



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

for the Second Quarter ended 30 June 2016

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016



Key Financial Highlights	6 months ended	
	2016	30 June 2015
<i>In RM'000</i>		
Revenue	2,249,538	2,184,960
Profit before taxation	1,076,482	1,098,391
Profit for the period	850,713	1,267,738
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,514,164	1,509,902
Earnings per share (EPS) (sen)	43.00	64.08
Declared dividends per share (sen)	31.00	29.00

- **PETRONAS Gas Berhad Group's revenue for the six months period ended 30 June 2016 sustained at RM2.2 billion, an increase of 3.0%** compared to corresponding period primarily driven by higher utilities revenue, as a result of higher average sales prices to customers in line with upward fuel gas price revision effective 1 January 2016, Performance Based Structure income and regasification revenue.
- **Profit before taxation (PBT) stood firm at RM1.1 billion, a marginal decrease of 2.0%** compared to corresponding period due to higher operating costs.
- **Profit for the period declined by 32.9% or RM417.0 million**, primarily due to lower tax expenses in the corresponding period due to recognition of deferred tax asset (DTA) arising from investment tax allowance (ITA) granted for Plant Rejuvenation and Revamp (PRR) project. Excluding impact of DTA and unrealised foreign exchange (forex), profit for the period decreased by RM80.1 million or 8.6% in line with higher operating costs.
- **Earnings before interest, taxes, depreciation and amortisation were higher by 0.3%.**
- **Earnings per share dropped by 21.08 sen**, in tandem with lower net profit attributable to ordinary shareholders of the Company. Excluding impact of DTA and forex, EPS decreased by 4.05 sen or 8.6%.
- **The Board of Directors has approved** a second interim dividend of 14 sen per ordinary share amounting to RM277.0 million in respect of the financial year ending 31 December 2016.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016



The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group for the second quarter ended 30 June 2016 which should be read in conjunction with the Explanatory Notes on pages 5 to 17.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2016	As at 31 December 2015
<i>In RM'000</i>		
ASSETS		
Property, plant and equipment	11,625,014	11,323,848
Prepaid lease payment	4,195	4,518
Investment in associate	128,448	128,063
Investment in joint ventures	562,220	547,647
Deferred tax assets	433,734	456,360
TOTAL NON-CURRENT ASSETS	12,753,611	12,460,436
Trade and other inventories	66,872	46,367
Trade and other receivables	598,350	644,389
Cash and cash equivalents	1,356,473	1,230,815
Tax recoverable	11,954	-
TOTAL CURRENT ASSETS	2,033,649	1,921,571
TOTAL ASSETS	14,787,260	14,382,007
EQUITY		
Share capital	1,978,732	1,978,732
Reserves	9,736,624	9,460,067
Total equity attributable to the shareholders of the Company	11,715,356	11,438,799
Non-controlling interests	160,683	156,137
TOTAL EQUITY	11,876,039	11,594,936
LIABILITIES		
Borrowings	1,331,384	1,029,596
Deferred tax liabilities	1,082,203	922,594
Deferred income	6,380	6,852
TOTAL NON-CURRENT LIABILITIES	2,419,967	1,959,042
Trade and other payables	463,300	796,539
Borrowings	27,954	28,664
Tax payable	-	2,826
TOTAL CURRENT LIABILITIES	491,254	828,029
TOTAL LIABILITIES	2,911,221	2,787,071
TOTAL EQUITY AND LIABILITIES	14,787,260	14,382,007
Net assets per share attributable to the shareholders of the Company (RM)	5.9206	5.7809

