recognition or method used to recognise revenue and significant payment terms	Variable elements in consideration
Gas processing services		
Processing of natural gas into sales gas and by-products	Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.	There is a performance based income upon achieving certain plant and equipment efficiency to extract liquid by-products from natural gas of which contributes less than 10% of total consideration.
Gas transportation services		
Transportation of processed gas to end customers	Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.	No variable considerations.
Regasification services		
Regasification of liquefied natural gas into Peninsular Gas Utilisation ("PGU") pipeline network and Pengerang Integrated Complex ("PIC")	Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.	No variable considerations.
Utilities		
Sale of industrial utilities to petrochemical complexes and national electricity grid	Upon industrial utilities distribution to customers, invoices are issued at pre-determined rates on a monthly basis, at month-end and payable within 30 days.	No variable considerations.
LNG ancillary services		
Gassing up cooling down services	Upon services being rendered, invoices are issued at pre-determined tariff per service basis and payable within 7 days.	No variable considerations.
LNG reloading services	Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.	No variable considerations.
LNG truck loading services	Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.	No variable considerations.
Operations & maintenance services		
Provision of manpower to operate and maintain customer facilities	Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.	No variable considerations.

20. REVENUE (continued)

Transaction price allocated to the remaining performance obligations

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure only provides information for contracts that have a duration of more than one year.

Gas Processing Services *In RM'000*	**Within 1 year**	**1 – 5 years**	**Over 5 years**	**Total**
Group and Company				
Gas processing services				
- Reservation charges	1,612,200	1,612,200	—	3,224,400

The Group has a 20-year agreement from 2014 to 2033 with the holding company to provide gas processing services called the Gas Processing Agreement ("GPA"). Pursuant to the 2nd term of the GPA effective 1 January 2019 till 31 December 2023, there is remaining an unsatisfied performance obligation to the customer for the next 2 years. There is no unsatisfied performance obligation beyond 5 years as tariffs and quantity nomination have yet to be agreed.

As allowed by the accounting standards, the Group and the Company applied the practical expedient for exemption on disclosure of information on remaining performance obligation that is unsatisfied (or partially unsatisfied) for contracts with customers as the performance obligation has an original expected duration of one year or less as follows:

i) Gas Transportation Services

The Group has long term agreements with a related company and holding company to provide gas transportation services that is subject to annual capacity reservation by the customers.

ii) Regasification Services

The Group has two LNG regasification facilities in Melaka and Johor that provide LNG regasification services.

Regas Terminal (Sg. Udang) Sdn. Bhd. ("RGTSU"), being a subsidiary company, has a long term agreement with a related company to provide LNG regasification services that is subject to annual capacity nomination by the customer.

Pengerang LNG (Two) Sdn. Bhd. ("PLNG2"), being a subsidiary company, has a long term agreement with a related company to provide LNG regasification services that is subject to annual capacity nomination by the customer.

iii) Utilities

The Group has long term agreements to supply industrial utilities to various customers in the Kertih Integrated Petrochemical Complex and Gebeng Industrial Area that are subject to daily, monthly, quarterly and annual nominations by the customers as well as fixed minimum offtake charges.

iv) LNG ancillary services

LNG reloading services
RGTSU, being a subsidiary company, has long term agreement with a related company to provide LNG reloading services that is subject to annual nomination schedule by the customer.

LNG truck loading services
PLNG2, being a subsidiary company, has a long term agreement with a related company to provide LNG truck loading services that is subject to annual operation schedule agreed by the customer.

21. OPERATING PROFIT

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Included in operating profit are the following charges:				
Auditors' remuneration:				
- audit fees	521	507	312	303
- non-audit fees	11	281	11	11
Depreciation of property, plant and equipment	983,005	1,016,887	609,718	646,522
Loss on disposal of property, plant and equipment	—	810	—	—
Property, plant and equipment:				
- written off	1,115	853	1,115	853
- expensed off	751	2,200	199	2,185
Rental of:				
- land and buildings	7,836	6,745	6,852	5,750
- equipment and motor vehicles	16,881	12,157	10,044	5,395
Staff costs:				
- wages, salaries and others	335,924	302,051	313,718	282,039
- contributions to Employees Provided Fund	36,739	44,745	34,304	42,079
Other receivables written off	2	549	2	549
Impairment losses on inventories	6,117	1,214	6,032	1,214
Inventories written-off	266	12,721	266	12,721
Realised loss on foreign exchange	4,313	21,471	3,698	4,210
Unrealised loss on foreign exchange	38,355	—	—	1,605
and crediting:				
Dividend income (quoted)				
- associate	—	—	29,642	25,746
Dividend income (unquoted)				
- subsidiaries	—	—	713,031	152,168
- joint ventures	—	—	47,000	39,160
Gain on disposal of property, plant and equipment	3,217	—	3,217	25
Unrealised gain on foreign exchange	—	23,838	11,596	—
Interest income:				
- fund investment	70,508	106,212	64,858	97,317
- term loan due from a subsidiary	—	—	—	63,915
- term loan due from a joint venture	13,749	14,707	13,749	14,707
Rental income on land and buildings	4,739	4,734	5,258	5,256
Net write-back of impairment losses on expected credit loss	19	51	30	2,169
Reversal of inventories written-off	2,251	—	2,251	—

22. FINANCING COSTS

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Recognised in profit or loss:				
- Lease liabilities	125,864	137,966	558	706
- Islamic financing facilities	47,908	8,048	—	—
- Unwinding of discount for provisions	1,210	—	420	—
- Term loan	—	42,210	—	43,474
- Loan from corporate shareholder of a subsidiary	—	24,229	—	—
- Other financing costs	—	7,328	—	—
	174,982	219,781	978	44,180
Capitalised into qualifying assets:				
- Lease liabilities	1,294	2,642	—	—
- Islamic financing facilities	7,003	1,557	6,511	—
- Term loan	—	1,497	—	233
- Loan from corporate shareholder of a subsidiary	—	307	—	—
	8,297	6,003	6,511	233
Total financing costs	183,279	225,784	7,489	44,413

Other financing costs in the previous year related to costs on prepayment of loan from corporate shareholder of a subsidiary and on issuance of Islamic financing facility by the same subsidiary.

