

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

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 2023**

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 2023.

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	<u>1,901,039</u>	<u>1,802,129</u>
Attributable to:		
Shareholders of the Company	1,819,600	1,802,129
Non-controlling interests	<u>81,439</u>	<u>—</u>

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 2022 as reported in the Directors' Report of that year, a fourth interim dividend of 22 sen per ordinary share amounting to RM435,321,000 declared on 16 February 2023 and paid on 15 March 2023; and

DIVIDENDS (continued)

(ii) In respect of the financial year ended 31 December 2023:

- a first interim dividend of 16 sen per ordinary share amounting to RM316,597,000 declared on 22 May 2023 and paid on 20 June 2023;
- a second interim dividend of 16 sen per ordinary share amounting to RM316,597,000 declared on 25 August 2023 and paid on 22 September 2023; and
- a third interim dividend of 18 sen per ordinary share amounting to RM356,172,000 declared on 20 November 2023 and paid on 15 December 2023.

The Directors had on 27 February 2024 declared a fourth interim dividend of 22 sen per ordinary share amounting to RM435,321,000 in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect these 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 2024.

Further details on dividends are disclosed in Note 25 to the financial statements.

RESERVES AND PROVISIONS

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

Farina binti Farikhullah Khan

Datuk Yeow Kian Chai

Datuk Mark Victor Rozario

Sujit Singh Parhar s/o Sukhdev Singh

Hasliza binti Othman

Marina binti Md Taib

Dato' Abdul Razak bin Abdul Majid (resigned on 27 March 2023)

DIRECTORS (continued)

Subsidiaries

Regas Terminal (Sg. Udang) Sdn. Bhd.

Abdul Aziz bin Othman

Mohammad Feisal bin Azhar

Shahrul Izan Bakti bin Abd Aziz

Shahrul Azham bin Sukaiman

Regas Terminal (Pengerang) Sdn. Bhd.

Hisham bin Maaulot

Burhan bin Abdullah

Sipitang Utilities Sdn. Bhd. [Formerly known as Regas Terminal (Lahad Datu) Sdn. Bhd.]

Abdul Aziz bin Othman* (appointed on 24 February 2023)

Hisham bin Maaulot*

Shahrul Azham bin Sukaiman* (appointed on 24 February 2023)

Rozali bin Khamis* (appointed on 24 February 2023)

Dato Lai Keng Onn (appointed on 24 February 2023)

Burhan bin Abdullah (resigned on 27 February 2023)

Pengerang LNG (Two) Sdn. Bhd.

Directors

Abdul Aziz bin Othman*

Hisham bin Maaulot*

Chan Yew Kai

Zainab binti Mohd Salleh

Shariman bin Daud*

Dato' Ramlee bin A Rahman

Shahrul Azham bin Sukaiman*

(appointed on 7 September 2023)

Abdul Razak Faiz bin Sulaiman*

(resigned on 7 September 2023)

Alternates

Teo Seow Ling (alternate to Chan Yew Kai)

Ngau Wu Wei (alternate to Zainab binti Mohd Salleh)

Azman bin Jaafar (alternate to Dato' Ramlee bin A Rahman)

Faeiz Afzal bin Mazlan (alternate to PGB's nominees) (appointed on 7 September 2023)

Shahrul Azham bin Sukaiman (alternate to PGB's nominees) (ceased on 7 September 2023)

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

In accordance with Article 107 of the Company's Constitution, Datuk Mark Victor Rozario, Sujit Singh Parhar s/o Sukhdev Singh and Hasliza binti Othman will retire by rotation from the Board 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:

Name	Number of ordinary shares in the Company			Balance at 31.12.2023
	Balance at 1.1.2023	Bought	Sold	
Datuk Yeow Kian Chai	3,000	—	—	3,000
Adnan bin Zainol Abidin - spouse	5,000	—	—	5,000

Name	Number of ordinary shares in PETRONAS Chemicals Group Berhad			Balance at 31.12.2023
	Balance at 1.1.2023	Bought	Sold	
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

Name	Number of ordinary shares in PETRONAS Dagangan Berhad			Balance at 31.12.2023
	Balance at 1.1.2023	Bought	Sold	
Datuk Yeow Kian Chai	3,000	—	—	3,000

None of the other Directors holding office at 31 December 2023 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 those shown below), 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.

The directors' benefits paid to or receivable by Directors of the Company in respect of the financial year ended 31 December 2023 was RM976,000 comprising fees and other short-term employee benefits of RM957,000 and RM19,000 respectively.

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, 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 per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM26,914 and RM19,851 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) that 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) that 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 and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any material contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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 2023 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.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept reappointment.

The auditors' remuneration for the financial year ended 31 December 2023 is as follows:

<i>In RM'000</i>	Group	Company
Audit fees	574	344
Non-audit service fee	12	12

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: 27 February 2024

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 10 to 114, are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board 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 2023 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: 27 February 2024

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

I, **Shahrul Azham bin Sukaiman**, 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 10 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

Shahrul Azham bin Sukaiman

at **Kuala Lumpur in Wilayah Persekutuan**

on 27 February 2024.



BEFORE ME:



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 2023**

<i>In RM'000</i>	Note	2023	2022
ASSETS			
Property, plant and equipment	3	13,630,499	13,408,441
Investments in joint ventures	5	833,584	767,048
Investments in associate	6	186,519	175,435
Long-term receivable	7	69,416	122,818
Deferred tax assets	9	86,051	134,914
TOTAL NON-CURRENT ASSETS		<u>14,806,069</u>	<u>14,608,656</u>
Trade and other inventories	10	38,670	42,573
Trade and other receivables	11	926,633	990,010
Tax recoverable		19,963	20,919
Other investment	12	500,000	—
Cash and cash equivalents	13	3,027,943	4,026,244
TOTAL CURRENT ASSETS		<u>4,513,209</u>	<u>5,079,746</u>
TOTAL ASSETS		<u>19,319,278</u>	<u>19,688,402</u>
EQUITY			
Share capital	14	3,165,204	3,165,204
Reserves	15	10,389,858	9,982,879
Total equity attributable to the shareholders of the Company		13,555,062	13,148,083
Non-controlling interests	16	260,088	261,758
TOTAL EQUITY		<u>13,815,150</u>	<u>13,409,841</u>
LIABILITIES			
Borrowings	17	1,859,186	3,662,833
Deferred tax liabilities	9	1,202,035	1,207,184
Provisions	18	32,209	31,808
Deferred income	19	20,032	236
TOTAL NON-CURRENT LIABILITIES		<u>3,113,462</u>	<u>4,902,061</u>
Trade and other payables	20	1,097,383	1,203,591
Borrowings	17	1,293,283	172,909
TOTAL CURRENT LIABILITIES		<u>2,390,666</u>	<u>1,376,500</u>
TOTAL LIABILITIES		<u>5,504,128</u>	<u>6,278,561</u>
TOTAL EQUITY AND LIABILITIES		<u>19,319,278</u>	<u>19,688,402</u>

The notes set out on pages 24 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023**

<i>In RM'000</i>	Note	2023	2022
Revenue	21	6,445,423	6,160,176
Cost of revenue		<u>(4,158,416)</u>	<u>(3,812,490)</u>
Gross profit		2,287,007	2,347,686
Administration expenses		(131,123)	(113,535)
Other expenses		(55,176)	(76,814)
Other income		<u>172,980</u>	<u>162,748</u>
Operating profit	22	2,273,688	2,320,085
Financing costs	23	(126,757)	(178,434)
Share of profit after tax of equity-accounted joint ventures and associate		<u>239,084</u>	<u>127,717</u>
Profit before taxation		2,386,015	2,269,368
Tax expense	24	<u>(484,976)</u>	<u>(510,900)</u>
PROFIT FOR THE YEAR		<u>1,901,039</u>	<u>1,758,468</u>
Profit attributable to:			
Shareholders of the Company		1,819,600	1,645,446
Non-controlling interests	16	<u>81,439</u>	<u>113,022</u>
PROFIT FOR THE YEAR		<u>1,901,039</u>	<u>1,758,468</u>
Basic and diluted earnings per ordinary share (sen)	26	<u>92.0</u>	<u>83.2</u>

The notes set out on pages 24 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

<i>In RM'000</i>	Note	2023	2022
Profit for the year		1,901,039	1,758,468
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movements from exchange differences		11,662	17,185
Share of cash flow hedge of an equity-accounted joint venture		404	9,448
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,913,105</u>	<u>1,785,101</u>
Total comprehensive income attributable to:			
Shareholders of the Company		1,831,666	1,672,079
Non-controlling interests		81,439	113,022
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,913,105</u>	<u>1,785,101</u>

The notes set out on pages 24 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 2023**

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>			
		Share Capital	Capital Reserve	Foreign Currency Translation Reserve	Hedging Reserve
Balance at 1 January 2023		3,165,204	520,801	34,659	35,119
Net movements from exchange differences		—	—	11,662	—
Share of cash flow hedge of an equity-accounted joint venture		—	—	—	404
Profit for the year		—	—	—	—
Total comprehensive income for the year		—	—	11,662	404
Changes in ownership interest in a subsidiary		—	—	—	—
Issuance of shares to a non-controlling interest		—	—	—	—
Redemption of redeemable preference shares in a subsidiary		—	—	—	—
Dividends - 31.12.2022 interim	25	—	—	—	—
Dividends - 31.12.2023 interim	25	—	—	—	—
Total transactions with owners of the Group		—	—	—	—
Balance at 31 December 2023		3,165,204	520,801	46,321	35,523

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The notes set out on pages 24 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 2023**

(continued)

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		Non- controlling Interests	Total Equity
		Retained Profits	Total		
Balance at 1 January 2023		9,392,300	13,148,083	261,758	13,409,841
Net movements from exchange differences		—	11,662	—	11,662
Share of cash flow hedge of an equity-accounted joint venture		—	404	—	404
Profit for the year		1,819,600	1,819,600	81,439	1,901,039
Total comprehensive income for the year		1,819,600	1,831,666	81,439	1,913,105
Changes in ownership interest in a subsidiary		—	—	2	2
Issuance of shares to a non-controlling interest		—	—	2,587	2,587
Redemption of redeemable preference shares in a subsidiary		—	—	(5,556)	(5,556)
Dividends - 31.12.2022 interim	25	(435,321)	(435,321)	—	(435,321)
Dividends - 31.12.2023 interim	25	(989,366)	(989,366)	(80,142)	(1,069,508)
Total transactions with owners of the Group		(1,424,687)	(1,424,687)	(83,109)	(1,507,796)
Balance at 31 December 2023		9,787,213	13,555,062	260,088	13,815,150

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The notes set out on pages 24 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 2023**

(continued)

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>			
		Share Capital	Capital Reserve	Foreign Currency Translation Reserve	Hedging Reserve
Balance at 1 January 2022		3,165,204	520,801	17,474	25,671
Net movements from exchange differences		—	—	17,185	—
Share of cash flow hedge of an equity-accounted joint venture		—	—	—	9,448
Profit for the year		—	—	—	—
Total comprehensive income for the year		—	—	17,185	9,448
Redemption of redeemable preference shares in a subsidiary		—	—	—	—
Dividends - 31.12.2021 interim	25	—	—	—	—
Dividends - 31.12.2022 interim	25	—	—	—	—
Total transactions with owners of the Group		—	—	—	—
Balance at 31 December 2022		3,165,204	520,801	34,659	35,119

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The notes set out on pages 24 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 2023**

<i>In RM'000</i>	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,386,015	2,269,368
<i>Adjustments for:</i>			
Depreciation and amortisation	3	1,141,399	1,035,511
Share of profit after tax of equity-accounted joint ventures and associate		(239,084)	(127,717)
Unrealised loss on foreign exchange	22	21,993	67,672
Interest income	22	(149,170)	(120,218)
Financing costs	23	126,757	178,434
Other non-cash items		11,717	13,671
Operating profit before changes in working capital		<u>3,299,627</u>	<u>3,316,721</u>
Change in trade and other receivables		59,357	(92,426)
Change in trade and other inventories		(4,585)	(3,496)
Change in trade and other payables		(58,176)	176,000
Cash generated from operations		<u>3,296,223</u>	<u>3,396,799</u>
Interest income		149,170	120,218
Taxation paid		(440,306)	(590,758)
Net cash generated from operating activities		<u>3,005,087</u>	<u>2,926,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures and associate		173,530	68,665
Investment in Islamic deposit	12	(500,000)	—
Repayment of term loan due from a joint venture		54,466	46,316
Proceeds from partial disposal of investment in a subsidiary		2	—
Proceeds from disposal of property, plant and equipment		8,954	3,572
Purchase of property, plant and equipment		(1,167,246)	(1,169,163)
Net cash used in investing activities		<u>(1,430,294)</u>	<u>(1,050,610)</u>

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The notes set out on pages 24 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 2023**

(continued)

<i>In RM'000</i>	Note	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	25	(1,424,687)	(1,622,560)
Dividends paid to non-controlling interests		(80,142)	(82,409)
Drawdown of Islamic financing facility	17	303,600	457,000
Payment of lease liabilities	17	(1,094,739)	(67,362)
Repayment of Islamic financing facility	17	(105,000)	(110,000)
Interest expense paid	17	(169,157)	(196,730)
Payment to non-controlling interests on redemption of shares		(5,556)	(9,801)
Proceeds from shares issued to a non-controlling interest		2,587	—
Net cash used in financing activities		<u>(2,573,094)</u>	<u>(1,631,862)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(998,301)	243,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		<u>4,026,244</u>	<u>3,782,457</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	13	<u>3,027,943</u>	<u>4,026,244</u>

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Total cash outflows for leases during the year comprise repayment of lease liabilities and related interests totalling RM1,176,618,000 (2022: RM198,482,000).