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	3 months ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
<i>In RM'000</i>				
Revenue	1,118,942	1,083,647	2,249,538	2,184,960
Cost of revenue	(637,773)	(527,761)	(1,188,781)	(1,033,466)
Gross profit	481,169	555,886	1,060,757	1,151,494
Administration expenses	(29,021)	(18,104)	(45,329)	(32,269)
Other expenses	(94)	(17,154)	(133)	(72,544)
Other income	50,760	24,339	79,458	66,732
Operating profit	502,814	544,967	1,094,753	1,113,413
Financing costs	(22,364)	(21,184)	(46,119)	(42,162)
Share of profit after tax of equity-accounted associate and joint ventures	17,313	3,316	27,848	27,140
Profit before taxation	497,763	527,099	1,076,482	1,098,391
Tax expense	(94,323)	290,667	(225,769)	169,347
PROFIT FOR THE PERIOD	403,440	817,766	850,713	1,267,738
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movement from exchange differences	11,478	11,101	(38,182)	25,065
Cash flow hedge	(20,832)	-	67,686	-
Share of cash flow hedge of an equity-accounted joint venture	1,658	3,363	(3,828)	10,677
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	395,744	832,230	876,389	1,303,480
Profit attributable to:				
Shareholders of the Company	403,754	818,046	850,923	1,267,983
Non-controlling interests	(314)	(280)	(210)	(245)
PROFIT FOR THE PERIOD	403,440	817,766	850,713	1,267,738
Total comprehensive income/(expenses) attributable to:				
Shareholders of the Company	391,901	831,529	889,963	1,296,762
Non-controlling interests	3,843	701	(13,574)	6,718
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	395,744	832,230	876,389	1,303,480
Basic and diluted earnings per ordinary share (sen)	20.40	41.34	43.00	64.08

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company							
	Non-Distributable				Distributable		Non-controlling interests	Total
	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained profits	Total		
Quarter ended 30 June 2015								
Balance at 1 January 2015	1,978,732	1,186,472	12,546	-	7,356,128	10,533,878	35,125	10,569,003
Net movement from exchange differences	-	-	-	18,102	-	18,102	6,963	25,065
Share of cash flow hedge of an equity-accounted joint venture	-	-	10,677	-	-	10,677	-	10,677
Profit for the period	-	-	-	-	1,267,983	1,267,983	(245)	1,267,738
Total comprehensive income for the period	-	-	10,677	18,102	1,267,983	1,296,762	6,718	1,303,480
Issuance of shares to non-controlling interest	-	-	-	-	-	-	37,352	37,352
Interim dividend declared and paid in respect of previous year	-	-	-	-	(296,810)	(296,810)	-	(296,810)
Interim dividend declared and paid in respect of the current year	-	-	-	-	(277,022)	(277,022)	-	(277,022)
Total transactions with shareholders of the Company	-	-	-	-	(573,832)	(573,832)	37,352	(536,480)
Balance at 30 June 2015	1,978,732	1,186,472	23,223	18,102	8,050,279	11,256,808	79,195	11,336,003
Quarter ended 30 June 2016								
Balance at 1 January 2016	1,978,732	1,186,472	41,485	36,371	8,195,739	11,438,799	156,137	11,594,936
Net movement from exchange differences	-	-	-	(24,818)	-	(24,818)	(13,364)	(38,182)
Cash flow hedge	-	-	67,686	-	-	67,686	-	67,686
Share of cash flow hedge of an equity-accounted joint venture	-	-	(3,828)	-	-	(3,828)	-	(3,828)
Profit for the period	-	-	-	-	850,923	850,923	(210)	850,713
Total comprehensive income for the period	-	-	63,858	(24,818)	850,923	889,963	(13,574)	876,389
Issuance of shares to non-controlling interest	-	-	-	-	-	-	18,120	18,120
Interim dividend declared and paid in respect of previous year	-	-	-	-	(336,384)	(336,384)	-	(336,384)
Interim dividend declared and paid in respect of the current year	-	-	-	-	(277,022)	(277,022)	-	(277,022)
Total transactions with shareholders of the Company	-	-	-	-	(613,406)	(613,406)	18,120	(595,286)
Balance at 30 June 2016	1,978,732	1,186,472	105,343	11,553	8,433,256	11,715,356	160,683	11,876,039

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended	
	2016	30 June 2015
<i>In RM'000</i>		
Cash receipts from customers	2,364,475	2,150,778
Cash paid to suppliers and employees	(1,069,597)	(800,895)
	1,294,878	1,349,883
Interest income from fund investments	28,219	11,832
Taxation paid	(58,314)	(79,588)
Net cash generated from operating activities	1,264,783	1,282,127
Dividend received from associate and joint venture	9,062	7,600
Purchase of property, plant and equipment	(876,017)	(365,003)
Proceeds from disposal of property, plant and equipment	236	368
Net cash used in investing activities	(866,719)	(357,035)
Dividends paid	(613,406)	(573,832)
Financing costs paid	(54,393)	(41,706)
Drawdown of term loan	283,770	-
Drawdown of loan from corporate shareholder of a subsidiary	108,911	-
Repayment of finance lease liabilities	(15,524)	(10,376)
Proceeds from shares issued to a non-controlling interest	18,120	37,352
Net cash used in financing activities	(272,522)	(588,562)
Net increase in cash and cash equivalents	125,542	336,530
Net foreign exchange difference	116	908
Cash and cash equivalents at beginning of the period	1,230,815	637,746
Cash and cash equivalents at end of the period	1,356,473	975,184

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The interim financial statements have been prepared in accordance with the requirements of IAS 34, *Interim Financial Reporting* and MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries and the Group's interest in an associate and its joint ventures as at and for the quarter ended 30 June 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2016 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2015 except as described below.

