



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

for the First Quarter ended 31 March 2017

INTERIM FINANCIAL REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2017



| Key Financial Highlights | 3 months ended | |
|---|----------------|------------------|
| | 2017 | 31 March 2016 |
| <i>In RM'000</i> | | |
| Revenue | 1,169,148 | 1,130,593 |
| Profit before taxation | 577,047 | 578,718 |
| Profit for the period | 463,161 | 447,272 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 816,424 | 799,734 |
| Earnings per share (EPS) (sen) | 23.41 | 22.60 |
| Declared dividends per share (sen) | 15.00 | 14.00 |

- **PETRONAS Gas Berhad Group's revenue for the quarter ended 31 March 2017 sustained at RM1.2 billion, an increase of 3.4%** as compared to the corresponding quarter primarily driven by higher utilities revenue, as a result of higher offtake by customers as well as higher sales prices in line with upward fuel gas price revision and higher regasification revenue attributed to higher storage fees.
- **Profit before taxation (PBT) at RM577.0 million** was only marginally lower by RM1.7 million.
- **Profit for the quarter increased by 3.6% or RM15.9 million**, primarily attributed to lower tax expense as a result of higher utilisation of Utilities business tax incentive.
- **EBITDA was higher by 2.0%** in line with higher revenue.
- **EPS was higher by 0.81 sen**, in tandem with higher net profit attributable to shareholders of the Company.
- **The Board of Directors has approved** a first interim dividend of 15 sen per ordinary share amounting to RM296.8 million in respect of the financial year ending 31 December 2017.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017



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 first quarter ended 31 March 2017 which should be read in conjunction with the Explanatory Notes on pages 5 to 16.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 31 March 2017 | As at 31 December 2016 |
|--|---------------------------|------------------------------|
| <i>In RM'000</i> | | |
| ASSETS | | |
| Property, plant and equipment | 12,945,501 | 12,807,524 |
| Prepaid lease payment | 4,564 | 4,645 |
| Investment in associate | 139,298 | 130,162 |
| Investment in joint ventures | 624,609 | 605,990 |
| Deferred tax assets | 394,775 | 408,042 |
| Long term receivables | 47,179 | 47,905 |
| TOTAL NON-CURRENT ASSETS | 14,155,926 | 14,004,268 |
| Trade and other inventories | 66,431 | 68,468 |
| Trade and other receivables | 707,759 | 711,914 |
| Tax recoverable | - | 5,865 |
| Cash and cash equivalents | 1,948,398 | 1,763,117 |
| TOTAL CURRENT ASSETS | 2,722,588 | 2,549,364 |
| TOTAL ASSETS | 16,878,514 | 16,553,632 |
| EQUITY | | |
| Share capital | 3,165,204 | 1,978,732 |
| Reserves | 8,895,833 | 9,988,048 |
| Total equity attributable to the shareholders of the Company | 12,061,037 | 11,966,780 |
| Non-controlling interests | 195,733 | 194,469 |
| TOTAL EQUITY | 12,256,770 | 12,161,249 |
| LIABILITIES | | |
| Borrowings | 2,556,015 | 2,216,869 |
| Deferred tax liabilities | 1,131,061 | 1,131,032 |
| Deferred income | 5,671 | 5,907 |
| TOTAL NON-CURRENT LIABILITIES | 3,692,747 | 3,353,808 |
| Trade and other payables | 839,950 | 1,006,007 |
| Borrowings | 32,995 | 32,568 |
| Taxation | 56,052 | - |
| TOTAL CURRENT LIABILITIES | 928,997 | 1,038,575 |
| TOTAL LIABILITIES | 4,621,744 | 4,392,383 |
| TOTAL EQUITY AND LIABILITIES | 16,878,514 | 16,553,632 |
| Net assets per share attributable to the shareholders of the Company (RM) | 6.0953 | 6.0477 |