Included in the Group's cash and cash equivalents are deposit of RM23,924,000 (2022: RM22,277,000) and RM3,000 (2022: RM5,000) in a finance service reserve account being designated as security and a fixed balance amounting to RM30,000 (2022: RM30,000) in a trustee reimbursable account in relation to a subsidiary's Islamic financing facility.

The notes set out on pages 24 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

<i>In RM'000</i>	Note	2023	2022
ASSETS			
Property, plant and equipment	3	9,225,474	8,867,970
Investments in subsidiaries	4	1,861,619	1,042,182
Investments in joint ventures	5	283,059	283,059
Investments in associate	6	76,466	76,466
Long-term receivable	7	69,416	122,818
TOTAL NON-CURRENT ASSETS		<u>11,516,034</u>	<u>10,392,495</u>
Trade and other inventories	10	34,481	38,775
Trade and other receivables	11	779,804	800,985
Tax recoverable		21,018	22,053
Other investment	12	500,000	—
Cash and cash equivalents	13	2,876,925	3,866,820
TOTAL CURRENT ASSETS		<u>4,212,228</u>	<u>4,728,633</u>
TOTAL ASSETS		<u>15,728,262</u>	<u>15,121,128</u>
EQUITY			
Share capital	14	3,165,204	3,165,204
Reserves	15	9,184,433	8,806,991
TOTAL EQUITY		<u>12,349,637</u>	<u>11,972,195</u>
LIABILITIES			
Borrowings	17	6,481	869,331
Deferred tax liabilities	9	1,202,035	1,207,183
Provisions	18	11,211	10,755
Deferred income	19	20,032	236
TOTAL NON-CURRENT LIABILITIES		<u>1,239,759</u>	<u>2,087,505</u>
Trade and other payables	20	969,412	1,061,331
Borrowings	17	1,169,454	97
TOTAL CURRENT LIABILITIES		<u>2,138,866</u>	<u>1,061,428</u>
TOTAL LIABILITIES		<u>3,378,625</u>	<u>3,148,933</u>
TOTAL EQUITY AND LIABILITIES		<u>15,728,262</u>	<u>15,121,128</u>

The notes set out on pages 24 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 2023**

<i>In RM'000</i>	Note	2023	2022
Revenue	21	5,094,887	4,749,795
Cost of revenue		<u>(3,443,751)</u>	<u>(3,151,305)</u>
Gross profit		1,651,136	1,598,490
Administration expenses		(126,458)	(110,050)
Other expenses		(7,176)	(10,595)
Other income		714,349	506,772
Operating profit	22	<u>2,231,851</u>	<u>1,984,617</u>
Financing costs	23	<u>(999)</u>	<u>(988)</u>
Profit before taxation		2,230,852	1,983,629
Tax expense	24	<u>(428,723)</u>	<u>(472,088)</u>
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,802,129</u>	<u>1,511,541</u>

The notes set out on pages 24 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 2023**

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		
		<i>Non-distributable</i>		Total
		Share Capital	Retained Profits	
Balance at 1 January 2023		3,165,204	8,806,991	11,972,195
Profit for the year		—	1,802,129	1,802,129
Total comprehensive income for the year		—	1,802,129	1,802,129
Dividends - 31.12.2022 interim	25	—	(435,321)	(435,321)
Dividends - 31.12.2023 interim	25	—	(989,366)	(989,366)
Total transactions with shareholders of the Company		—	(1,424,687)	(1,424,687)
Balance at 31 December 2023		3,165,204	9,184,433	12,349,637
Balance at 1 January 2022		3,165,204	8,918,010	12,083,214
Profit for the year		—	1,511,541	1,511,541
Total comprehensive income for the year		—	1,511,541	1,511,541
Dividends - 31.12.2021 interim	25	—	(633,194)	(633,194)
Dividends - 31.12.2022 interim	25	—	(989,366)	(989,366)
Total transactions with shareholders of the Company		—	(1,622,560)	(1,622,560)
Balance at 31 December 2022		3,165,204	8,806,991	11,972,195

The notes set out on pages 24 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 2023**

<i>In RM'000</i>	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,230,852	1,983,629
<i>Adjustments for:</i>			
Depreciation and amortisation	3	758,649	665,387
Unrealised loss/(gain) on foreign exchange	22	5,537	(18,234)
Interest income	22	(141,087)	(117,123)
Financing costs	23	999	988
Other non-cash items		22,546	13,722
Operating profit before changes in working capital		2,877,496	2,528,369
Change in trade and other receivables		21,274	(41,533)
Change in trade and other inventories		(4,259)	(3,401)
Change in trade and other payables		(96,928)	160,370
Cash generated from operations		2,797,583	2,643,805
Dividends received from subsidiaries, joint ventures and associate		(540,488)	(339,970)
Interest income		141,087	117,123
Taxation paid		(432,836)	(586,009)
Net cash generated from operating activities		1,965,346	1,834,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries, joint ventures and associate		540,488	339,970
Investment in Islamic deposit	12	(500,000)	—
Increase in investment in subsidiaries	4	(943,281)	—
Purchase of property, plant and equipment		(1,075,610)	(1,144,475)
Proceeds from disposal of property, plant and equipment		8,954	3,572
Redemption of preference share in subsidiaries	4	123,844	298,980
Repayment of term loan due from a joint venture		54,466	46,316
Net cash used in investing activities		(1,791,139)	(455,637)

continue to next page

The notes set out on pages 24 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 2023**

(continued)

<i>In RM'000</i>	Note	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of Company	25	(1,424,687)	(1,622,560)
Drawdown of Islamic financing facility	17	303,600	457,000
Payment of lease liabilities	17	(97)	(89)
Interest expense paid	17	(42,918)	(19,152)
Net cash used in financing activities		<u>(1,164,102)</u>	<u>(1,184,801)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(989,895)	194,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>3,866,820</u>	<u>3,672,309</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	<u>2,876,925</u>	<u>3,866,820</u>

continued from previous page

Total cash outflows for leases during the year comprise payment of lease liabilities and related interests totalling RM640,000 (2022: RM640,000).

The notes set out on pages 24 to 114 are an integral part of these financial statements.

PETRONAS GAS BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023

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”), IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

As of 1 January 2023, the Group and the Company have adopted a new MFRS and Amendments to MFRSs (“pronouncements”) that have been issued by the Malaysian Accounting Standards Board (“MASB”) as described fully in Note 32 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 33 to the financial statements. Revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 34.

These financial statements were approved and authorised for issue by the Board of Directors on 27 February 2024.

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 which 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.

All financial information has been rounded to the nearest thousands, unless otherwise stated.

1. BASIS OF PREPARATION (continued)

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 18 : Provisions;
- (iv) Note 24 : Tax expense; and
- (v) Note 30 : Financial instruments.

2. MATERIAL ACCOUNTING POLICIES

The Group adopted amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments did not result in any changes to the accounting policy information disclosed in the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statement 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. MATERIAL 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 costs of an acquisition is measured as the aggregate of the fair value of the consideration. 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 aggregate fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and 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.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

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 consolidated statement of 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. MATERIAL 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 remeasured. 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. MATERIAL 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. MATERIAL 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.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

(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. MATERIAL 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, 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(v)). 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. MATERIAL 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 other 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).

2.6 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. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Financial instruments

Recognition and initial measurement

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

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.

Classification and subsequent measurement

(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 in the business model.

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(v)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

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 described under hedge accounting below. 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 2.21.

(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(v)).

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

2. MATERIAL 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) 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 below, 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.

(iv) 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.

(v) 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.

(vi) 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Classification and subsequent measurement (continued)

(vii) Derecognition of financial instruments

Financial asset

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.

Financial liability

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.

Hedge accounting

(i) 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. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Hedge accounting (continued)

(i) 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.

Interest rate benchmark reform

The Group and the Company have applied 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)* upon transition from London Inter-Bank Offered Rate (“LIBOR”) to Secured Overnight Financing Rate (“SOFR”).

As at reporting date, the Group’s and the Company’s negotiated contracts for which alternative benchmark rate SOFR had been used to replace LIBOR resulted in economically equivalent position with no profit or loss impact upon initial transition.

2. MATERIAL 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. MATERIAL 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. MATERIAL 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, contingent liabilities and contingent assets

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.

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 not wholly within the control of the Group and the Company, 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.

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. MATERIAL 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.

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. MATERIAL ACCOUNTING POLICIES (continued)

2.13 Taxation (continued)

Deferred tax (continued)

Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules upon its release on 2 June 2023. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption. The application by the respective entity is subject to when the law is being enacted or substantively enacted in the respective country jurisdiction.

Upon its application, the Group will apply a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. The application of the pronouncements is further discussed in Note 32.

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.

2.15 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

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

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

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. MATERIAL 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 and 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 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.21 Fair value measurement (continued)

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 2023 <i>In RM'000</i>	At 1.1.2023	Additions	Disposals/ Write-offs	Transfers/ Adjustments	At 31.12.2023
<i>At cost:</i>					
Freehold land	11,259	16,504	—	—	27,763
Land improvement	109,006	—	—	—	109,006
Buildings	498,739	—	—	33,657	532,396
Plant and pipelines	22,795,476	1,049	(7,486)	530,677	23,319,716
Storage units	817,416	—	—	—	817,416
Plant turnaround/major inspection	1,998,026	—	(6,592)	324,322	2,315,756
Office equipment, furniture and fittings	66,551	158	(8)	(2,171)	64,530
Other plant and equipment	502,262	1,348	(674)	70,925	573,861
Computer software and hardware	206,955	—	(3,758)	22,165	225,362
Motor vehicles	25,015	1,236	(1,334)	—	24,917
Projects-in-progress	1,973,388	1,200,885	—	(990,717)	2,183,556
	29,004,093	1,221,180	(19,852)	(11,142)	30,194,279
<u>Right-of-use</u>					
Leasehold land	677,100	820	(1,914)	—	676,006
Other plant and equipment	580,109	—	—	—	580,109
Storage units	989,549	—	—	160,022	1,149,571
	2,246,758	820	(1,914)	160,022	2,405,686
	31,250,851	1,222,000	(21,766)	*148,880	32,599,965

* Includes the following adjustments:

- i. Adjustment to right-of-use assets following lease modification arising from change in lease payments in accordance with MFRS 16 *Leases* amounting to RM160,022,000.
- ii. Spare parts expensed-off of RM5,370,000 that were previously transferred to property, plant and equipment and consumable assets expensed-off of RM4,850,000.
- iii. Adjustment to decommissioning, dismantling, removal and restoration provision following change in discount rate amounting to RM922,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2023 <i>In RM'000</i>	At 1.1.2023	Charge for the year	Disposals/ Write-offs	Transfers/ Impairment	At 31.12.2023
<i>Accumulated depreciation and impairment losses:</i>					
Freehold land	—	—	—	—	—
Land improvement	8,665	1,677	—	—	10,342
Buildings	201,522	15,333	—	13,649	230,504
Plant and pipelines	15,023,156	648,800	(3,458)	(16,013)	15,652,485
Storage units	173,142	34,843	—	—	207,985
Plant turnaround/major inspection	1,245,458	285,302	(6,401)	—	1,524,359
Office equipment, furniture and fittings	52,001	4,611	(8)	(795)	55,809
Other plant and equipment	240,751	29,448	(535)	4,830	274,494
Computer software and hardware	131,863	27,379	(3,758)	(438)	155,046
Motor vehicles	22,138	1,381	(1,334)	—	22,185
Projects-in-progress	—	—	—	—	—
	17,098,696	1,048,774	(15,494)	1,233	18,133,209
<u>Right-of-use</u>					
Leasehold land	181,865	8,635	(82)	—	190,418
Other plant and equipment	99,378	22,811	—	—	122,189
Storage units	462,471	61,179	—	—	523,650
	743,714	92,625	(82)	—	836,257
	17,842,410	1,141,399	(15,576)	*1,233	18,969,466