As of 1 January 2016, the Group has adopted the following amendments to MFRSs which are effective for annual periods beginning on or after 1 January 2016.

- Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7 Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101 Presentation of Financial Statements: Disclosure Initiative*
- Amendments to MFRS 116 Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 119 Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127 Separate Financial Statements: Equity Method in Separate Financial Statements*
- Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2015.

4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the interim financial statements of the Group that may have a material effect for the quarter ended 30 June 2016.

5. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not significantly affected by seasonal or cyclical fluctuations of the business/industry.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

6. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

7. PROPERTY, PLANT AND EQUIPMENT

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

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 June 2016.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	6 months ended	
	2016	30 June 2015
Ordinary		
Interim paid:		
2014 - Third interim dividend of 15 sen per ordinary share	-	296,810
2015 - First interim dividend of 14 sen per ordinary share	-	277,022
2015 - Fourth interim dividend of 17 sen per ordinary share	336,384	-
2016 - First interim dividend of 14 sen per ordinary share	277,022	-
	613,406	573,832

The Board of Directors has approved on 9 August 2016, a second interim dividend of 14 sen per ordinary share amounting to RM277.0 million in respect of the financial year ending 31 December 2016. The interim dividend will be payable on 8 September 2016 to depositors registered in the record of depositors as at 26 August 2016.

The interim financial statements for the current quarter do not reflect this approved interim dividend. The dividend, will be accounted for in equity as an appropriation of retained profits in the financial statements for the third quarter ending 30 September 2016.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during quarter under review.

11. FAIR VALUE INFORMATION

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The fair value hierarchy in the valuation technique are as follows:

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

There were no transfers between Level 2 and 3 of the fair value valuation hierarchy during the financial period.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****11. FAIR VALUE INFORMATION (continued)**

<i>In RM'000</i>	Fair value of financial instruments carried at fair value Level 2	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amounts
30 June 2016				
Financial assets				
Derivative assets	-	-	-	-
Financial liabilities				
Finance lease liabilities	-	(975,051)	(975,051)	(975,051)
Term loan	-	(277,701)	(277,701)	(277,701)
Loan from corporate shareholder of subsidiary	-	(106,586)	(106,586)	(106,586)
	-	(1,359,338)	(1,359,338)	(1,359,338)
31 December 2015				
Financial assets				
Derivative assets	112	-	112	112
Financial liabilities				
Finance lease liabilities	-	(1,058,260)	(1,058,260)	(1,058,260)
Derivative liabilities	(998)	-	(998)	(998)
	(998)	(1,058,260)	(1,059,258)	(1,059,258)

12. SEGMENTAL INFORMATION

The Group has four reporting segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because it requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reporting segments:

- Gas Processing – activities include processing of natural gas from gas fields offshore the East Coast of Peninsular Malaysia into salesgas and other by-products such as ethane, propane and butane.
- Gas Transportation – activities include transportation of the processed gas to PETRONAS' end customers throughout Malaysia and export to Singapore.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area.
- Regasification – activities include regasification of liquefied natural gas (LNG) for PETRONAS.

Performance is measured based on segment gross profit, as included in the performance reports to the Board of Directors as the Company believes that such information is the most relevant in evaluating the results of the segments.

The Group operates in Malaysia and accordingly, information by geographical location is not presented.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****12. SEGMENTAL INFORMATION (continued)**

The segmental information in respect of the associate and joint ventures is not presented as the contribution of the associate and joint ventures and the carrying amount 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.