23. TAX EXPENSE

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Current tax expenses				
Current year	472,516	454,895	466,384	449,750
Under provision in prior years	7,665	10,030	7,657	9,810
Total current tax expenses	480,181	464,925	474,041	459,560
Deferred tax expenses				
Origination and reversal of temporary differences	66,618	66,378	16,523	11,066
Over provision in prior year	(16,531)	(3,383)	(16,710)	(3,588)
Total deferred tax expenses	50,087	62,995	(187)	7,478
Total tax expenses recognised in profit or loss	530,268	527,920	473,854	467,038
Tax expense on share of profit of joint ventures	12,669	20,303	—	—
Tax expense on share of profit of associate	11,079	9,786	—	—
Total tax expenses	554,016	558,009	473,854	467,038

23. TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

Group

In RM'000	**%**	**2021**	**%**	**2020**
Profit before taxation		2,665,420		2,640,290
Taxation at Malaysian statutory tax rate	24.0	639,701	24.0	633,670
Non deductible expenses	0.7	21,538	0.9	24,834
Tax exempt income	(0.9)	(23,462)	(1.0)	(25,486)
Effect of net deferred tax benefits not recognised*	(4.0)	(105,771)	(3.2)	(84,693)
Income not subject to tax	—	(30)	—	(177)
Effect of deferred tax recognised at different rates	1.3	35,196	—	—
	21.1	567,172	20.7	548,148
(Over)/Under provision in prior years		(13,156)		9,861
Tax expense		554,016		558,009

Company

In RM'000	**%**	**2021**	**%**	**2020**
Profit before taxation		2,688,202		2,201,478
Taxation at Malaysian statutory tax rate	24.0	645,168	24.0	528,355
Non deductible expenses, net of non assessable income	0.3	7,627	0.4	7,911
Tax exempt income	(7.6)	(205,084)	(3.4)	(75,450)
Effect of deferred tax recognised at different rates	1.3	35,196	—	—
	18.0	482,907	21.0	460,816
(Over)/Under provision in prior years		(9,053)		6,222
Tax expense		473,854		467,038

* Comprise of tax incentives granted to a subsidiary and joint venture in Pengerang, Johor.

The deferred tax assets and liabilities in respect of temporary differences that will be realised in 2022 are originated at blended rates. The blended rates are measured at 24% on the first RM100 million of estimated chargeable income and one-off 33% on the remaining estimated chargeable income for the year of assessment 2022 in accordance with the provision of Malaysian Finance Act 2021.

24. DIVIDENDS

In RM'000	2021	Company 2020
Ordinary		
Interim paid:		
2019 - Fourth interim dividend of 22 sen per ordinary share	—	435,321
2019 - Special interim dividend of 10 sen per ordinary share	—	197,873
2020 - First interim dividend of 16 sen per ordinary share	—	316,597
2020 - Second interim dividend of 16 sen per ordinary share	—	316,597
2020 - Special interim dividend of 50 sen per ordinary share	—	989,366
2020 - Third interim dividend of 18 sen per ordinary share	—	356,172
2020 - Fourth interim dividend of 22 sen per ordinary share	435,321	—
2020 - Special interim dividend of 5 sen per ordinary share	98,937	—
2021 - First interim dividend of 16 sen per ordinary share	316,597	—
2021 - Second interim dividend of 16 sen per ordinary share	316,597	—
2021 - Third interim dividend of 18 sen per ordinary share	356,172	—
	1,523,624	2,611,926

The Directors had on 22 February 2022 declared a fourth interim dividend of 22 sen per ordinary share amounting to RM435,321,000 and a special interim dividend of 10 sen per ordinary share amounting to RM197,873,000, in respect of the financial year ended 31 December 2021.

The financial statements for the current financial year do not reflect the declared interim dividends. The dividends will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2022.

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

In Sen	2021	Company 2020
Declared and paid - net		
First interim dividend per ordinary share	16	16
Second interim dividend per ordinary share	16	16
Special interim dividend per ordinary share	—	50
Third interim dividend per ordinary share	18	18
	50	100
Declared but not paid - net		
Fourth interim dividend per ordinary share	22	22
Special interim dividend per ordinary share	10	5
	82	127

25. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per ordinary share was based on the Group's net profit attributable to shareholders of the Company of RM1,988,940,000 (2020: RM2,009,585,000), over the number of ordinary shares outstanding during the year of 1,978,732,000 (2020: 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.