* Relates to impairment losses on certain individual assets at Gas Transportation segment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 <i>In RM'000</i>	At 1.1.2022	Additions	Disposals/ Write-offs	Transfers/ Adjustments	At 31.12.2022
<i>At cost:</i>					
Freehold land	4,504	6,755	—	—	11,259
Land improvement	109,006	—	—	—	109,006
Buildings	470,399	—	—	28,340	498,739
Plant and pipelines	22,233,359	346	(6,193)	567,964	22,795,476
Storage units	817,416	—	—	—	817,416
Plant turnaround/major inspection	1,719,200	—	(29,563)	308,389	1,998,026
Office equipment, furniture and fittings	64,321	205	(107)	2,132	66,551
Other plant and equipment	493,343	3,564	(759)	6,114	502,262
Computer software and hardware	160,636	—	(10)	46,329	206,955
Motor vehicles	24,811	1,970	(1,766)	—	25,015
Projects-in-progress	1,790,467	1,143,577	—	(960,656)	1,973,388
	<u>27,887,462</u>	<u>1,156,417</u>	<u>(38,398)</u>	<u>(1,388)</u>	<u>29,004,093</u>
<u>Right-of-use</u>					
Leasehold land	676,994	190	(84)	—	677,100
Other plant and equipment	553,848	—	—	26,261	580,109
Storage units	989,549	—	—	—	989,549
	<u>2,220,391</u>	<u>190</u>	<u>(84)</u>	<u>26,261</u>	<u>2,246,758</u>
	<u>30,107,853</u>	<u>1,156,607</u>	<u>(38,482)</u>	<u>*24,873</u>	<u>31,250,851</u>

* Includes the following adjustments:

- i. Adjustment to right-of-use assets following lease remeasurement arising from change in lease payments in accordance with MFRS 16 *Leases* amounting to RM26,261,000.
- ii. Spare parts expensed-off of RM863,000 that were previously transferred to property, plant and equipment and consumable assets expensed-off of RM525,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022	At	Charge for	Disposals/ Write-offs	Impairment	At
<i>In RM'000</i>	1.1.2022	the year			31.12.2022
<i>Accumulated depreciation and impairment losses:</i>					
Freehold land	—	—	—	—	—
Land improvement	6,988	1,677	—	—	8,665
Buildings	187,596	13,926	—	—	201,522
Plant and pipelines	14,401,996	617,493	(5,474)	9,141	15,023,156
Storage units	138,299	34,843	—	—	173,142
Plant turnaround/major inspection	1,041,669	233,352	(29,563)	—	1,245,458
Office equipment, furniture and fittings	47,672	4,436	(107)	—	52,001
Other plant and equipment	213,200	28,304	(753)	—	240,751
Computer software and hardware	113,955	17,918	(10)	—	131,863
Motor vehicles	22,383	1,521	(1,766)	—	22,138
Projects-in-progress	—	—	—	—	—
	16,173,758	953,470	(37,673)	9,141	17,098,696
<u>Right-of-use</u>					
Leasehold land	173,253	8,641	(29)	—	181,865
Other plant and equipment	76,577	22,801	—	—	99,378
Storage units	411,872	50,599	—	—	462,471
	661,702	82,041	(29)	—	743,714
	16,835,460	1,035,511	(37,702)	*9,141	17,842,410

* Relates to impairment losses on certain individual assets at Gas Processing segment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023	At		Disposals/ Write-offs	Transfers/ Adjustments	At
<i>In RM'000</i>	1.1.2023	Additions			31.12.2023
<i>At cost:</i>					
Freehold land	11,259	16,504	—	—	27,763
Buildings	387,155	—	—	28,798	415,953
Plant and pipelines	18,491,965	1,036	(7,486)	527,034	19,012,549
Plant turnaround/major inspection	1,922,735	—	(1,865)	302,039	2,222,909
Office equipment, furniture and fittings	44,597	70	(8)	(2,186)	42,473
Other plant and equipment	345,852	1,348	(674)	70,580	417,106
Computer software and hardware	183,400	—	(3,758)	4,727	184,369
Motor vehicles	24,268	1,236	(1,334)	—	24,170
Projects-in-progress	1,944,432	1,112,510	—	(945,469)	2,111,473
	<u>23,355,663</u>	<u>1,132,704</u>	<u>(15,125)</u>	<u>(14,477)</u>	<u>24,458,765</u>
<u>Leased to others as operating lease</u>					
Buildings	1,004	—	—	4,529	5,533
<u>Right-of-use</u>					
Leasehold land	662,697	820	(1,914)	—	661,603
	<u>24,019,364</u>	<u>1,133,524</u>	<u>(17,039)</u>	<u>*(9,948)</u>	<u>25,125,901</u>

* Relates to spare parts expensed-off of RM5,177,000 that were previously transferred to property, plant and equipment and consumable assets expensed-off of RM4,771,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023	At	Charge for	Disposals/ Write-offs	Transfers/ Impairment	At
<i>In RM'000</i>	1.1.2023	the year			31.12.2023
<i>Accumulated depreciation and impairment losses:</i>					
Freehold land	—	—	—	—	—
Buildings	176,474	9,790	—	13,649	199,913
Plant and pipelines	13,267,397	422,691	(3,458)	(16,013)	13,670,617
Plant turnaround/major inspection	1,192,426	272,863	(1,674)	—	1,463,615
Office equipment, furniture and fittings	34,910	2,597	(8)	(794)	36,705
Other plant and equipment	161,822	18,453	(535)	4,829	184,569
Computer software and hardware	118,200	22,476	(3,759)	(438)	136,479
Motor vehicles	21,392	1,381	(1,333)	—	21,440
Projects-in-progress	—	—	—	—	—
	14,972,621	750,251	(10,767)	1,233	15,713,338
<u>Leased to others as operating lease</u>					
Buildings	853	371	—	—	1,224
<u>Right-of-use</u>					
Leasehold land	177,920	8,027	(82)	—	185,865
	15,151,394	758,649	(10,849)	*1,233	15,900,427

* Relates to impairment losses on certain individual assets at Gas Transportation segment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2022 <i>In RM'000</i>	At 1.1.2022	Additions	Disposals/ Write-offs	Transfers/ Adjustments	At 31.12.2022
<i>At cost:</i>					
Freehold land	4,504	6,755	—	—	11,259
Buildings	359,835	—	—	27,320	387,155
Plant and pipelines	17,948,538	346	(6,193)	549,274	18,491,965
Plant turnaround/major inspection	1,657,997	—	(20,031)	284,769	1,922,735
Office equipment, furniture and fittings	43,131	17	(107)	1,556	44,597
Other plant and equipment	341,034	3,564	(759)	2,013	345,852
Computer software and hardware	140,136	—	(10)	43,274	183,400
Motor vehicles	24,065	1,970	(1,767)	—	24,268
Projects-in-progress	1,773,613	1,082,963	—	(912,144)	1,944,432
	<u>22,292,853</u>	<u>1,095,615</u>	<u>(28,867)</u>	<u>(3,938)</u>	<u>23,355,663</u>
<u>Leased to others as operating lease</u>					
Buildings	1,004	—	—	—	1,004
<u>Right-of-use</u>					
Leasehold land	662,641	140	(84)	—	662,697
	<u>22,956,498</u>	<u>1,095,755</u>	<u>(28,951)</u>	<u>*(3,938)</u>	<u>24,019,364</u>

* Relates to spare parts expensed-off of RM3,736,000 that were previously transferred to property, plant and equipment and consumable assets expensed-off of RM202,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2022 <i>In RM'000</i>	At 1.1.2022	Charge for the year	Disposals/ Write-offs	Impairment	At 31.12.2022
<i>Accumulated depreciation and impairment losses:</i>					
Freehold land	—	—	—	—	—
Buildings	167,583	8,891	—	—	176,474
Plant and pipelines	12,875,125	388,606	(5,475)	9,141	13,267,397
Plant turnaround/major inspection	988,010	224,447	(20,031)	—	1,192,426
Office equipment, furniture and fittings	32,563	2,454	(107)	—	34,910
Other plant and equipment	146,438	16,137	(753)	—	161,822
Computer software and hardware	103,010	15,200	(10)	—	118,200
Motor vehicles	21,637	1,521	(1,766)	—	21,392
Projects-in-progress	—	—	—	—	—
	14,334,366	657,256	(28,142)	9,141	14,972,621
<u>Leased to others as operating lease</u>					
Buildings	757	96	—	—	853
<u>Right-of-use</u>					
Leasehold land	169,914	8,035	(29)	—	177,920
	14,505,037	665,387	(28,171)	*9,141	15,151,394

* Relates to impairment losses on certain individual assets at Gas Processing segment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In RM'000</i>	Group		Company	
Carrying amount	2023	2022	2023	2022
Freehold land	27,763	11,259	27,763	11,259
Land improvement	98,664	100,341	—	—
Buildings	301,892	297,217	216,040	210,681
Plant and pipelines	7,667,231	7,772,320	5,341,932	5,224,568
Storage units	609,431	644,274	—	—
Plant turnaround/major inspection	791,397	752,568	759,294	730,309
Office equipment, furniture and fittings	8,721	14,550	5,768	9,687
Other plant and equipment	299,367	261,511	232,537	184,030
Computer software and hardware	70,316	75,092	47,890	65,200
Motor vehicles	2,732	2,877	2,730	2,876
Projects-in-progress	2,183,556	1,973,388	2,111,473	1,944,432
	<u>12,061,070</u>	<u>11,905,397</u>	<u>8,745,427</u>	<u>8,383,042</u>
<u>Leased to others as operating lease</u>				
Buildings	—	—	4,309	151
<u>Right-of-use</u>				
Leasehold land	485,588	495,235	475,738	484,777
Other plant and equipment	457,920	480,731	—	—
Storage units	625,921	527,078	—	—
	<u>1,569,429</u>	<u>1,503,044</u>	<u>475,738</u>	<u>484,777</u>
	<u>13,630,499</u>	<u>13,408,441</u>	<u>9,225,474</u>	<u>8,867,970</u>

3.1 As a lessee***Right-of-use assets*****Group**

Right-of-use assets are mainly in relation to lease of lands 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 governments 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:

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Total depreciation	92,625	82,041	8,027	8,035

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 prepayment of charter hire of floating storage units of the Group's subsidiary at new residual contract value representing a one-off full settlement of the lease liabilities in relation to the right-of-use assets. In accordance with MFRS 16 *Leases*, the effect of the lease modification has been made against the respective right-of-use assets.

Lease remeasurement

In the previous year, lease remeasurement arose from change in lease payment of jetty usage facilities of the Group's subsidiary. In accordance with MFRS 16 *Leases*, the change in the consideration of the lease was adjusted by remeasuring lease liabilities using the revised lease payments. 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 and office to subsidiaries under operating lease arrangement expiring in 2042. The lease income recognised in profit or loss during the year amounted to RM462,000 (2022: RM103,000).

The operating lease payments to be received until end of the lease tenure amounted to RM5,372,000 (2022: RM164,000).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Restrictions of land title

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

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 RM46,665,000 (2022: RM19,278,000) and RM45,790,000 (2022: RM18,604,000) respectively. The interest rate on borrowings capitalised for Group and Company was 4.05% (2022: 3.04%) and 4.04% (2022: 2.96%) per annum respectively.

3.5 Impairment

During the year, the Group and the Company recognised impairment losses on certain individual assets relating to Gas Transportation segment amounting to RM1,233,000.

In previous year, the Group and the Company recognised impairment losses on certain individual assets relating to Gas Processing segment amounting to RM9,141,000.

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

<i>In RM'000</i>	2023	Company 2022
Investment at cost:		
- unquoted shares		
At beginning of the year	1,042,182	1,341,162
Additional investment during the year	943,281	—
Redemption of redeemable preference shares	(123,844)	(298,980)
At end of the year	1,861,619	1,042,182

Additional investments relates to subscription of additional redeemable preference shares in Regas Terminal (Sg. Udang) Sdn. Bhd. and Sipitang Utilities Sdn. Bhd. and subscription of additional ordinary shares in Sipitang Utilities Sdn. Bhd..