<i>In RM'000</i>	6 months ended				
	30 June 2016				
Business Segment	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	778,688	643,044	508,203	319,603	2,249,538
Segment results	358,463	486,314	81,885	134,095	1,060,757
Unallocated income					33,996
Operating profit					1,094,753
Financing costs					(46,119)
Share of profit after tax of equity-accounted associate and joint ventures					27,848
Profit before taxation					1,076,482

<i>In RM'000</i>	6 months ended				
	30 June 2015				
Business Segment	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	758,099	650,368	466,995	309,498	2,184,960
Segment results	403,311	521,423	77,616	149,144	1,151,494
Unallocated expenses					(38,081)
Operating profit					1,113,413
Financing costs					(42,162)
Share of profit after tax of equity-accounted associate and joint ventures					27,140
Profit before taxation					1,098,391

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income/(expenses) mainly comprises foreign exchange gain or loss, other corporate income and expenses.

13. SUBSEQUENT EVENTS

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

14. CONTINGENCIES

There were no material contingent liabilities and contingent assets since the last audited statement of financial position as at 31 December 2015.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****15. CAPITAL COMMITMENTS**

Outstanding commitments in respect of capital expenditure at the end of each reporting period not provided for in the interim financial statements are as follows:

<i>In RM'000</i>	As at 30 June 2016	As at 31 December 2015
Property, plant and equipment		
Approved and contracted for	2,316,753	3,028,692
Approved but not contracted for	1,654,043	1,813,904
	<u>3,970,796</u>	<u>4,842,596</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	284	-
Approved but not contracted for	350,150	9,221
	<u>350,434</u>	<u>9,221</u>
	<u>4,321,230</u>	<u>4,851,817</u>

16. RELATED PARTY TRANSACTIONS

There were no significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2015.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

17. REVIEW OF GROUP PERFORMANCE

(a) Current quarter against the corresponding quarter

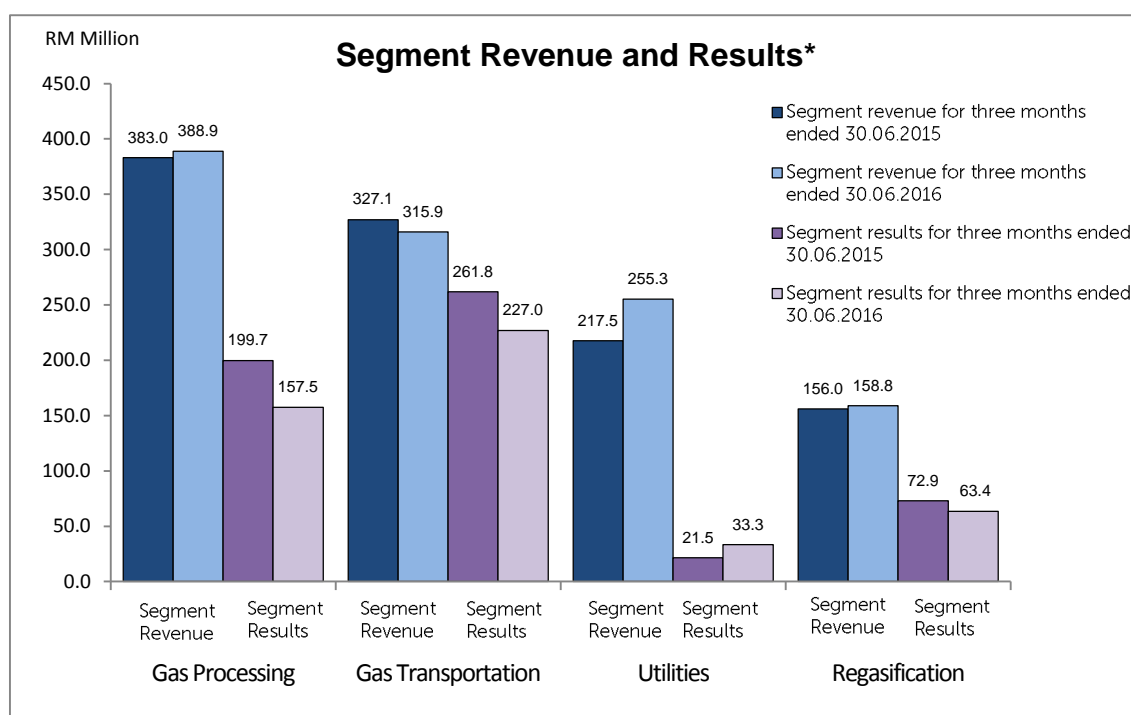
In RM'000	3 months ended	
	2016	30 June 2015
Revenue	1,118,942	1,083,647
Profit before taxation	497,763	527,099
Profit for the quarter	403,440	817,766

The Group's revenue for the quarter ended 30 June 2016 remained stable at RM1,118.9 million, an increase of RM35.3 million or 3.3% compared to the corresponding quarter primarily driven by higher utilities revenue, in line with higher offtake by customers and upward fuel gas price revision effective 1 January 2016 as well as higher Performance Based Structure (PBS) income and regasification revenue.