		Company
In Sen	**2021**	**2020**
Basic and diluted earnings per ordinary share	100.5	101.6

26. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

		Group		Company
In RM'000	**2021**	**2020**	**2021**	**2020**
Property, plant and equipment				
Approved and contracted for				
Less than one year	132,785	427,360	124,959	427,269
Between one and five years	96,853	26,326	96,853	26,326
	229,638	453,686	221,812	453,595
Approved but not contracted for				
Less than one year	2,190,972	1,318,755	2,085,260	1,276,586
Between one and five years	3,370,753	2,660,957	3,228,585	2,578,823
	5,561,725	3,979,712	5,313,845	3,855,409
	5,791,363	4,433,398	5,535,657	4,309,004

26. CAPITAL COMMITMENTS (continued)

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Share of capital expenditure of joint venture				
Approved and contracted for				
Less than one year	588	795	—	—
Between one and five years	—	—	—	—
	588	795	—	—
Approved but not contracted for				
Less than one year	7,765	3,081	—	—
Between one and five years	4,267	6,567	—	—
	12,032	9,648	—	—
	12,620	10,443	—	—
Total commitments	5,803,983	4,443,841	5,535,657	4,309,004

27. RELATED PARTY DISCLOSURES

Significant transactions with 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, joint ventures, associate, as well as the holding and ultimate holding company, Petroliam Nasional Berhad ("PETRONAS") and its related entities. The Group's related parties also include Government of Malaysia and its related entities as the Company's holding company, PETRONAS is wholly-owned by the Government of Malaysia.

Related parties also include 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. The key management personnel include all the Directors of the Group.

Key management personnel compensation

		Group		**Company**
In RM'000	**2021**	**2020**	**2021**	**2020**
Directors				
- Fees	1,007	823	1,007	823
- Benefit-in-kind	28	24	28	24
	1,035	847	1,035	847

In addition to directors' compensation paid directly as above, the Company paid to the holding company fees for representation on the Board of Directors and reimbursement of key management personnel costs and benefits as disclosed below.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

		Group		**Company**
In RM'000	**2021**	**2020**	**2021**	**2020**
Government of Malaysia's related entities:				
Tenaga Nasional Berhad				
- Sales of industrial utilities	38,114	5,960	38,114	5,960
- Purchase of electricity	(25,919)	(45,204)	(8,006)	(19,618)
TNB Repair and Maintenance Sdn. Bhd.				
- Provision of repair and maintenance services	(28,804)	(40,640)	(28,804)	(40,640)

27. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Holding company:				
- Gas processing fee income	1,702,547	1,694,150	1,702,547	1,694,150
- Interest income from fund investments	70,207	101,385	64,838	92,513
- Insurance claim	12,519	—	12,519	—
- Internal gas consumption and performance incentive	10,724	9,984	10,724	9,984
- Gas transportation fee income	7,625	7,581	7,625	7,581
- Staff secondment services	(301,380)	(346,233)	(280,733)	(324,092)
- Information, communication and technology charges	(45,849)	(52,292)	(44,020)	(50,735)
- Insurance expense	(25,757)	(23,664)	(21,734)	(18,176)
- Staff medical expense	(15,407)	(15,850)	(14,251)	(14,983)
- Financial services	(11,690)	(12,221)	(11,241)	(12,097)
- Corporate security charges	(9,719)	(9,313)	(9,317)	(9,352)
- Supply chain and management services	(6,623)	(17,389)	(5,988)	(16,078)
- Rental of office premises	(6,310)	(5,774)	(6,310)	(5,774)
- Fees for representation on the Board of Directors	(667)	(695)	(667)	(695)
- Reimbursement of key management costs	(1,177)	(1,499)	(1,177)	(1,499)
Related companies:				
CEFS Response				
- Contribution for emergency response services	(10,795)	(13,165)	(10,785)	(13,158)
Gas Asia Terminal (L) Pte. Ltd.				
- Time charter services	(240,071)	(241,976)	—	—
Pengerang Power Sdn. Bhd.				
- Purchase of electricity	(12,122)	(77,438)	—	—
PETCO Trading Labuan Co. Ltd.				
- LPG import and export service fees	6,543	6,543	6,543	6,543
PETRONAS Carigali Sdn. Bhd.				
- Operations and maintenance services charges	(8,991)	(4,013)	(8,991)	(4,013)
PETRONAS Chemicals Ammonia Sdn. Bhd.				
- Sale of industrial utilities	184,970	183,254	184,970	183,254
PETRONAS Chemicals Aromatics Sdn. Bhd.				
- Sale of industrial utilities	49,077	55,050	49,077	55,050
PETRONAS Chemicals Derivatives Sdn. Bhd.				
- Sale of industrial utilities	478,928	503,361	478,928	503,361
PETRONAS Chemicals Ethylene Sdn. Bhd.				
- Sale of industrial utilities	9,444	5,807	9,444	5,807

27. RELATED PARTY DISCLOSURES (continued)

In RM'000	Group 2021	Group 2020	Company 2021	Company 2020
Related companies (continued):				
PETRONAS Chemicals LDPE Sdn. Bhd.				
- Sale of industrial utilities	84,329	98,255	84,329	98,255
PETRONAS Chemicals MTBE Sdn. Bhd.				
- Sale of industrial utilities	161,745	173,185	161,745	173,185
PETRONAS Digital Sdn. Bhd.				
- Information, communication and technology	(16,266)	(10,092)	(14,110)	(9,891)
PETRONAS Energy and Gas Trading Sdn. Bhd.				
- Regasification fee income	1,381,240	1,394,950	—	—
- Gas transportation fee income	1,154,982	1,158,146	1,154,982	1,158,146
- Reloading income	9,717	2,982	—	—
- LNG truck loading income	8,650	416	—	—
- Purchase of fuel gas	(845,692)	(830,388)	(845,692)	(830,388)
- Purchase of gas for internal gas consumption	(102,494)	(92,661)	(101,885)	(78,624)
PETRONAS Technical Services Sdn. Bhd.				
- Technical consultancy fees	(120,978)	(126,621)	(121,089)	(127,136)
Sungai Udang Port Sdn. Bhd.				
- Marine services	(6,475)	(6,475)	—	—
Subsidiaries:				
Regas Terminal (Sg. Udang) Sdn. Bhd.				
- Management fee income	—	—	2,832	3,294
- Pipeline maintenance fee income	—	—	1,880	1,463
- Annual access right fee income	—	—	416	418
- Technical and engineering services fee income	—	—	363	—
- Rental income of warehouse	—	—	103	103
- Transfer of assets	—	—	—	(175)
Pengerang LNG (Two) Sdn. Bhd.				
- Interest income	—	—	—	63,915
- Breakage costs	—	—	—	13,930
- Management fee income	—	—	2,868	2,868
- Technical and engineering services fee income	—	—	156	—
- Pipeline maintenance fee income	—	—	46	—

27. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
In RM'000	**2021**	**2020**	**2021**	**2020**
Joint ventures:				
Industrial Gases Solutions Sdn. Bhd.				
- Sale of industrial utilities	4,671	6,342	4,671	6,342
- Purchase of nitrogen	(739)	(1,252)	—	—
Kimanis Power Sdn. Bhd.				
- Secondment fee income	1,166	1,463	1,166	1,463
Pengerang Gas Solutions Sdn. Bhd.				
- Interest income	13,749	14,707	13,749	14,707
- Secondment fee income	642	589	642	589
- Management fee income	277	—	277	—
Joint ventures and associates of the holding company and related companies:				
BASF PETRONAS Chemicals Sdn. Bhd.				
- Sale of industrial utilities	121,614	143,891	121,614	143,891
BP PETRONAS Acetyls Sdn. Bhd.				
- Sale of industrial utilities	33,677	37,799	33,677	37,799
Kertih Terminals Sdn. Bhd.				
- Sale of industrial utilities	6,139	8,575	6,139	8,575
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.				
- Right of way and maintenance fees income	5,946	5,957	5,946	5,957

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 7, Note 11, Note 16, Note 18 and Note 19.

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.

28. OPERATING SEGMENTS

The Group has four reportable 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 sales gas to shippers' end customers throughout Malaysia and export to Singapore as well as provision of operations and maintenance services.

- Regasification – activities include regasification of liquefied natural gas ("LNG") into the Peninsular Gas Utilisation pipeline network and provision of LNG reloading, truck loading and gassing up and cooling down services.

- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area and provision of operations and maintenance services.

Performance is measured based on segment gross profit as included in the internal management reports. 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.

Segment results refer to segment gross profit. 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 comprise forex gain or loss, other corporate income and expenses.

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 joint ventures and associate 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 joint ventures and associate are disclosed in Note 5 and Note 6 to the financial statements respectively.

Segment capital expenditure is the total cost incurred during the period to acquire non-current assets that are expected to be used for more than one period, other than financial instruments and deferred tax assets.

28. OPERATING SEGMENTS (continued)

Group
Business Segment
2021

In RM'000	**Gas Processing**	**Gas Transportation**	**Regasification**	**Utilities**	**Total**
Revenue	1,719,813	1,169,914	1,413,473	1,345,402	5,648,602
Segment results	936,438	698,623	810,977	273,708	2,719,746
Unallocated expense					(60,224)
Operating profit					2,659,522
Financing costs					(174,982)
Share of profit after tax of equity-accounted joint ventures and associate					157,132
Profit before taxation					2,641,672
Tax expense					(530,268)
Profit for the year					2,111,404
Included in the measure of segment profit are:					
Depreciation and amortisation	(404,299)	(104,010)	(372,095)	(101,839)	(982,243)
Unallocated depreciation and amortisation	—	—	—	—	(762)

Group
Business Segment
2020

In RM'000	**Gas Processing**	**Gas Transportation**	**Regasification**	**Utilities**	**Total**
Revenue	1,710,677	1,172,888	1,400,002	1,308,550	5,592,117
Segment results	944,616	794,852	713,113	203,847	2,656,428
Unallocated income (net)					13,766
Operating profit					2,670,194
Financing costs					(219,781)
Share of profit after tax of equity-accounted joint ventures and associate					159,788
Profit before taxation					2,610,201
Tax expense					(527,920)
Profit for the year					2,082,281
Included in the measure of segment profit are:					
Depreciation and amortisation	(399,962)	(103,291)	(370,576)	(142,395)	(1,016,224)
Unallocated depreciation and amortisation	—	—	—	—	(663)

28. OPERATING SEGMENTS (continued)

Group
Business Segment
2021

In RM'000	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Segment assets	4,499,415	3,184,986	5,299,512	1,495,343	14,479,256
Investment in joint ventures					705,018
Investment in associate					151,780
Unallocated assets					3,850,049
Total assets					19,186,103
Included in the measure of segment assets are:					
Capital expenditure	508,417	525,358	23,093	136,658	1,193,526
Unallocated capital expenditure	—	—	—	—	1,358

Group
Business Segment
2020

In RM'000	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Segment assets	4,271,901	2,888,892	6,197,986	1,335,597	14,694,376
Investment in joint ventures					631,248
Investment in associate					142,482
Unallocated assets					2,876,509
Total assets					18,344,615
Included in the measure of segment assets are:					
Capital expenditure	480,138	181,113	46,388	263,211	970,850
Unallocated capital expenditure	—	—	—	—	8,631

28. OPERATING SEGMENTS (continued)

Major customers

The following are major customers with revenue that contribute to equal or more than 10 percent of Group revenue:

Group *In RM'000*	**Segment**	**2021**	**2020**
- PETRONAS Energy and Gas Trading Sdn. Bhd.	Gas Transportation and Regasification	2,546,107	2,556,494
- Petroliam Nasional Berhad ("PETRONAS")	Gas Processing and Gas Transportation	1,720,896	1,711,715
- PETRONAS Chemicals Group Berhad	Utilities	965,746	1,019,073

Pursuant to Gas Supply Act (Amendment) 2016, the Third Party Access code was introduced by Suruhanjaya Tenaga for the owner of gas facilities to purchase their own internal gas consumption. Hence, PETRONAS Gas Berhad and its subsidiaries had on 30 November 2020 entered into the following agreements with PETRONAS Energy & Gas Trading Sdn. Bhd.:

Name of company	**Agreements**	**Tenure**
PETRONAS Gas Berhad	Master Sale and Purchase Agreement ("MSPA") to purchase gas for internal consumption at Peninsular Gas Utilisation pipeline network.	2020 to 2022
Regas Terminal (Sg. Udang) Sdn. Bhd.	MSPA to purchase gas for internal consumption at LNG regasification terminal in Sg. Udang, Melaka.	2020 to 2022
Pengerang LNG (Two) Sdn. Bhd.	MSPA to purchase gas for internal consumption at LNG regasification terminal in Pengerang, Johor.	2020 to 2022

Upon expiry of the current 20-year sale and purchase agreement for the purchase of fuel gas for Utilities business, PETRONAS Gas Berhad had on 30 October 2020 entered into the following new agreement with PETRONAS Energy & Gas Trading Sdn. Bhd.:

Name of company	**Agreement**	**Tenure**
PETRONAS Gas Berhad	Gas Sales Agreement to purchase fuel gas for Utilities business.	2020 to 2039

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Amortised cost ("AC"); and

(ii) Fair value through profit or loss ("FVTPL")
– Mandatorily required by MFRS 9

Group **2021** *In RM'000*	**Note**	**AC**	**FVTPL - mandatorily at FVTPL**	**Total carrying amount**
Financial assets				
Long term receivables (excluding Expected Credit Losses ("ECL"))	7	171,696	—	171,696
Trade and other receivables (excluding prepayments and ECL)	11	861,706	1,104	862,810
Cash and cash equivalents	12	3,782,457	—	3,782,457
		4,815,859	1,104	4,816,963
Financial liabilities				
Borrowings (excluding lease liabilities)	16	(2,015,940)	—	(2,015,940)
Trade and other payables (excluding deferred income)	19	(1,067,306)	(761)	(1,068,067)
		(3,083,246)	(761)	(3,084,007)

2020 *In RM'000*		**AC**	**FVTPL - mandatorily at FVTPL**	**Total carrying amount**
Financial assets				
Long term receivables (excluding ECL)	7	208,856	—	208,856
Trade and other receivables (excluding prepayments, GST receivables and ECL)	11	714,887	15	714,902
Cash and cash equivalents	12	3,138,898	—	3,138,898
		4,062,641	15	4,062,656
Financial liabilities				
Borrowings (excluding lease liabilities)	16	(1,700,000)	—	(1,700,000)
Trade and other payables (excluding deferred income)	19	(838,029)	(161)	(838,190)
		(2,538,029)	(161)	(2,538,190)

29. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company **2021** *In RM'000*	**Note**	**AC**	**FVTPL - mandatorily at FVTPL**	**Total carrying amount**
Financial assets				
Long term receivables (excluding ECL)	7	171,696	—	171,696
Trade and other receivables (excluding prepayments and ECL)	11	735,589	462	736,051
Cash and cash equivalents	12	3,672,309	—	3,672,309
		4,579,594	462	4,580,056
Financial liabilities				
Borrowings (excluding lease liabilities)	16	(405,940)	—	(405,940)
Trade and other payables (excluding deferred income)	19	(976,668)	(59)	(976,727)
		(1,382,608)	(59)	(1,382,667)

2020 *In RM'000*		**AC**	**FVTPL - mandatorily at FVTPL**	**Total carrying amount**
Financial assets				
Long term receivables (excluding ECL)	7	208,856	—	208,856
Trade and other receivables (excluding prepayments, GST receivables and ECL)	11	590,784	2	590,786
Cash and cash equivalents	12	2,626,718	—	2,626,718
		3,426,358	2	3,426,360
Financial liabilities				
Trade and other payables (excluding deferred income)	19	(692,072)	(2)	(692,074)

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 and the Company have policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the PETRONAS Group.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

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 their 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.

(i) *Receivables*

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise its credit risk by entering into contracts with highly 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 from related parties.

At each reporting date, the Group and the Company assess whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

29. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) ***Receivables (continued)***

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the customer;
– a breach of contract such as a default; or
– it is probable that the customer will enter bankruptcy or other financial reorganisation.

Concentration of credit risk

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

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Company's historical experience.

29. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) *Receivables (continued)*

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021 which are grouped together as they are expected to have similar risk nature.

Group **2021** *In RM'000*	**Note**	**Gross carrying amount**	**Loss allowance**	**Net balance**
Credit Risk Rating				
Excellent		403,006	(27)	402,979
Good		373,932	(2)	373,930
Fair		—	—	—
Amounts not subject to loss allowances*		(2,767)	—	(2,767)
		774,171	(29)	774,142
Representing				
Trade receivables	11	774,171	(29)	774,142

Company **2021** *In RM'000*	**Note**	**Gross carrying amount**	**Loss allowance**	**Net balance**
Credit Risk Rating				
Excellent		403,002	(27)	402,975
Good		253,439	(2)	253,437
Fair		—	—	—
Amounts not subject to loss allowances*		(2,767)	—	(2,767)
		653,674	(29)	653,645
Representing				
Trade receivables	11	653,674	(29)	653,645

* *Amounts not subject to loss allowances relates to credit notes issued to customers.*

29. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) *Receivables (continued)*

Recognition and measurement of impairment loss (continued)

The ageing of trade receivables as at the reporting date is analysed below.