Redemption of redeemable preference shares relates to redemption by Regas Terminal (Sg. Udang) Sdn. Bhd. and Pengerang LNG (Two) Sdn. Bhd. in both years.

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest	
			2023	2022
			%	%
Regas Terminal (Sg. Udang) Sdn. Bhd.	Own and operate LNG regasification terminal	Malaysia	100	100
Regas Terminal (Pengerang) Sdn. Bhd.	Dormant	Malaysia	100	100
Sipitang Utilities Sdn. Bhd.	Construct, own and operate of power plant for generation of electricity	Malaysia	90*	100
Pengerang LNG (Two) Sdn. Bhd.	Own and operate LNG regasification terminal	Malaysia	65	65

Summarised financial information on non-controlling interest has not been disclosed as the non-controlling interest of the subsidiaries are not individually material to the Group.

* Divestment of 10% shares ownership to KAB Energy Holdings Sdn. Bhd. during the year.

5. INVESTMENTS IN JOINT VENTURES

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Investments at cost				
- unquoted shares	283,059	283,059	283,059	283,059
Share of post-acquisition profits and reserves	550,525	483,989	—	—
	<u>833,584</u>	<u>767,048</u>	<u>283,059</u>	<u>283,059</u>

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 **2023** **2022**

Group summarised financial information of joint ventures**As at 31 December**

Non-current assets	2,162,427	2,022,800
Current assets	910,397	1,207,055
Non-current liabilities	(1,057,864)	(1,197,828)
Current liabilities	(539,009)	(647,760)
Net assets	<u>1,475,951</u>	<u>1,384,267</u>

Included in the net assets are:

Cash and cash equivalents	575,879	707,292
Non-current financial liabilities (excluding other payables and provisions)	(1,057,864)	(1,197,828)
Current financial liabilities (excluding trade and other payables and provisions)	<u>(184,992)</u>	<u>(199,762)</u>

Group's share of net assets

833,584 767,048

Profit for the year	311,853	125,602
Other comprehensive income	26,272	49,442
Total comprehensive income for the year	<u>338,125</u>	<u>175,044</u>

Included in the total comprehensive income are:

Revenue	534,492	608,963
Depreciation and amortisation	(47,341)	(45,734)
Interest income	79,336	94,320
Interest expense	(82,670)	(38,089)
Tax income/(expense)	<u>174,836</u>	<u>(26,379)</u>

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In RM'000</i>	2023	2022
Group's share of results		
Share of profit from operations	185,096	68,397
Share of other comprehensive income	12,066	26,633
Share of total comprehensive income	<u>197,162</u>	<u>95,030</u>
Other information		
Dividends received	<u>130,626</u>	<u>33,000</u>

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	
			2023	2022
			%	%
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

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Investments at cost				
- quoted shares	76,466	76,466	76,466	76,466
Share of post-acquisition profits and reserves	110,053	98,969	—	—
	<u>186,519</u>	<u>175,435</u>	<u>76,466</u>	<u>76,466</u>
Market value of quoted shares	609,932	619,433	609,932	619,433

Details of the material associate are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest	
			2023	2022
			%	%
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.

<i>In RM'000</i>	2023	2022
Group's share of results		
Group's share of total comprehensive income for the year	<u>53,988</u>	<u>59,320</u>
Other information		
Dividends received	<u>42,904</u>	<u>35,665</u>

7. LONG-TERM RECEIVABLE

<i>In RM'000</i>	Group and Company	
	2023	2022
Due from a joint venture	69,566	123,066
Less: Expected credit losses	(150)	(248)
	<u>69,416</u>	<u>122,818</u>

Term loan due from a joint venture is unsecured, bears interest at a rate of 5.5% (2022: 5.5%) per annum and repayable in tranches at various due dates from 2021 to 2025.

8. DERIVATIVES

<i>In RM'000</i>	Note	Nominal value 2023	Carrying amount 2023	Nominal value 2022	Carrying amount 2022
Group					
Derivative assets at fair value through profit or loss					
Forward foreign exchange contracts	11	146	2	—	—
Derivative liabilities at fair value through profit or loss					
Forward foreign exchange contracts	20	10,802	80	159,224	10,432
Included within:					
Trade and other receivables	11		2		—
Trade and other payables	20		80		10,432
Company					
Derivative assets at fair value through profit or loss					
Forward foreign exchange contracts	11	146	2	—	—
Derivative liabilities at fair value through profit or loss					
Forward foreign exchange contracts	20	329	4	—	—
Included within:					
Trade and other receivables	11		2		—
Trade and other payables	20		4		—

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:

<i>In RM'000</i>	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Group						
Property, plant and equipment	—	—	(1,505,818)	(1,488,581)	(1,505,818)	(1,488,581)
Deferred income	5,509	204	—	—	5,509	204
Expected credit loss	67	79	—	—	67	79
Unabsorbed capital allowances	3,909	3,260	—	—	3,909	3,260
Unused investment tax allowances	380,349	412,768	—	—	380,349	412,768
Tax assets/(liabilities)	389,834	416,311	(1,505,818)	(1,488,581)	(1,115,984)	(1,072,270)
Set off tax	(303,783)	(281,397)	303,783	281,397	—	—
Net tax assets/(liabilities)	86,051	134,914	(1,202,035)	(1,207,184)	(1,115,984)	(1,072,270)
Company						
Property, plant and equipment	—	—	(1,207,611)	(1,207,474)	(1,207,611)	(1,207,474)
Deferred income	5,509	204	—	—	5,509	204
Expected credit loss	67	87	—	—	67	87
Tax assets/(liabilities)	5,576	291	(1,207,611)	(1,207,474)	(1,202,035)	(1,207,183)
Set off tax	(5,576)	(291)	5,576	291	—	—
Net tax assets/(liabilities)	—	—	(1,202,035)	(1,207,183)	(1,202,035)	(1,207,183)

9. DEFERRED TAX (continued)**Unrecognised deferred tax assets**

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

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
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 2023	At	(Charged)/ Credited	At
<i>In RM'000</i>	1.1.2023	to profit or loss	31.12.2023
Deferred tax liabilities			
Property, plant and equipment	(1,488,581)	(17,237)	(1,505,818)
Deferred tax assets			
Deferred income	204	5,305	5,509
Expected credit loss	79	(12)	67
Unabsorbed capital allowances	3,260	649	3,909
Unused investment tax allowances	412,768	(32,419)	380,349
	416,311	(26,477)	389,834
Net deferred tax	(1,072,270)	(43,714)	(1,115,984)

Group 2022	At	(Charged)/ Credited	At
<i>In RM'000</i>	1.1.2022	to profit or loss	31.12.2022
Deferred tax liabilities			
Property, plant and equipment	(1,571,022)	82,441	(1,488,581)
Deferred tax assets			
Deferred income	510	(306)	204
Expected credit loss	98	(19)	79
Unabsorbed capital allowances	1,841	1,419	3,260
Unused investment tax allowances	495,823	(83,055)	412,768
	498,272	(81,961)	416,311
Net deferred tax	(1,072,750)	480	(1,072,270)

9. DEFERRED TAX (continued)

Company 2023	At 1.1.2023	(Charged)/ Credited to profit or loss	At 31.12.2023
<i>In RM'000</i>			
Deferred tax liabilities			
Property, plant and equipment	(1,207,474)	(137)	(1,207,611)
Deferred tax assets			
Deferred income	204	5,305	5,509
Expected credit loss	87	(20)	67
	291	5,285	5,576
Net deferred tax	(1,207,183)	5,148	(1,202,035)

Company 2022	At 1.1.2022	(Charged)/ Credited to profit or loss	At 31.12.2022
<i>In RM'000</i>			
Deferred tax liabilities			
Property, plant and equipment	(1,240,891)	33,417	(1,207,474)
Deferred tax assets			
Deferred income	510	(306)	204
Expected credit loss	106	(19)	87
	616	(325)	291
Net deferred tax	(1,240,275)	33,092	(1,207,183)

10. TRADE AND OTHER INVENTORIES

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Liquefied gases and water	2,485	2,361	2,485	2,361
Maintenance materials and spares	36,185	40,212	31,996	36,414
	38,670	42,573	34,481	38,775
<i>Recognised in profit or loss as:</i>				
Cost of revenue	77,495	55,486	76,723	55,048
Inventories written-off	137	—	137	—
Net impairment losses on inventories	8,351	6,874	8,416	6,874

11. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	Note	Group		Company	
		2023	2022	2023	2022
Trade receivables		37,043	28,649	37,043	27,808
Other receivables		15,219	16,037	14,485	16,001
Deposit		1,032	1,032	1,032	1,032
Prepayments		41,184	41,281	10,644	10,521
Amount due from:					
- holding company	11.1	170,068	164,520	170,049	164,518
- subsidiaries	11.2	—	—	5,079	3,815
- joint ventures and associate	11.3	4,558	8,126	4,558	8,126
- related companies	11.4	559,378	639,966	438,763	478,765
- related parties	11.5	39,633	31,974	39,633	31,974
Term loans due from a joint venture		58,644	58,543	58,644	58,543
Derivative assets	8	2	—	2	—
		926,761	990,128	779,932	801,103
Less: Expected credit losses		(128)	(118)	(128)	(118)
		926,633	990,010	779,804	800,985

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

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Trade	156,896	152,409	156,896	152,409
Non-trade	13,172	12,111	13,153	12,109
	170,068	164,520	170,049	164,518

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

<i>In RM'000</i>	Company	
	2023	2022
Trade	422	421
Non-trade	4,657	3,394
	5,079	3,815

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:

<i>In RM'000</i>	Group and Company	
	2023	2022
Trade	1,272	1,647
Non-trade	3,286	6,479
	<u>4,558</u>	<u>8,126</u>

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

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Trade	554,475	630,484	437,910	474,050
Non-trade	4,903	9,482	853	4,715
	<u>559,378</u>	<u>639,966</u>	<u>438,763</u>	<u>478,765</u>

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

<i>In RM'000</i>	Group and Company	
	2023	2022
Trade	39,591	31,967
Non-trade	42	7
	<u>39,633</u>	<u>31,974</u>

12. OTHER INVESTMENT

<i>In RM'000</i>	Group and Company	
	2023	2022
Current		
Islamic deposit	500,000	—
	<u>500,000</u>	<u>—</u>

13. CASH AND CASH EQUIVALENTS

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Cash with PETRONAS Integrated Financial Shared Service Centre	2,910,846	3,885,130	2,874,632	3,840,311
Cash and bank balances	93,173	118,837	2,293	26,509
Deposit	23,924	22,277	—	—
	<u>3,027,943</u>	<u>4,026,244</u>	<u>2,876,925</u>	<u>3,866,820</u>

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 deposit of RM23,924,000 (2022: RM22,277,000) and RM3,000 (2022: RM5,000) in a finance service reserve account being designated as security and a fixed balance amounting to RM30,000 (2022: 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.

14. SHARE CAPITAL

Company	No of shares '000	2023	No of shares '000	2022
		Amount RM'000		Amount 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.

15. 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 subsidiary and joint venture 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. 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.

16. NON-CONTROLLING INTERESTS

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

17. BORROWINGS

<i>In RM'000</i>	Note	2023	Group 2022	2023	Company 2022
Non-current					
Secured					
Islamic financing facility	17.1	1,285,000	1,395,000	—	—
Lease liabilities	17.2	574,186	1,405,089	6,481	6,587
Total non-current secured borrowings		1,859,186	2,800,089	6,481	6,587
Unsecured					
Islamic financing facility	17.3	—	862,744	—	862,744
Total non-current unsecured borrowings		—	862,744	—	862,744
Total non-current borrowings		1,859,186	3,662,833	6,481	869,331
Current					
Secured					
Islamic financing facility	17.1	110,000	105,000	—	—
Lease liabilities	17.2	13,935	67,909	106	97
Total current secured borrowings		123,935	172,909	106	97
Unsecured					
Islamic financing facility	17.3	1,169,348	—	1,169,348	—
Total current unsecured borrowings		1,169,348	—	1,169,348	—
Total current borrowings		1,293,283	172,909	1,169,454	97
Total borrowings		3,152,469	3,835,742	1,175,935	869,428

17. BORROWINGS (continued)

Terms and debt repayment schedule:

Group <i>In RM'000</i>	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Islamic financing facility	1,395,000	110,000	120,000	295,000	870,000
Lease liabilities	588,121	13,935	14,971	52,952	506,263
	<u>1,983,121</u>	<u>123,935</u>	<u>134,971</u>	<u>347,952</u>	<u>1,376,263</u>
Unsecured					
Islamic financing facility	1,169,348	1,169,348	—	—	—
Total borrowings	<u>3,152,469</u>	<u>1,293,283</u>	<u>134,971</u>	<u>347,952</u>	<u>1,376,263</u>
Company					
Secured					
Lease liabilities	6,587	106	114	404	5,963
Unsecured					
Islamic financing facility	1,169,348	1,169,348	—	—	—
Total borrowings	<u>1,175,935</u>	<u>1,169,454</u>	<u>114</u>	<u>404</u>	<u>5,963</u>

17. BORROWINGS (continued)

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

<i>In RM'000</i>	2023	2022
RM-denominated Islamic Murabahah Medium Term Notes	1,395,000	1,500,000

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 (2022: 2.03% to 3.74% per annum) and the remaining amount is fully repayable at their various tranches due dates from 2024 to 2040.