Profit before taxation was lower by RM29.3 million due to higher operating costs but partially offset by higher share of profit from joint ventures and other income.

Profit for the quarter declined by RM414.4 million mainly due to lower tax expenses in the corresponding quarter due to recognition of DTA arising from ITA granted for PRR project totalling RM407.4 million. Excluding the impact of DTA and forex, profit for the quarter decreased by RM23.9 million or 5.6%.

The following section will provide further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

17. REVIEW OF GROUP PERFORMANCE (continued)

(a) Current quarter against the corresponding quarter (continued)

Gas Processing

Revenue for the quarter ended 30 June 2016 improved by RM5.9 million as compared to the corresponding quarter mainly attributable to higher PBS income as a result of the plant's higher liquid extraction performance as compared to target.

However, Gas Processing segment results of RM157.5 million, was lower by RM42.2 million due to higher depreciation expense in line with completion of capital projects and higher repair and maintenance costs.

Gas Transportation

Gas Transportation segment registered revenue of RM315.9 million for the quarter, reflecting a decrease of RM11.2 million from RM327.1 million recorded in the corresponding quarter due to downwards revision of Gas Transportation Sabah tariff during the quarter.

Gas Transportation segment results for the quarter were decreased by RM34.8 million to RM227.0 million resulting from lower revenue and higher repair and maintenance costs to improve asset integrity.

Utilities

Utilities revenue for the quarter ended 30 June 2016 rose by RM37.8 million to RM255.3 million, primarily contributed by higher offtake by customers and higher average sales price in line with upward fuel gas price revision effective 1 January 2016.

Consequently, segment results of RM33.3 million, increased by RM11.8 million as compared to the corresponding quarter in line with higher revenue but partially negated by higher operating costs.

Regasification

Regasification revenue for the quarter ended 30 June 2016 was RM158.8 million, an increase of RM2.8 million as compared to the corresponding quarter due to higher storage fees attributed to the strengthening of USD against RM.

Regasification segment results for the quarter were lower by RM9.5 million resulting from higher repair and maintenance costs.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

17. REVIEW OF GROUP PERFORMANCE (continued)

(b) Current year to date period against the corresponding year to date period

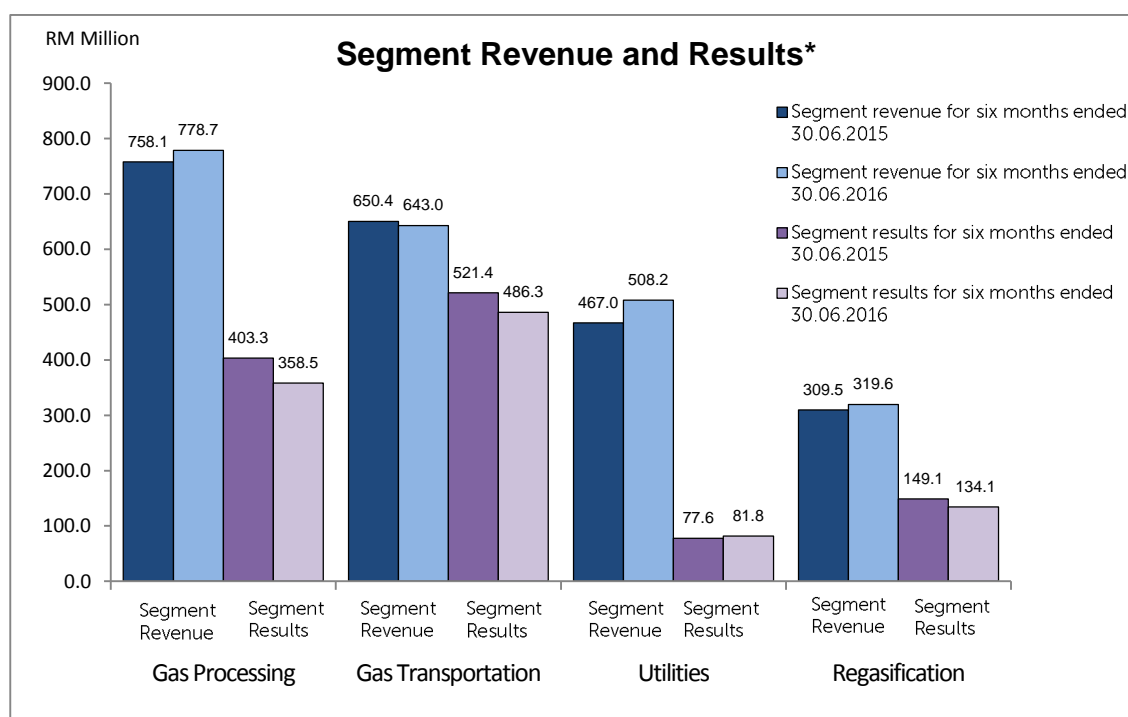
In RM'000	6 months ended	
	2016	2015
Revenue	2,249,538	2,184,960
Profit before taxation	1,076,482	1,098,391
Profit for the period	850,713	1,267,738