			Group		Company
In RM'000	**Note**	**2021**	**2020**	**2021**	**2020**
Current		771,602	638,981	651,105	518,475
Past due 1 to 30 days		2,569	—	2,569	—
Past due 31 to 60 days		—	—	—	—
Past due 61 to 90 days		—	—	—	—
Past due more than 90 days		—	—	—	—
		774,171	638,981	653,674	518,475
Representing:					
Trade receivables	11	31,728	11,257	30,887	11,257
Amounts due from holding company	11.1	153,503	145,385	153,499	145,381
Amounts due from subsidiary	11.2	—	—	421	366
Amounts due from joint ventures	11.3	400	914	400	914
Amounts due from related companies	11.4	560,833	465,997	440,760	345,129
Amounts due from related parties	11.5	27,707	15,428	27,707	15,428
		774,171	638,981	653,674	518,475

Other receivables

Credit risks on other receivables are mainly arising from term loan due from a joint venture company. The term loan due from a joint venture company has fixed terms of repayment as disclosed in Note 7 to the financial statements.

29. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) ***Receivables (continued)***

Recognition and measurement of impairment loss (continued)

As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position. The Group and the Company have provided allowances for expected credit losses on these amounts. The movements in the allowance for expected credit losses during the year are as follows:

In RM'000	**Trade receivables**	**Other receivables**	**2021 Total**
Group			
Opening balance	(2)	(462)	(464)
Impairment (loss)/reversal recognised	(27)	46	19
Closing balance	(29)	(416)	(445)
Company			
Opening balance	(2)	(473)	(475)
Impairment (loss)/reversal recognised	(27)	57	30
Closing balance	(29)	(416)	(445)

(ii) ***Fund investments***

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investments activities which is managed by PETRONAS IFSSC on behalf of the Group 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 credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company assume that there is a significant increase in credit risk when it is past due.

While the fund investments are unsecured, the Group and the Company do not expect any of the counterparties to fail to meet its obligation in view of their sound credit ratings.

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arise principally from its trade and other payables and borrowings. In managing its liquidity risk, the Group and the Company maintain sufficient cash and liquid marketable assets.

The Group's and the Company's borrowing power is not limited by the Company's and respective Group entities' constitutions. However, certain borrowing covenants impose limited restrictions on some of the debt level of the Group and Company.

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 **2021** *In RM'000*	**Carrying amount**	**Contractual interest per annum/ discount rate %**	**Contractual cash flows***	**Within 1 year**
Islamic Murabahah Medium Term Notes	1,610,000	2.12 to 3.74	2,031,971	155,846
Commodity Murabahah Term Financing	405,940	2.41 to 2.43	431,451	9,952
Lease liabilities	1,431,176	8.1 to 9.1	2,511,248	174,290
Trade and other payables (excluding deferred income)	1,068,067	—	1,068,067	1,068,067
	4,515,183		6,042,737	1,408,155

Group **2021** *In RM'000*	**1-2 years**	**2-5 years**	**More than 5 years**
Islamic Murabahah Medium Term Notes	148,740	444,599	1,282,786
Commodity Murabahah Term Financing	9,952	411,547	—
Lease liabilities	185,903	558,071	1,592,984
Trade and other payables (excluding deferred income)	—	—	—
	344,595	1,414,217	2,875,770

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company **2021** *In RM'000*	**Carrying amount**	**Contractual interest per annum/ discount rate %**	**Contractual cash flows***	**Within 1 year**
Commodity Murabahah Term Financing	405,940	2.41 to 2.43	431,451	9,952
Lease liabilities	6,773	8.20	15,756	640
Trade and other payables (excluding deferred income)	976,727	—	976,727	976,727
	1,389,440		1,423,934	987,319

Company **2021** *In RM'000*	**1-2 years**	**2-5 years**	**More than 5 years**
Commodity Murabahah Term Financing	9,952	411,547	—
Lease liabilities	640	1,921	12,555
Trade and other payables (excluding deferred income)	—	—	—
	10,592	413,468	12,555

Group **2020** *In RM'000*	**Carrying amount**	**Contractual interest per annum/ discount rate %**	**Contractual cash flows***	**Within 1 year**
Islamic Murabahah Medium Term Notes	1,700,000	2.0 to 3.7	2,194,248	138,836
Lease liabilities	1,579,421	7.2 to 9.1	2,811,581	177,692
Trade and other payables (excluding deferred income)	838,190	—	838,190	838,190
	4,117,611		5,844,019	1,154,718

Group **2020** *In RM'000*	**1-2 years**	**2-5 years**	**More than 5 years**
Islamic Murabahah Medium Term Notes	157,009	461,872	1,436,531
Lease liabilities	188,900	567,052	1,877,937
Trade and other payables (excluding deferred income)	—	—	—
	345,909	1,028,924	3,314,468

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company **2020** *In RM'000*	**Carrying amount**	**Contractual interest per annum/ discount rate %**	**Contractual cash flows***	**Within 1 year**
Lease liabilities	6,856	8.20	16,396	640
Trade and other payables (excluding deferred income)	692,074	—	692,074	692,074
	698,930		708,470	692,714

Company **2020** *In RM'000*	**1-2 years**	**2-5 years**	**More than 5 years**
Lease liabilities	640	1,921	13,195
Trade and other payables (excluding deferred income)	—	—	—
	640	1,921	13,195

* 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. The Group's and Company's variable rate borrowings are exposed to a risk of change in cash flows 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. The Group enters into hedging transactions to minimise exposure to the interest rate movement in accordance with policies and guidelines.