It is secured by way of first ranking assignment and charge over a deposit and a finance service reserve account as disclosed in Note 13 which is to be funded to a minimum balance equivalent to the next 6 months’ principal payment 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.

17.2 The Group’s lease liabilities represent committed future payments for rights-of-use assets in relation to 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 8.4% per annum (2022: 8.1% to 9.1% per annum).

During the year, the Group's subsidiary has entered into an agreement with a related company for prepayment of charter hire of floating storage units at new residual contract value representing a one-off full settlement of the lease liabilities in relation to right-of-use assets.

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

<i>In RM'000</i>	2023	2022
Commodity Murabahah Term Financing	1,169,348	862,744

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 profit rates ranging from 3.46% to 4.18% per annum (2022: 2.38% to 3.56% per annum) and is repayable in full in March 2024.

17. BORROWINGS (continued)

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

Group	Islamic financing facilities	Lease liabilities	Total
<i>In RM'000</i>			
Balance at 1 January 2023	2,362,744	1,472,998	3,835,742
Changes from financing cash flows			
- payment of lease liabilities	—	(1,094,739)	(1,094,739)
- drawdown of Islamic financing facility	303,600	—	303,600
- repayment of Islamic financing facility	(105,000)	—	(105,000)
Total changes from financing cash flows	<u>198,600</u>	<u>(1,094,739)</u>	<u>(896,139)</u>
Effect of changes in foreign exchange rates	—	49,840	49,840
Other liability-related changes			
- modification of lease liabilities	—	160,022	160,022
- accrued interest expense	62	—	62
- interest capitalised	46,098	567	46,665
- interest expense	44,122	81,312	125,434
- interest paid	(87,278)	(81,879)	(169,157)
Total other liability-related changes	<u>3,004</u>	<u>160,022</u>	<u>163,026</u>
Balance at 31 December 2023	<u>2,564,348</u>	<u>588,121</u>	<u>3,152,469</u>

17. BORROWINGS (continued)

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

Group <i>In RM'000</i>	Islamic financing facilities	Lease liabilities	Total
Balance at 1 January 2022	2,015,940	1,431,176	3,447,116
Changes from financing cash flows			
- payment of lease liabilities	—	(67,362)	(67,362)
- drawdown of Islamic financing facility	457,000	—	457,000
- repayment of Islamic financing facility	(110,000)	—	(110,000)
Total changes from financing cash flows	<u>347,000</u>	<u>(67,362)</u>	<u>279,638</u>
Effect of changes in foreign exchange rates	—	82,923	82,923
Other liability-related changes			
- prepayment made	—	(175)	(175)
- remeasurement of lease liabilities	—	26,261	26,261
- accrued interest expense	255	—	255
- interest capitalised	18,780	498	19,278
- interest expense	46,379	130,797	177,176
- interest paid	(65,610)	(131,120)	(196,730)
Total other liability-related changes	<u>(196)</u>	<u>26,261</u>	<u>26,065</u>
Balance at 31 December 2022	<u>2,362,744</u>	<u>1,472,998</u>	<u>3,835,742</u>

17. BORROWINGS (continued)

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

Company <i>In RM'000</i>	Islamic financing facility	Lease liabilities	Total
Balance at 1 January 2023	862,744	6,684	869,428
Changes from financing cash flows			
- drawdown of Islamic financing facility	303,600	—	303,600
- payment of lease liabilities	—	(97)	(97)
Total changes from financing cash flows	303,600	(97)	303,503
Other liability-related changes			
- accrued interest expense	(411)	—	(411)
- interest capitalised	45,790	—	45,790
- interest expense	—	543	543
- interest paid	(42,375)	(543)	(42,918)
Total other liability-related changes	3,004	—	3,004
Balance at 31 December 2023	1,169,348	6,587	1,175,935

Company <i>In RM'000</i>	Islamic financing facility	Lease liabilities	Total
Balance at 1 January 2022	405,940	6,773	412,713
Changes from financing cash flows			
- drawdown of Islamic financing facility	457,000	—	457,000
- payment of lease liabilities	—	(89)	(89)
Total changes from financing cash flows	457,000	(89)	456,911
Other liability-related changes			
- accrued interest expense	(199)	—	(199)
- interest capitalised	18,604	—	18,604
- interest expense	—	551	551
- interest paid	(18,601)	(551)	(19,152)
Total other liability-related changes	(196)	—	(196)
Balance at 31 December 2022	862,744	6,684	869,428

18. PROVISIONS

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Provision for decommissioning of property, plant and equipment	32,209	31,808	11,211	10,755

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

<i>In RM'000</i>	Group	Company
At 1 January 2023	31,808	10,755
Net changes in provision	(922)	—
Unwinding of discount	1,323	456
At 31 December 2023	32,209	11,211

As at 31 December 2023, the provision for decommissioning is expected to be utilised as follows:

<i>In RM'000</i>	Group	Company
11 to 20 years	13,819	—
More than 20 years	18,390	11,211
	32,209	11,211

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 4.2% to 4.3% (2022: 3.9% to 4.2%).

19. DEFERRED INCOME

<i>In RM'000</i>	Note	Group and Company	
		2023	2022
At beginning of the year		1,517	2,126
Addition		25,178	1,345
Less: recognised in the profit or loss		(3,739)	(1,954)
At end of the year		<u>22,956</u>	<u>1,517</u>
Analysis of deferred income:			
Non-current		20,032	236
Current	20	<u>2,924</u>	<u>1,281</u>
		<u>22,956</u>	<u>1,517</u>

Deferred income mainly relates to the payments received in advance from related company and related party amounting to RM22,956,000 (2022: RM1,517,000) for the utilisation of Company's properties and equipments over a period of time by the related company and related party. The deferred income is subsequently recognised in the profit or loss on a time apportionment basis over the specified period.

20. TRADE AND OTHER PAYABLES

<i>In RM'000</i>	Note	Group		Company	
		2023	2022	2023	2022
Other payables and accruals	20.1	747,532	840,412	699,988	797,208
Amount due to:					
- holding company	20.2	106,463	62,101	90,382	53,129
- related companies	20.3	240,384	287,992	176,099	208,331
- subsidiaries	20.2	—	—	15	9
- joint venture	20.2	—	1,373	—	1,373
Derivative liabilities	8	80	10,432	4	—
Deferred income	19	2,924	1,281	2,924	1,281
		<u>1,097,383</u>	<u>1,203,591</u>	<u>969,412</u>	<u>1,061,331</u>

20.1 Included in other payables and accruals are amounts owing to suppliers and contractors for purchase of property, plant and equipment for the Group of RM414,367,000 (2022: RM386,115,000) and for the Company of RM393,925,000 (2022: RM383,156,000).

20.2 Amount due to holding company, subsidiaries and joint venture arose in the normal course of business and are non-trade in nature.

20. TRADE AND OTHER PAYABLES (continued)

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

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Trade	208,478	253,708	145,776	185,366
Non-trade	31,906	34,284	30,323	22,965
	<u>240,384</u>	<u>287,992</u>	<u>176,099</u>	<u>208,331</u>

Included in amount due to related companies are amounts owing to suppliers and contractors for purchase of property, plant and equipment for the Group of RM21,261,000 (2022: RM32,531,000).

21. 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:

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Geographical locations				
Peninsular Malaysia	6,443,334	6,152,551	5,092,798	4,742,170
Sabah	2,089	7,625	2,089	7,625
Total revenue from contracts with customers	<u>6,445,423</u>	<u>6,160,176</u>	<u>5,094,887</u>	<u>4,749,795</u>
Products and services				
Gas processing services	1,778,200	1,746,788	1,778,200	1,746,788
Gas transportation services	1,139,524	1,162,381	1,139,524	1,162,381
Regasification services	1,327,667	1,391,139	—	—
Utilities				
- Electricity	772,362	631,181	772,362	631,181
- Steam	925,898	778,785	925,898	778,785
- Industrial gases	399,285	356,464	399,285	356,464
- Others*	73,279	66,099	73,279	66,099
LNG ancillary services	24,608	20,959	—	—
Operations and maintenance services	4,600	6,380	6,339	8,097
Total revenue from contracts with customers	<u>6,445,423</u>	<u>6,160,176</u>	<u>5,094,887</u>	<u>4,749,795</u>

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

21. REVENUE (continued)*Revenue from contracts with customers (continued)*

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

Group 2023	Gas Processing	Gas Transportation	Gas Regasification	Utilities	Total
<i>In RM'000</i>					
Gas processing services	1,778,200	—	—	—	1,778,200
Gas transportation services	—	1,139,524	—	—	1,139,524
Regasification services	—	—	1,327,667	—	1,327,667
Utilities	—	—	—	2,170,824	2,170,824
LNG ancillary services	—	—	24,608	—	24,608
Operations and maintenance services	—	4,600	—	—	4,600
	<u>1,778,200</u>	<u>1,144,124</u>	<u>1,352,275</u>	<u>2,170,824</u>	<u>6,445,423</u>

Group 2022	Gas Processing	Gas Transportation	Gas Regasification	Utilities	Total
<i>In RM'000</i>					
Gas processing services	1,746,788	—	—	—	1,746,788
Gas transportation services	—	1,162,381	—	—	1,162,381
Regasification services	—	—	1,391,139	—	1,391,139
Utilities	—	—	—	1,832,529	1,832,529
LNG ancillary services	—	—	20,959	—	20,959
Operations and maintenance services	—	6,037	—	343	6,380
	<u>1,746,788</u>	<u>1,168,418</u>	<u>1,412,098</u>	<u>1,832,872</u>	<u>6,160,176</u>

21. 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
<p><i>Gas processing services</i> Processing of natural gas into sales gas and by-products</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>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.</p>
<p><i>Gas transportation services</i> Transportation of processed gas to end customers</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>No variable considerations.</p>
<p><i>Regasification services</i> Regasification of liquefied natural gas into Peninsular Gas Utilisation (“PGU”) pipeline network and Pengerang Integrated Complex (“PIC”)</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>No variable considerations.</p>
<p><i>Utilities</i> Sale of industrial utilities to petrochemical complexes and national electricity grid</p>	<p>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.</p>	<p>No variable considerations.</p>
<p><i>LNG ancillary services</i> Gassing up cooling down services</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff per service basis and payable within 7 days.</p>	<p>No variable considerations.</p>
<p>LNG reloading services</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>No variable considerations.</p>
<p>LNG truck loading services</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>No variable considerations.</p>
<p><i>Operations & maintenance services</i></p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>No variable considerations.</p>
<p>Provision of manpower to operate and maintain customer facilities</p>	<p>Upon services being rendered, invoices are issued at pre-determined tariff on a monthly basis, at month-end and payable within 30 days.</p>	<p>No variable considerations.</p>

21. 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 <i>In RM'000</i>	Within 1 year	1 – 5 years	Over 5 years	Total
Group and Company				
Gas processing services				
- Reservation charges	1,704,000	6,816,000	—	8,520,000

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 recently entered 3rd term of the GPA effective 1 January 2024 till 31 December 2028, there is remaining an unsatisfied performance obligation to the customer for the next 5 years. There does not exist any 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 yet to be satisfied (or partially not satisfied) 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.