The Group's revenue for the six months period 30 June 2016 remained stable at RM2,249.5 million, an increase of RM64.5 million or 3.0% as compared to the corresponding period. This was primarily driven by higher utilities revenue, as a result of higher average sales prices to customers in line with upward fuel gas price revision effective 1 January 2016, PBS income and regasification revenue.

Profit before taxation decreased by RM21.9 million mainly due to higher operating costs as a result of higher repair and maintenance in line with the Group's continuous effort to ensure asset integrity, coupled with higher depreciation expenses.

Profit for the period declined by RM417.0 million primarily due to lower tax expenses in the corresponding period due to recognition of DTA arising from ITA granted for PRR project totalling RM407.4 million. Excluding impact of DTA and forex, profit for the period decreased by RM80.1 million or 8.6% in line with higher operating costs.

The following section will provide further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

17. REVIEW OF GROUP PERFORMANCE (continued)

(b) Current year to date period against the corresponding year to date period (continued)

Gas Processing

Revenue for the six month period ended 30 June 2016 improved by RM20.6 million as compared to the corresponding period mainly attributable to higher PBS income as a result of the plant's higher liquid extraction performance as compared to target.

Gas Processing segment results of RM358.5 million, were lower by RM44.8 million due to higher operating costs primarily contributed by depreciation expense in line with completion of capital projects, coupled with higher repair and maintenance.

Gas Transportation

Gas Transportation segment registered revenue of RM643.0 million for the period, reflecting a decrease of RM7.4 million from RM650.4 million recorded in the corresponding period due to downwards revision of Gas Transportation Sabah tariff during the period.

Gas Transportation segment results for the period were decreased by RM35.1 million to RM486.3 million resulting from lower revenue coupled with higher repair and maintenance costs.

Utilities

Utilities revenue for the six month period ended 30 June 2016 rose by RM41.2 million to RM508.2 million, primarily contributed by higher average sales price in line with upward fuel gas price revision effective 1 January 2016.

Utilities segment registered results of RM81.8 million, an increase of RM4.2 million as compared to the corresponding period in line with higher revenue but partially offset by higher operating costs.

Regasification

Regasification revenue for the six month period ended 30 June 2016 was RM319.6 million, an increase of RM10.1 million as compared to the corresponding quarter mainly due to higher storage fees attributed to the strengthening of USD against RM.

Despite higher revenue, regasification segment results for the period were lower by RM15.0 million as a result of higher repair and maintenance costs to improve asset integrity.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****18. COMPARISON WITH PRECEDING QUARTER RESULTS**

<i>In RM'000</i>	3 months ended	
	30 June 2016	31 March 2016
Revenue	1,118,942	1,130,593
Profit before taxation (PBT)	497,763	578,718
Profit for the quarter	403,440	447,272

The Group registered revenue for the quarter of RM1,118.9 million, lower by RM11.7 million as compared to the preceding quarter primarily due to lower Gas Transportation Sabah revenue as a result of downwards revision of transportation tariff during the quarter.

Profit before tax decreased by RM80.9 million primarily driven by higher operating costs. Accordingly, profit for the quarter was lower by RM43.9 million in line with lower PBT.

19. COMMENTARY ON PROSPECTS

Given the strong and stable income streams from existing Gas Processing Agreement, Gas Transportation Agreements and Regasification Service Agreement signed with PETRONAS, the Group performance is expected to remain steady in 2016, amidst the challenging economic environment.