The Group and the Company are also exposed to the ongoing interbank offered rates (IBOR) reforms on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk (continued)

The Group's and the Company's main IBOR exposure are indexed to USD LIBOR which will be discontinued on a revised timeline of 30 June 2023. The alternative reference rate is Secured Overnight Financing Rate (SOFR). The Group has established PETRONAS LIBOR Transition committee which monitors and manages the Groupwide transition to alternative rates with an aim to achieve economically equivalent transactions and minimal impact upon transition. As at reporting date, transitional activities are currently ongoing, and the Group and the Company have no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

		Group		**Company**
In RM'000	**2021**	**2020**	**2021**	**2020**
Fixed rate instruments				
Financial assets	216,400	257,107	216,400	257,107
Financial liabilities	(3,041,176)	(3,279,421)	(6,773)	(6,856)
	(2,824,776)	(3,022,314)	209,627	250,251
Floating rate instruments				
Financial assets	3,782,457	3,138,898	3,672,309	2,626,718
Financial liabilities	(405,940)	—	(405,940)	—
	3,376,517	3,138,898	3,266,369	2,626,718

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines.

Cash flow sensitivity analysis for variable rate instruments

A change of basis points (b.p.s) in interest rates for financial asset and financial liabilities respectively at the end of the reporting period would have increased pre-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**
In RM'000	**2021**	**2020**	**2021**	**2020**
Changes in interest b.p.s (+/-)				
Financial assets	20 b.p.s	20 b.p.s	20 b.p.s	20 b.p.s
Financial liabilities	20 b.p.s	10 b.p.s	20 b.p.s	10 b.p.s
Gain	6,753	6,278	6,533	5,253

For the Group's and the Company's interest-bearing financial assets and liabilities that are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

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.

The Group and the Company operate predominantly in Malaysia and transact mainly in Ringgit Malaysia.

The Group's and the Company's foreign exchange management policy are to minimise economic and significant transactional exposures arising from currency movements. For major capital projects, the Group and the Company perform assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group and the Company will enter into derivative financial instruments to hedge and minimise its exposures 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		
In RM'000	**2021**	**2020**
Denominated in USD		
Financial assets		
Long term receivables	171,696	208,856
Trade and other receivables	75,683	53,200
	247,379	262,056
Financial liabilities		
Lease liabilities	(1,416,430)	(1,566,455)
Trade and other payables	(13,105)	(33,283)
	(1,429,535)	(1,599,738)
Net exposure	(1,182,156)	(1,337,682)

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency risk (continued)

Company

In RM'000	**2021**	**2020**
Denominated in USD		
Financial assets		
Long term receivables	171,696	208,856
Trade and other receivables	58,903	35,690
	230,599	244,546
Financial liabilities		
Trade and other payables	(8,013)	(27,958)
Net exposure	222,586	216,588

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 2021 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2021 and 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. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, debt and foreign currency contracts where relevant. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk sensitivity analysis (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss of applying reasonably foreseeable market movements in the following currency exchange rates:

		Group	**Company**
2021 *In RM'000*	**Appreciation in foreign currency rate %**	**Effect on profit/(loss)**	**Effect on profit/(loss)**
USD	10	(118,216)	22,259
2020			
USD	10	(133,768)	21,659

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

Interest rate swaps

In the previous year, the Company had unwound the interest rate swaps entered to hedge the cash flow risk in relation to the floating interest rate of the USD term loan of USD322,003,000 with a loss of RM1,980,000 recognised in the profit or loss.

The interest rate swaps had the same nominal value of USD322,003,000 and was settled every quarter, consistent with the interest repayment schedule of the bond and was unwound as the Company had fully prepaid the term loan on 21 October 2020.

29. FINANCIAL INSTRUMENTS (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 2021 *In RM'000*	**Fair value of financial instruments carried at fair value**	**Fair value of financial instruments not carried at fair value**	**Total fair value**	**Carrying amount**
	Level 2	**Level 3**		
Financial assets				
Long term receivables	—	171,696	171,696	171,696
Derivative assets	1,104	—	1,104	1,104
	1,104	171,696	172,800	172,800
Financial liabilities				
Islamic financing facilities	—	(2,015,940)	(2,015,940)	(2,015,940)
Derivative liabilities	(761)	—	(761)	(761)
	(761)	(2,015,940)	(2,016,701)	(2,016,701)

Group 2020 *In RM'000*	**Fair value of financial instruments carried at fair value**	**Fair value of financial instruments not carried at fair value**	**Total fair value**	**Carrying amount**
	Level 2	**Level 3**		
Financial assets				
Long term receivables	—	208,856	208,856	208,856
Derivative assets	15	—	15	15
	15	208,856	208,871	208,871
Financial liabilities				
Islamic financing facility	—	(1,700,000)	(1,700,000)	(1,700,000)
Derivative liabilities	(161)	—	(161)	(161)
	(161)	(1,700,000)	(1,700,161)	(1,700,161)

29. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company 2021	Fair value of financial instruments carried at fair value	Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
In RM'000	**Level 2**	**Level 3**		
Financial assets				
Long term receivables	—	171,696	171,696	171,696
Derivative assets	462	—	462	462
	462	171,696	172,158	172,158
Financial liabilities				
Islamic financing facility	—	(450,940)	(450,940)	(450,940)
Derivative liabilities	(59)	—	(59)	(59)
	(59)	(450,940)	(450,999)	(450,999)