22. OPERATING PROFIT

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
<i>Included in operating profit are the following charges:</i>				
Auditor's remuneration:				
- audit fees	574	537	344	322
- non-audit service fee	12	12	12	12
Depreciation of property, plant and equipment	1,141,399	1,035,511	758,649	665,387
Net impairment losses on:				
- property, plant and equipment	1,233	9,141	1,233	9,141
- inventories	8,351	6,874	8,416	6,874
Property, plant and equipment expensed-off	5,503	893	5,496	570
Realised loss on foreign exchange	25,045	—	—	—
Rental of:				
- land and buildings	8,160	12,686	7,155	11,798
- equipment and motor vehicles	17,411	16,503	9,413	8,957
Staff costs:				
- wages, salaries and others	441,109	372,154	412,824	347,219
- contributions to Employees Provident Fund	52,283	44,599	49,160	41,682
Unrealised loss on foreign exchange	21,993	67,672	5,537	—
Write-offs of:				
- property, plant and equipment	220	718	220	718
- inventories	137	—	137	—
<i>and crediting:</i>				
Dividend income (quoted)				
- associate	—	—	42,904	35,665
Dividend income (unquoted)				
- subsidiaries	—	—	366,958	271,305
- joint ventures	—	—	130,626	33,000
Gain on disposal of property, plant and equipment	2,984	3,510	2,984	3,510
Interest income:				
- fund investment	139,586	108,277	131,503	105,182
- term loan due from a joint venture	9,584	11,941	9,584	11,941
Net impairment reversals on expected credit loss	88	79	88	79
Rental income on land and buildings	5,030	4,723	6,004	5,242
Realised gain on foreign exchange	—	2,773	5,341	1,651
Unrealised gain on foreign exchange	—	—	—	18,234

23. FINANCING COSTS

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Recognised in profit or loss:				
- Lease liabilities	81,312	130,797	543	551
- Islamic financing facility	44,122	46,379	—	—
- Unwinding of discount for provisions	1,323	1,258	456	437
	<u>126,757</u>	<u>178,434</u>	<u>999</u>	<u>988</u>
Capitalised into qualifying assets:				
- Lease liabilities	567	498	—	—
- Islamic financing facilities	46,098	18,780	45,790	18,604
	<u>46,665</u>	<u>19,278</u>	<u>45,790</u>	<u>18,604</u>
Total financing costs	<u>173,422</u>	<u>197,712</u>	<u>46,789</u>	<u>19,592</u>

24. TAX EXPENSE

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Current tax expenses				
Current year	420,918	511,976	413,835	505,885
Under/(Over) provision in prior years	20,344	(596)	20,036	(705)
Total current tax expenses	<u>441,262</u>	<u>511,380</u>	<u>433,871</u>	<u>505,180</u>
Deferred tax expenses				
Origination and reversal of temporary differences	48,652	(5,830)	325	(38,354)
(Over)/Under provision in prior years	(4,938)	5,350	(5,473)	5,262
Total deferred tax expenses	<u>43,714</u>	<u>(480)</u>	<u>(5,148)</u>	<u>(33,092)</u>
Total tax expenses recognised in profit or loss	<u>484,976</u>	<u>510,900</u>	<u>428,723</u>	<u>472,088</u>
Tax (income)/expense on share of profit of joint ventures	(105,660)	15,279	—	—
Tax expense on share of profit of associate	17,631	20,518	—	—
Total tax expenses	<u>396,947</u>	<u>546,697</u>	<u>428,723</u>	<u>472,088</u>

24. 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				
<i>In RM'000</i>	%	2023	%	2022
Profit for the year		1,901,039		1,758,468
Total tax expenses		396,947		546,697
Profit excluding tax		<u>2,297,986</u>		<u>2,305,165</u>
Taxation at Malaysian statutory tax rate	24.0	551,517	24.0	553,240
Effects of income subject to different tax rates*	—	—	4.2	96,228
Non-deductible expenses, net of non-assessable income	1.2	27,743	0.6	14,834
Tax exempt income	(0.1)	(1,807)	(1.4)	(32,078)
Tax incentive [^]	(5.1)	(116,595)	—	—
Effect of net deferred tax benefits not recognised [^]	(2.9)	(66,094)	(3.8)	(89,195)
Effect of tax losses recognised	(0.3)	(7,696)	—	—
	<u>16.8</u>	<u>387,068</u>	<u>23.6</u>	<u>543,029</u>
Under provision in prior years		9,879		3,668
Tax expense		<u>396,947</u>		<u>546,697</u>
Company				
<i>In RM'000</i>	%	2023	%	2022
Profit before taxation		<u>2,230,852</u>		<u>1,983,629</u>
Taxation at Malaysian statutory tax rate	24.0	535,404	24.0	476,071
Effects of income subject to different tax rates*	—	—	4.8	96,228
Non-deductible expenses, net of non-assessable income	0.4	8,473	0.1	2,065
Tax exempt income	(5.8)	(129,717)	(5.3)	(106,833)
	<u>18.6</u>	<u>414,160</u>	<u>23.6</u>	<u>467,531</u>
Under provision in prior years		14,563		4,557
Tax expense		<u>428,723</u>		<u>472,088</u>

* Tax rate at 33% on chargeable income of the Company exceeding RM100 million for the year of assessment 2022 in accordance with the provision of Malaysian Finance Act 2021 (“Prosperity Tax”).

[^] Comprise of tax incentives granted to a subsidiary and joint ventures.

25. DIVIDENDS

<i>In RM'000</i>	2023	Company 2022
Ordinary		
Interim paid:		
2021 - Fourth interim dividend of 22 sen per ordinary share	—	435,321
2021 - Special interim dividend of 10 sen per ordinary share	—	197,873
2022 - First interim dividend of 16 sen per ordinary share	—	316,597
2022 - Second interim dividend of 16 sen per ordinary share	—	316,597
2022 - Third interim dividend of 18 sen per ordinary share	—	356,172
2022 - Fourth interim dividend of 22 sen per ordinary share	435,321	—
2023 - First interim dividend of 16 sen per ordinary share	316,597	—
2023 - Second interim dividend of 16 sen per ordinary share	316,597	—
2023 - Third interim dividend of 18 sen per ordinary share	356,172	—
	<u>1,424,687</u>	<u>1,622,560</u>

The Directors had on 27 February 2024 declared a fourth interim dividend of 22 sen per ordinary share amounting to RM435,321,000 in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect these 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 2024.

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

<i>In Sen</i>	2023	Company 2022
Declared and paid - net		
First interim dividend per ordinary share	16	16
Second interim dividend per ordinary share	16	16
Third interim dividend per ordinary share	18	18
	<u>50</u>	<u>50</u>
Declared but not paid - net		
Fourth interim dividend per ordinary share	22	22
	<u>72</u>	<u>72</u>

26. 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 RM1,819,600,000 (2022: RM1,645,446,000), over the number of ordinary shares outstanding during the year of 1,978,732,000 (2022: 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.

<i>In Sen</i>	Company	
	2023	2022
Basic and diluted earnings per ordinary share	92.0	83.2

27. CAPITAL COMMITMENTS

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

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Property, plant and equipment				
<i>Approved and contracted for</i>				
Less than one year	241,522	154,771	101,016	154,771
Between one and five years	235,667	281,929	52,479	51,929
	<u>477,189</u>	<u>436,700</u>	<u>153,495</u>	<u>206,700</u>
<i>Approved but not contracted for</i>				
Less than one year	1,429,408	1,711,386	1,269,014	1,588,893
Between one and five years	3,502,151	2,874,854	2,890,779	2,651,205
	<u>4,931,559</u>	<u>4,586,240</u>	<u>4,159,793</u>	<u>4,240,098</u>
	<u>5,408,748</u>	<u>5,022,940</u>	<u>4,313,288</u>	<u>4,446,798</u>
Share of capital expenditure of joint ventures				
<i>Approved and contracted for</i>				
Less than one year	4,011	351	—	—
<i>Approved but not contracted for</i>				
Less than one year	7,493	7,169	—	—
Between one and five years	6,637	8,357	—	—
	<u>14,130</u>	<u>15,526</u>	<u>—</u>	<u>—</u>
	<u>18,141</u>	<u>15,877</u>	<u>—</u>	<u>—</u>
Total commitments	<u>5,426,889</u>	<u>5,038,817</u>	<u>4,313,288</u>	<u>4,446,798</u>

28. 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, 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

<i>In RM'000</i>	Group and Company	
	2023	2022
Directors		
- Fees	957	1,255
- Benefit-in-kind	19	28
	<u>976</u>	<u>1,283</u>

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:

<i>In RM'000</i>	Group		Company	
	2023	2022	2023	2022
Government of Malaysia's related entities:				
Tenaga Nasional Berhad				
- Sales of industrial utilities	40,807	81,410	40,807	81,410
- Purchase of electricity	(48,585)	(40,706)	(21,285)	(19,221)
TNB Repair and Maintenance Sdn. Bhd.				
- Provision of repair and maintenance services	<u>(29,028)</u>	<u>(31,194)</u>	<u>(29,028)</u>	<u>(31,194)</u>

28. RELATED PARTY DISCLOSURES (continued)

<i>In RM'000</i>		Group		Company
	2023	2022	2023	2022
Holding company:				
- Gas processing fee income	1,702,961	1,703,404	1,702,961	1,703,404
- Interest income from fund investments	128,406	106,473	125,749	105,167
- Internal gas consumption performance incentive	69,242	36,842	69,242	36,842
- Gas transportation fee income	2,089	7,625	2,089	7,625
- Insurance claim	553	3,968	553	3,968
- Staff secondment services	(448,637)	(355,756)	(419,645)	(329,947)
- Information, communication and technology charges	(57,583)	(51,627)	(54,209)	(48,951)
- Insurance expense	(32,790)	(26,715)	(27,961)	(22,549)
- Staff medical expense	(24,340)	(18,535)	(24,254)	(17,612)
- Financial services	(10,568)	(13,014)	(9,207)	(12,174)
- Corporate security charges	(11,120)	(11,682)	(9,077)	(9,271)
- Supply chain and management services	(14,034)	(7,729)	(13,371)	(7,287)
- Rental of office premises	(6,693)	(7,250)	(6,693)	(7,250)
- Reimbursement of key management costs	(1,753)	(1,419)	(1,753)	(1,419)
- Fees for representation on the Board of Directors	(660)	(681)	(660)	(681)
Related companies:				
CEFS Response				
- Contribution for emergency response services	(11,571)	(9,284)	(11,564)	(9,057)
Gas Asia Terminal (L) Pte. Ltd.				
- Time charter services	(1,236,465)	(248,170)	—	—
Pengerang Power Sdn. Bhd.				
- Purchase of electricity	(37,070)	(42,777)	—	—
PETCO Trading Labuan Co. Ltd.				
- LPG import and export service income	6,543	6,543	6,543	6,543
PETRONAS Carigali Sdn. Bhd.				
- Operations and maintenance services charges	(1,027)	(7,622)	(1,027)	(7,622)
PETRONAS Chemicals Ammonia Sdn. Bhd.				
- Sale of industrial utilities	279,004	243,452	279,004	243,452
PETRONAS Chemicals Aromatics Sdn. Bhd.				
- Sale of industrial utilities	81,503	53,562	81,503	53,562
PETRONAS Chemicals Derivatives Sdn. Bhd.				
- Sale of industrial utilities	809,311	671,551	809,311	671,551
PETRONAS Chemicals Ethylene Sdn. Bhd.				
- Sale of industrial utilities	17,652	17,048	17,652	17,048

28. RELATED PARTY DISCLOSURES (continued)

<i>In RM'000</i>		Group		Company
	2023	2022	2023	2022
Related companies (continued):				
PETRONAS Chemicals LDPE Sdn. Bhd.				
- Sale of industrial utilities	149,659	113,522	149,659	113,522
PETRONAS Chemicals Marketing Labuan Ltd.				
- Purchase of hydrogen	(8,967)	(9,836)	(8,967)	(9,836)
PETRONAS Chemicals MTBE Sdn. Bhd.				
- Sale of industrial utilities	263,712	232,886	263,571	232,886
PETRONAS Digital Sdn. Bhd.				
- Information, communication and technology	(21,322)	(13,262)	(15,130)	(8,256)
PETRONAS Energy and Gas Trading Sdn. Bhd.				
- Regasification fee income	1,327,666	1,381,240	—	—
- Gas transportation fee income	1,132,228	1,153,959	1,132,228	1,153,959
- Reloading income	10,649	9,786	—	—
- LNG truck loading income	10,755	9,360	—	—
- Purchase of fuel gas	(1,562,455)	(1,428,453)	(1,562,455)	(1,428,453)
- Purchase of gas for internal gas consumption	(218,191)	(298,485)	(202,503)	(254,988)
PETRONAS Global Technical Services Sdn. Bhd.				
- Technical manpower services	(5,629)	(4,051)	—	—
PETRONAS Lubricants Marketing Sdn. Bhd.				
- Purchase of petroleum products	(5,093)	(4,154)	(4,926)	(3,663)
PETRONAS Technical Services Sdn. Bhd.				
- Technical consultancy fees	(104,698)	(122,317)	(104,406)	(119,649)
PETRONAS Technical Training Sdn. Bhd.				
- Training and development related costs	(9,536)	(7,197)	(9,257)	(6,860)
Sungai Udang Port Sdn. Bhd.				
- Marine services	(6,475)	(6,475)	—	—
Subsidiaries:				
Regas Terminal (Sg. Udang) Sdn. Bhd.				
- Management fee income	—	—	3,654	3,909
- Pipeline maintenance fee income	—	—	1,670	1,670
- Technical and engineering services fee income	—	—	1,044	1,227
- Annual access right fee income	—	—	447	416
- Rental office income	—	—	225	—
- Rental warehouse income	—	—	103	103
Pengerang LNG (Two) Sdn. Bhd.				
- Management fee income	—	—	3,852	3,905
- Technical and engineering services fee income	—	—	870	1,449
- Rental office income	—	—	199	—
- Pipeline maintenance fee income	—	—	69	46
- Lab analysis, sampling and storage services	—	—	—	81