The Utilities segment will continue to contribute positively to the Group's results.

20. PROFIT FORECAST

Not applicable as no profit forecast was published.

21. TAXATION

Taxation comprises the following:

<i>In RM'000</i>	3 months ended		6 months ended	
	2016	30 June 2015	2016	30 June 2015
Current tax expenses				
Malaysia				
- current period	22,260	(56,331)	43,534	67,549
Deferred tax expenses				
- origination and reversal of temporary differences	72,063	(234,336)	182,235	(236,896)
Total tax expenses	94,323	(290,667)	225,769	(169,347)

The effective tax rate (ETR) for the quarter and six month ended 30 June 2016 are lower than the statutory tax rate of 24% due to utilisation of tax incentive granted for Utilities segment. The ETR for corresponding quarter and period were lower than the statutory tax rate due to recognition of DTA on ITA granted for PRR project.

22. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced but not completed as at the date of this report.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****23. BORROWINGS**

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 30 June 2016	As at 31 December 2015
Non Current		
Finance lease liabilities	947,097	1,029,596
Term loan	277,701	-
Loan from corporate shareholder of a subsidiary	106,586	-
	1,331,384	1,029,596
Current		
Finance lease liabilities	27,954	28,664
	27,954	28,664
	1,359,338	1,058,260
<i>In RM'000</i>		
By Currency		
USD	1,359,338	1,058,260

Terms and debt repayment schedule:

<i>In RM'000</i>	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Secured					
Finance lease liabilities	975,051	27,954	30,616	110,840	805,641
Unsecured					
Term loan	277,701	-	-	277,701	-
Loan from corporate shareholder of a subsidiary	106,586	-	-	106,586	-
	1,359,338	27,954	30,616	495,127	805,641

Finance lease liabilities bears interest at rates of 9.13% (2015:9.13%) per annum. The unsecured term loan bears interest at rates ranging from 1.2% to 2.0% per annum and are due for full payment in 2021. Loan from corporate shareholder of a subsidiary bears interest at a rate of 6.5% per annum and repayable in tranches at their various due dates from 2018 to 2028.

24. MATERIAL LITIGATION

There has been no material litigation as at the date of this report.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****25. EARNINGS PER SHARE**

Basic earnings per share (EPS) is derived based on the net profit attributable to shareholders of the Company and the number of ordinary shares outstanding during the period.

	3 months ended		6 months ended	
	2016	30 June 2015	2016	30 June 2015
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	403,754	818,046	850,923	1,267,983
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	20.40	41.34	43.00	64.08

Diluted EPS is derived based on the profit attributable to shareholders of the Company after adjustment for the effect of all dilutive potential ordinary shares. As at the date of the statement of financial position, the Company has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

26. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

27. PROFIT FOR THE PERIOD

<i>In RM'000</i>	3 months ended		6 months ended	
	2016	30 June 2015	2016	30 June 2015
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	212,358	194,161	416,650	381,207
Property, plant and equipment written off	-	246	-	2,087
Loss on unrealised foreign exchange	2,127	16,907	-	70,457
and crediting:				
Dividend income in Malaysia from - associate (quoted)	9,062	-	9,062	7,600
Gain on realised foreign exchange	6,494	1,439	8,049	4,084
Gain on unrealised foreign exchange	-	-	2,828	-
Gain on disposal of property, plant and equipment	179	-	236	266
Interest income from fund investments	18,058	6,833	25,087	11,858

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

28. DIVIDENDS

As disclosed in Note 9.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****29. REALISED AND UNREALISED PROFITS**

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, is as follows:

<i>In RM'000</i>	As at 30 June 2016	As at 31 December 2015
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	8,597,660	8,494,324
- unrealised	(549,432)	(666,789)
	8,048,228	7,827,535
Total share of retained profits/(accumulated losses) from an associate:		
- realised	75,409	74,949
- unrealised	(23,427)	(23,351)
	51,982	51,598
Total share of retained profits from joint ventures:		
- realised	152,778	109,266
- unrealised	179,533	204,645
	332,311	313,911
Consolidation adjustments	735	2,695
Total retained profits	8,433,256	8,195,739

30. AUTHORISED FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 August 2016.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)

Yeap Kok Leong (MAICSA0862549)

Company Secretaries

Kuala Lumpur

9 August 2016