Company 2020	Fair value of financial instruments carried at fair value	Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
In RM'000	**Level 2**	**Level 3**		
Financial assets				
Long term receivables	—	208,856	208,856	208,856
Derivative assets	2	—	2	2
	2	208,856	208,858	208,858
Financial liabilities				
Derivative liabilities	(2)	—	(2)	(2)
	(2)	—	(2)	(2)

The calculation of fair value for derivatives and non-derivatives assets and liabilities within financial instruments depends on the type of instruments as follows:

- Fair value of non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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

29. FINANCIAL INSTRUMENTS (continued)

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

Group
2021

In RM'000	**Interest income**	**Interest expense**	**Others**	**Total**
Financial assets at amortised cost	84,257	—	9,685	93,942
Financial assets at fair value through profit or loss	—	—	777	777
Financial liabilities at amortised cost	—	(47,908)	(1,817)	(49,725)
Total	84,257	(47,908)	8,645	44,994

2020

In RM'000	**Interest income**	**Interest expense**	**Others**	**Total**
Financial assets at amortised cost	120,919	—	11,871	132,790
Financial assets at fair value through profit or loss	—	—	308	308
Financial liabilities at amortised cost	—	(81,815)	(401)	(82,216)
Financial liabilities at fair value through profit or loss	—	—	(8,358)	(8,358)
Total	120,919	(81,815)	3,420	42,524

Company
2021

In RM'000	**Interest income**	**Interest expense**	**Others**	**Total**
Financial asset at amortised cost	78,607	—	9,666	88,273
Financial asset at fair value through profit or loss	—	—	404	404
Financial liabilities at amortised cost	—	—	(1,452)	(1,452)
Financial liabilities at fair value through profit or loss	—	—	(153)	(153)
Total	78,607	—	8,465	87,072

2020

Financial asset at amortised cost	175,939	—	11,249	187,188
Financial asset at fair value through profit or loss	—	—	450	450
Financial liabilities at amortised cost	—	(43,474)	(15,921)	(59,395)
Financial liabilities at fair value through profit or loss	—	—	(540)	(540)
Total	175,939	(43,474)	(4,762)	127,703

30. CAPITAL MANAGEMENT

The Group and the Company define capital as their total equity and debt. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to meet financial obligations, support business growth and maximise shareholder's value. As a subsidiary of Petroliam Nasional Berhad ("PETRONAS"), the Company's approach in managing capital is outlined in the PETRONAS Financial Policy.

The Group and the Company monitor and maintain a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements, if any.

There were no changes in the Group's and the Company's approach to capital management during the year.

31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

During the financial year, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures,* MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)*

The principal changes in accounting policies and their effects are set out below:

Amendments to MFRS 9 *Financial Instruments,* MFRS 139 *Financial Instruments: Recognition and Measurement,* MFRS 7 *Financial Instruments: Disclosures,* MFRS 4 *Insurance Contracts and* MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

The amendments provide practical expedients whereby modifications due to changes in interest rate benchmark resulting from interest rate benchmark reform, would only require an update to the effective interest rate to reflect the change in the interest rate benchmark and would not result in derecognition or adjustment to the carrying amount of financial instruments and leases. The amendments also provide practical reliefs for hedge accounting requirements.

These amendments had no material impact on the consolidated financial statements of the Group and the Company. The Group and the Company intend to use the practical expedients in future periods if they become applicable. As at reporting date, transitional activities are currently ongoing, and the Group and the Company have no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

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

32. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018−2020)*

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment−Proceeds before Intended Use)*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts−Cost of Fulfilling a Contract)*

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*

Amendments to MFRS 101 *Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)*

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

Amendments to MFRS 112 *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*

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 above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

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

The MASB has issued pronouncements which are not relevant to the Group and Companies and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
Amendments to MFRS 141 *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

Effective for annual periods beginning on or after 1 January 2023
MFRS 17 *Insurance Contracts*
Amendments to MFRS 17 *Insurance Contracts*
Amendment to MFRS 17 *Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*

34. 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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETRONAS GAS BERHAD

(Company No. 198301006447 (101671-H))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PETRONAS Gas Berhad., which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalisation and componentisation of completed projects

Refer to Note 2.4 – Significant accounting policy: Property, plant and equipment and depreciation and Note 3 – Property, plant and equipment.

The Group and the Company have significant property, plant and equipment including projects-in-progress recognised as at the end of the reporting period. During the year, the Group and the Company completed significant capital projects and capitalised costs amounting to RM716 million and RM706 million respectively. Due to the size, complexity and volume of transactions involved in the capitalisation and componentisation process, there is a risk that the costs capitalised are not in accordance of MFRS 116, *Property, Plant and Equipment*. It is a significant area that our audit focuses on because it requires us to exercise judgement in evaluating management's process over the capitalisation and componentisation of the completed projects.

We performed the following audit procedures, among others:

- checked the completion date of project-in-progress to determine that completed projects were capitalised timely;
- evaluated the capitalisation process and determined that costs capitalised met the requirements of MFRS 116;
- evaluated the componentisation process to determine that significant components with different useful lives are depreciated separately; and
- assessed that any borrowing costs capitalised met the requirement of MFRS 123, *Borrowing Costs*.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and we will not express any form of assurance conclusion thereon.

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 03232/02/2022 J
Chartered Accountant

Petaling Jaya

Date: 22 February 2022