28. RELATED PARTY DISCLOSURES (continued)

<i>In RM'000</i>	2023	Group 2022	2023	Company 2022
Joint ventures:				
Industrial Gases Solutions Sdn. Bhd.				
- Sale of industrial utilities	12,699	6,839	12,699	6,839
- Purchase of nitrogen	(7,882)	(7,182)	(7,844)	(6,777)
Kimanis Power Sdn. Bhd.				
- Secondment fee income	1,813	2,398	1,813	2,398
Pengerang Gas Solutions Sdn. Bhd.				
- Interest income	9,584	11,941	9,584	11,941
- Secondment fee income	642	642	642	642
- Management fee income	277	277	277	277
Joint ventures and associates of the holding company and related companies:				
BASF PETRONAS Chemicals Sdn. Bhd.				
- Sale of industrial utilities	186,077	127,667	186,077	127,667
Ineos PCG Acetyls Sdn. Bhd.				
- Sale of industrial utilities	44,797	41,020	44,797	41,020
Kertih Terminals Sdn. Bhd.				
- Sale of industrial utilities	8,355	6,698	8,355	6,698
Pengerang Terminals (Two) Sdn. Bhd.				
- Jetty usage charges	(69,176)	(41,695)	—	—
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.				
- Right of way and maintenance fees income	5,304	7,992	5,304	7,992

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 17, Note 19 and Note 20.

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.

29. 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 into sales gas and other by-products such as ethane, propane and butane.
- Gas transportation – activities include transportation of processed gas to shippers' end customers and provision of operations and maintenance services.
- Regasification – activities include regasification of liquefied natural gas ("LNG") and provision of ancillary services comprising LNG reloading, truck loading and gassing up and cooling down services.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities 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.

29. OPERATING SEGMENTS (continued)

**Group
Business Segments
2023**

<i>In RM'000</i>	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	1,778,200	1,144,124	1,352,275	2,170,824	6,445,423
Segment results	796,485	562,219	637,610	290,693	2,287,007
Unallocated expense					(13,319)
Operating profit					2,273,688
Financing costs					(126,757)
Share of profit after tax of equity-accounted joint ventures and associate					239,084
Profit before taxation					2,386,015
Tax expense					(484,976)
Profit for the year					1,901,039

Included in the measure of segment profit are:

Depreciation and amortisation	(512,248)	(111,018)	(384,960)	(134,828)	(1,143,054)
Unallocated depreciation and amortisation	—	—	—	—	1,655

**Group
Business Segments
2022**

<i>In RM'000</i>	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	1,746,788	1,168,418	1,412,098	1,832,872	6,160,176
Segment results	892,410	563,338	750,913	141,025	2,347,686
Unallocated expense					(27,601)
Operating profit					2,320,085
Financing costs					(178,434)
Share of profit after tax of equity-accounted joint ventures and associate					127,717
Profit before taxation					2,269,368
Tax expense					(510,900)
Profit for the year					1,758,468

Included in the measure of segment profit are:

Depreciation and amortisation	(448,400)	(104,377)	(372,333)	(111,779)	(1,036,889)
Unallocated depreciation and amortisation	—	—	—	—	1,378

29. OPERATING SEGMENTS (continued)

**Group
Business Segments
2023**

<i>In RM'000</i>	Gas Processing	Gas Transportation	Gas Regasification	Utilities	Total
Segment assets	4,627,242	3,845,592	4,852,313	1,491,979	14,817,126
Investment in joint ventures					833,584
Investment in associate					186,519
Unallocated assets					3,482,049
Total assets					<u>19,319,278</u>

Included in the measure of segment assets are:

Capital expenditure	602,254	467,616	92,066	63,587	1,225,523
Unallocated capital expenditure	—	—	—	—	(3,523)

**Group
Business Segments
2022**

<i>In RM'000</i>	Gas Processing	Gas Transportation	Gas Regasification	Utilities	Total
Segment assets	4,556,519	3,505,442	5,082,966	1,576,938	14,721,865
Investment in joint ventures					767,048
Investment in associate					175,435
Unallocated assets					4,024,054
Total assets					<u>19,688,402</u>

Included in the measure of segment assets are:

Capital expenditure	532,730	410,986	60,176	156,426	1,160,318
Unallocated capital expenditure	—	—	—	—	(3,711)

Major customers

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

Group	Segment	2023	2022
<i>In RM'000</i>			
- PETRONAS Energy and Gas Trading Sdn. Bhd.	Gas Transportation and Regasification	2,468,455	2,554,345
- PETRONAS	Gas Processing and Gas Transportation	1,773,746	1,711,029
- PETRONAS Chemicals Group Berhad	Utilities	1,604,676	1,334,773

30. 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 2023	Note	AC	FVTPL - mandatorily at FVTPL	Total carrying amount
<i>In RM'000</i>				
Financial assets				
Long-term receivable (excluding Expected Credit Losses (“ECL”))	7	69,566	—	69,566
Trade and other receivables (excluding prepayments and ECL)	11	885,575	2	885,577
Other investment	12	500,000	—	500,000
Cash and cash equivalents	13	3,027,943	—	3,027,943
		<u>4,483,084</u>	<u>2</u>	<u>4,483,086</u>
Financial liabilities				
Borrowings (excluding lease liabilities)	17	(2,564,348)	—	(2,564,348)
Trade and other payables (excluding deferred income)	20	(1,094,379)	(80)	(1,094,459)
		<u>(3,658,727)</u>	<u>(80)</u>	<u>(3,658,807)</u>
2022				
<i>In RM'000</i>				
Financial assets				
Long-term receivable (excluding ECL)	7	123,066	—	123,066
Trade and other receivables (excluding prepayments and ECL)	11	948,847	—	948,847
Cash and cash equivalents	13	4,026,244	—	4,026,244
		<u>5,098,157</u>	<u>—</u>	<u>5,098,157</u>
Financial liabilities				
Borrowings (excluding lease liabilities)	17	(2,362,744)	—	(2,362,744)
Trade and other payables (excluding deferred income)	20	(1,191,878)	(10,432)	(1,202,310)
		<u>(3,554,622)</u>	<u>(10,432)</u>	<u>(3,565,054)</u>

30. FINANCIAL INSTRUMENTS (continued)**Categories of financial instruments (continued)**

Company 2023	Note	AC	FVTPL - mandatorily at FVTPL	Total carrying amount
<i>In RM'000</i>				
Financial assets				
Long-term receivable (excluding ECL)	7	69,566	—	69,566
Trade and other receivables (excluding prepayments and ECL)	11	769,286	2	769,288
Other investment	12	500,000	—	500,000
Cash and cash equivalents	13	2,876,925	—	2,876,925
		4,215,777	2	4,215,779
Financial liabilities				
Borrowings (excluding lease liabilities)	17	(1,169,348)	—	(1,169,348)
Trade and other payables (excluding deferred income)	20	(966,484)	(4)	(966,488)
		(2,135,832)	(4)	(2,135,836)
2022				
<i>In RM'000</i>				
Financial assets				
Long-term receivable (excluding ECL)	7	123,066	—	123,066
Trade and other receivables (excluding prepayments and ECL)	11	790,582	—	790,582
Cash and cash equivalents	13	3,866,820	—	3,866,820
		4,780,468	—	4,780,468
Financial liabilities				
Borrowings (excluding lease liabilities)	17	(862,744)	—	(862,744)
Trade and other payables (excluding deferred income)	20	(1,060,050)	—	(1,060,050)
		(1,922,794)	—	(1,922,794)

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 counterparty credit risk, liquidity risk and market risk relating to interest rates and foreign exchange risk.

The Group has policies, standards and guidelines in place that sets the foundation for a consistent approach towards establishing an effective integrated financial risk management.

30. 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 are to ensure that the management understands, measures, monitors and reports the financial risks that arise in connection with their operations. The policies, standards and guidelines have been developed to identify, analyse, appraise, monitor and report 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

Counterparty credit risk refers to risk of loss resulting from a counterparty failing to perform its contractual financial obligation or making payment for goods and services, due to circumstances such as bankruptcy, financial constraints, political restrictions and government directives.

The Group's and the Company's exposures to credit risk arise principally from their receivables from third party customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint ventures and associates. Credit risks are controlled in accordance with PETRONAS' policies, standards and guidelines implemented across PETRONAS Group.

(i) *Receivables*

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise 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 where applicable. 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 portfolio level risk appetite.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate credit risk by requiring collateral or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

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 full) when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine 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.

30. 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 and the Company assess 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 and the Company manage their debtors and take 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 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 Group and the Company's historical experience.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 31 December 2023 which are grouped together as they are expected to have similar risk nature.

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) Receivables (continued)

Recognition and measurement of impairment loss (continued)

Group				
2023		Gross	Loss	
<i>In RM'000</i>	Note	carrying	allowance	Net balance
Credit Risk Rating		amount		
Excellent		433,701	—	433,701
Good		344,044	(14)	344,030
Fair		12,467	—	12,467
Amounts not subject to loss allowances*		(935)	—	(935)
		<u>789,277</u>	<u>(14)</u>	<u>789,263</u>
Representing				
Trade receivables	11	<u>789,277</u>	<u>(14)</u>	<u>789,263</u>
2022		Gross	Loss	
<i>In RM'000</i>	Note	carrying	allowance	Net balance
Credit Risk Rating		amount		
Excellent		473,527	—	473,527
Good		357,139	(7)	357,132
Fair		17,929	—	17,929
Amounts not subject to loss allowances*		(3,439)	—	(3,439)
		<u>845,156</u>	<u>(7)</u>	<u>845,149</u>
Representing				
Trade receivables	11	<u>845,156</u>	<u>(7)</u>	<u>845,149</u>

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

30. FINANCIAL INSTRUMENTS (continued)**Credit risk (continued)****(i) Receivables (continued)****Recognition and measurement of impairment loss (continued)**

Company		Gross	Loss	
2023		carrying	allowance	Net balance
<i>In RM'000</i>	Note	amount		
Credit Risk Rating				
Excellent		433,701	—	433,701
Good		227,901	(14)	227,887
Fair		12,467	—	12,467
Amounts not subject to loss allowances*		(935)	—	(935)
		<u>673,134</u>	<u>(14)</u>	<u>673,120</u>
Representing				
Trade receivables	11	<u>673,134</u>	<u>(14)</u>	<u>673,120</u>
2022		Gross	Loss	
<i>In RM'000</i>	Note	carrying	allowance	Net balance
Credit Risk Rating		amount		
Excellent		473,527	—	473,527
Good		200,285	(7)	200,278
Fair		17,929	—	17,929
Amounts not subject to loss allowances*		(3,439)	—	(3,439)
		<u>688,302</u>	<u>(7)</u>	<u>688,295</u>
Representing				
Trade receivables	11	<u>688,302</u>	<u>(7)</u>	<u>688,295</u>

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

30. 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.

<i>In RM'000</i>	Note	2023	Group 2022	2023	Company 2022
At net					
Current		789,277	845,156	673,134	688,302
Past due 1 to 30 days		—	—	—	—
Past due 31 to 60 days		—	—	—	—
Past due 61 to 90 days		—	—	—	—
Past due more than 90 days		—	—	—	—
		<u>789,277</u>	<u>845,156</u>	<u>673,134</u>	<u>688,302</u>
Representing:					
Trade receivables	11	37,043	28,649	37,043	27,808
Amount due from holding company	11.1	156,896	152,409	156,896	152,409
Amount due from subsidiaries	11.2	—	—	422	421
Amount due from joint ventures and associate	11.3	1,272	1,647	1,272	1,647
Amount due from related companies	11.4	554,475	630,484	437,910	474,050
Amount due from related parties	11.5	39,591	31,967	39,591	31,967
		<u>789,277</u>	<u>845,156</u>	<u>673,134</u>	<u>688,302</u>

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 has fixed terms of repayment as disclosed in Note 7 to the financial statements.

30. 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 impairment losses of receivables during the year are as follows:

			2023
<i>In RM'000</i>	Trade receivables	Other receivables	Total
Group			
Opening balance	(7)	(359)	(366)
Impairment (loss)/reversal recognised	(7)	95	88
Closing balance	<u>(14)</u>	<u>(264)</u>	<u>(278)</u>
Company			
Opening balance	(7)	(359)	(366)
Impairment (loss)/reversal recognised	(7)	95	88
Closing balance	<u>(14)</u>	<u>(264)</u>	<u>(278)</u>

(ii) Fund investments***Risk management objectives, policies and processes for managing the risk***

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.

Exposure to credit risk, credit quality and collateral

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.

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.

30. FINANCIAL INSTRUMENTS (continued)**Liquidity risk**

Liquidity risk is the risk that the Group and the Company will have insufficient funds to meet financial commitments in a timely manner. The Group's and the Company'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 2023	Carrying amount	Contractual profit per annum/ discount rate %	Contractual cash flows*	Within 1 year
<i>In RM'000</i>				
Islamic Murabahah Medium Term Notes	1,395,000	2.37 to 3.74	1,748,500	152,230
Commodity Murabahah Term Financing	1,169,348	3.46 to 4.18	1,181,488	1,181,488
Lease liabilities	588,121	8.10 to 8.40	1,155,154	61,292
Trade and other payables (excluding deferred income)	1,094,459	—	1,094,459	1,094,459
	<u>4,246,928</u>		<u>5,179,601</u>	<u>2,489,469</u>
Group 2023				More than 5 years
<i>In RM'000</i>		1-2 years	2-5 years	
Islamic Murabahah Medium Term Notes		159,739	397,526	1,039,005
Commodity Murabahah Term Financing		—	—	—
Lease liabilities		61,292	183,876	848,694
Trade and other payables (excluding deferred income)		—	—	—
		<u>221,031</u>	<u>581,402</u>	<u>1,887,699</u>

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

30. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)****Maturity analysis (continued)**

Company 2023	Carrying amount	Contractual profit per annum/ discount rate %	Contractual cash flows*	Within 1 year
<i>In RM'000</i>				
Commodity Murabahah Term Financing	1,169,348	3.46 to 4.18	1,181,488	1,181,488
Lease liabilities	6,587	8.20	14,476	640
Trade and other payables (excluding deferred income)	966,488	—	966,488	966,488
	<u>2,142,423</u>		<u>2,162,452</u>	<u>2,148,616</u>

Company 2023	1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>			
Commodity Murabahah Term Financing	—	—	—
Lease liabilities	640	1,921	11,275
Trade and other payables (excluding deferred income)	—	—	—
	<u>640</u>	<u>1,921</u>	<u>11,275</u>

Group 2022	Carrying amount	Contractual profit per annum/ discount rate %	Contractual cash flows*	Within 1 year
<i>In RM'000</i>				
Islamic Murabahah Medium Term Notes	1,500,000	2.22 to 3.74	1,898,403	149,903
Commodity Murabahah Term Financing	862,744	3.44 to 3.56	904,408	30,747
Lease liabilities	1,472,998	8.10 to 9.10	2,512,786	187,037
Trade and other payables (excluding deferred income)	1,202,310	—	1,202,310	1,202,310
	<u>5,038,052</u>		<u>6,517,907</u>	<u>1,569,997</u>

Group 2022	1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>			
Islamic Murabahah Medium Term Notes	152,230	425,571	1,170,699
Commodity Murabahah Term Financing	873,661	—	—
Lease liabilities	199,705	597,960	1,528,084
Trade and other payables (excluding deferred income)	—	—	—
	<u>1,225,596</u>	<u>1,023,531</u>	<u>2,698,783</u>

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

30. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)****Maturity analysis (continued)**

Company 2022	Carrying amount	Contractual profit per annum/ discount rate %	Contractual cash flows*	Within 1 year
<i>In RM'000</i>				
Commodity Murabahah Term Financing	862,744	3.44 to 3.56	904,408	30,747
Lease liabilities	6,684	8.20	15,116	640
Trade and other payables (excluding deferred income)	1,060,050	—	1,060,050	1,060,050
	<u>1,929,478</u>		<u>1,979,574</u>	<u>1,091,437</u>

Company 2022	1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>			
Commodity Murabahah Term Financing	873,661	—	—
Lease liabilities	640	1,921	11,915
Trade and other payables (excluding deferred income)	—	—	—
	<u>874,301</u>	<u>1,921</u>	<u>11,915</u>

* 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's 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.

30. 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 was discontinued on 30 June 2023. The alternative benchmark rate is indexed to Secured Overnight Financing Rate (SOFR). The Group via its ultimate holding company has established a LIBOR Transition Project Steering Committee which monitors and manages the PETRONAS Group wide transition to alternative benchmark rates by the cessation date with an aim to achieve economically equivalent transactions and minimal impact upon transition. As at reporting date, transitional activities are completed and have applied the practical expedients to negotiate contracts for which the benchmark rate had been replaced to SOFR.

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:

<i>In RM'000</i>		Group		Company
	2023	2022	2023	2022
Fixed rate instruments				
Financial assets	652,134	203,886	628,210	181,609
Financial liabilities	(1,983,121)	(2,972,998)	(6,587)	(6,684)
	<u>(1,330,987)</u>	<u>(2,769,112)</u>	<u>621,623</u>	<u>174,925</u>
Floating rate instruments				
Financial assets	3,004,019	4,003,967	2,876,925	3,866,820
Financial liabilities	(1,169,348)	(862,744)	(1,169,348)	(862,744)
	<u>1,834,671</u>	<u>3,141,223</u>	<u>1,707,577</u>	<u>3,004,076</u>

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.

<i>In RM'000</i>		Group		Company
	2023	2022	2023	2022
Changes in interest b.p.s (+/-)				
Financial assets	50 b.p.s	50 b.p.s	50 b.p.s	50 b.p.s
Financial liabilities	50 b.p.s	50 b.p.s	50 b.p.s	50 b.p.s
Gain	<u>9,173</u>	<u>15,706</u>	<u>8,538</u>	<u>15,020</u>

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.

30. 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 and/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 significant 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		
<i>In RM'000</i>	2023	2022
Denominated in USD		
Financial assets		
Long-term receivable	69,566	123,066
Trade and other receivables	83,951	121,111
	<u>153,517</u>	<u>244,177</u>
Financial liabilities		
Lease liabilities	(574,620)	(1,458,820)
Trade and other payables	(21,701)	(25,328)
	<u>(596,321)</u>	<u>(1,484,148)</u>
Net exposure	<u>(442,804)</u>	<u>(1,239,971)</u>

30. FINANCIAL INSTRUMENTS (continued)**Market risk (continued)***Foreign currency risk (continued)*

Company <i>In RM'000</i>	2023	2022
Denominated in USD		
Financial assets		
Long-term receivable	69,566	123,066
Trade and other receivables	72,287	103,010
	<u>141,853</u>	<u>226,076</u>
Financial liabilities		
Trade and other payables	(7,199)	(5,464)
Net exposure	<u>134,654</u>	<u>220,612</u>

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 2023 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2023 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.

30. 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:

<i>In RM'000</i>	Appreciation in foreign currency rate	Group Effect on profit/(loss)	Company Effect on profit/(loss)
2023	%		
USD	10	(44,280)	13,465
2022			
USD	10	(123,997)	22,061

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

30. 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 2023	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		
<i>In RM'000</i>				
Financial assets				
Long-term receivable	—	72,002	72,002	69,566
Derivative assets	2	—	2	2
	<u>2</u>	<u>72,002</u>	<u>72,004</u>	<u>69,568</u>
Financial liabilities				
Islamic financing facilities	—	(2,433,065)	(2,433,065)	(2,564,348)
Derivative liabilities	(80)	—	(80)	(80)
	<u>(80)</u>	<u>(2,433,065)</u>	<u>(2,433,145)</u>	<u>(2,564,428)</u>
Group 2022	Fair value of financial instruments carried at fair value	Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
<i>In RM'000</i>	Level 2	Level 3		
Financial assets				
Long-term receivable	—	131,597	131,597	123,066
Financial liabilities				
Islamic financing facilities	—	(2,220,838)	(2,220,838)	(2,362,744)
Derivative liabilities	(10,432)	—	(10,432)	(10,432)
	<u>(10,432)</u>	<u>(2,220,838)</u>	<u>(2,231,270)</u>	<u>(2,373,176)</u>

30. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

Company 2023	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		
<i>In RM'000</i>				
Financial assets				
Long-term receivable	—	72,002	72,002	69,566
Derivative assets	2	—	2	2
	2	72,002	72,004	69,568
Financial liabilities				
Islamic financing facility	—	(1,169,348)	(1,169,348)	(1,169,348)
Derivative liabilities	(4)	—	(4)	(4)
	(4)	(1,169,348)	(1,169,352)	(1,169,352)
Company 2022	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		
<i>In RM'000</i>				
Financial assets				
Long-term receivable	—	131,597	131,597	123,066
Financial liabilities				
Islamic financing facility	—	(862,744)	(862,744)	(862,744)

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 forward exchange rates and the contractual rate.

30. FINANCIAL INSTRUMENTS (continued)**Income/(expense), net gains and losses arising from financial instruments****Group****2023**

<i>In RM'000</i>	Interest income	Interest expense	Others	Total
Financial assets at amortised cost	149,170	—	(14,358)	134,812
Financial liabilities at amortised cost	—	(44,122)	(5,333)	(49,455)
Financial liabilities at fair value through profit or loss	—	—	22,493	22,493
Total	149,170	(44,122)	2,802	107,850

2022

<i>In RM'000</i>	Interest income	Interest expense	Others	Total
Financial assets at amortised cost	120,218	—	20,932	141,150
Financial liabilities at amortised cost	—	(46,379)	(1,610)	(47,989)
Financial liabilities at fair value through profit or loss	—	—	(1,298)	(1,298)
Total	120,218	(46,379)	18,024	91,863

Company**2023**

<i>In RM'000</i>	Interest income	Interest expense	Others	Total
Financial asset at amortised cost	141,087	—	864	141,951
Financial liabilities at amortised cost	—	—	(1,246)	(1,246)
Financial liabilities at fair value through profit or loss	—	—	186	186
Total	141,087	—	(196)	140,891

2022

Financial asset at amortised cost	117,123	—	21,099	138,222
Financial liabilities at amortised cost	—	—	(479)	(479)
Financial liabilities at fair value through profit or loss	—	—	(735)	(735)
Total	117,123	—	19,885	137,008

31. 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 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.

32. 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 2023

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)*

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

Amendments to MFRS 112 Income Taxes International Tax Reform - Pillar Two Model Rules

On 2 June 2023, the MASB has also issued the Amendments to MFRS 112 *Income Taxes International Tax Reform - Pillar Two Model Rules*. This pronouncement is effective from annual period beginning on or after 1 January 2023. On 29 December 2023, Pillar Two legislation has been enacted in Malaysia, which will come into effect on 1 January 2025.

The Amendments to MFRS 112 introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the PETRONAS Group. Based on the initial assessment carried out as at 31 December 2023, the Pillar Two effective tax rates in which the Group operates are above 15%. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

33. PRONOUNCEMENTS YET IN EFFECT

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

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 *Leases (Lease Liability in a Sale and Leaseback)*

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

Amendments to MFRS 101 *Presentation of Financial Statements (Non-current Liabilities with Covenants)*

Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures (Supplier Finance Arrangements)*

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Effective for a date yet to be confirmed

Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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

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

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*

Amendment to MFRS 17 *Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*

35. HOLDING AND ULTIMATE HOLDING COMPANY

The holding company as well as the ultimate holding company is PETRONAS, a company incorporated in Malaysia.



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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 2023 of the Group and of the Company, and the statements of profit or loss, statements of 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 material accounting policies, as set out on pages 10 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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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 the 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 – Material 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 project-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 RM991 million and RM945 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 will not express any form of assurance conclusion thereon.

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 statements 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 accounting 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, IFRS Accounting 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.

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 or the Company to cease to continue as a going concern.



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

- 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.

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 auditors' 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: 03232/02/2026 J
Chartered Accountant

Petaling Jaya

Date: 27 February 2024