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

| | 3 months ended | |
|---|----------------|------------------|
| | 2017 | 31 March 2016 |
| <i>In RM'000</i> | | |
| Revenue | 1,169,148 | 1,130,593 |
| Cost of revenue | (618,026) | (551,007) |
| Gross profit | 551,122 | 579,586 |
| Administration expenses | (22,544) | (16,308) |
| Other expenses | (631) | (39) |
| Other income | 44,928 | 28,699 |
| Operating profit | 572,875 | 591,938 |
| Financing costs | (26,316) | (23,755) |
| Share of profit after tax of equity-accounted associate and joint ventures | 30,488 | 10,535 |
| Profit before taxation | 577,047 | 578,718 |
| Tax expense | (113,886) | (131,446) |
| PROFIT FOR THE PERIOD | 463,161 | 447,272 |
| Other comprehensive income/(expenses) | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Net movement from exchange differences | (9,201) | (49,660) |
| Cash flow hedge | 15,696 | 88,517 |
| Share of cash flow hedge of an equity-accounted joint venture | (2,735) | (5,485) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 466,921 | 480,644 |
| Profit/ (loss) attributable to: | | |
| Shareholders of the Company | 463,235 | 447,168 |
| Non-controlling interests | (74) | 104 |
| PROFIT FOR THE PERIOD | 463,161 | 447,272 |
| Total comprehensive income/(expenses) attributable to: | | |
| Shareholders of the Company | 470,216 | 497,921 |
| Non-controlling interests | (3,295) | (17,277) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 466,921 | 480,644 |
| Basic and diluted earnings per ordinary share (sen) | 23.41 | 22.60 |

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| In RM'000 | Attributable to shareholders of the Company | | | | | | | Non-controlling interests | Total |
|--|---|--------------------|-----------------|--------------------------------------|------------------|-------------------|----------------|---------------------------|-------|
| | Non-Distributable | | | | Distributable | | | | |
| | Share capital | Share premium | Hedging reserve | Foreign currency translation reserve | Retained profits | Total | | | |
| Quarter ended 31 March 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 | - | - | - | (32,279) | - | (32,279) | (17,381) | (49,660) | |
| Cash flow hedge | - | - | 88,517 | - | - | 88,517 | - | 88,517 | |
| Share of cash flow hedge of an equity-accounted joint venture | - | - | (5,485) | - | - | (5,485) | - | (5,485) | |
| Profit for the period | - | - | - | - | 447,168 | 447,168 | 104 | 447,272 | |
| Total comprehensive income for the period | - | - | 83,032 | (32,279) | 447,168 | 497,921 | (17,277) | 480,644 | |
| Issuance of shares to non-controlling interest | - | - | - | - | - | - | 12,591 | 12,591 | |
| Interim dividend declared and paid in respect of previous year | - | - | - | - | (336,384) | (336,384) | - | (336,384) | |
| Total transactions with shareholders of the Company | - | - | - | - | (336,384) | (336,384) | 12,591 | (323,793) | |
| Balance at 31 March 2016 | 1,978,732 | 1,186,472 | 124,517 | 4,092 | 8,306,523 | 11,600,336 | 151,451 | 11,751,787 | |
| Quarter ended 31 March 2017 | | | | | | | | | |
| Balance at 1 January 2017 | 1,978,732 | 1,186,472 | (2,331) | 56,354 | 8,747,553 | 11,966,780 | 194,469 | 12,161,249 | |
| Net movement from exchange differences | - | - | - | (5,980) | - | (5,980) | (3,221) | (9,201) | |
| Cash flow hedge | - | - | 15,696 | - | - | 15,696 | - | 15,696 | |
| Share of cash flow hedge of an equity-accounted joint venture | - | - | (2,735) | - | - | (2,735) | - | (2,735) | |
| Profit for the period | - | - | - | - | 463,235 | 463,235 | (74) | 463,161 | |
| Total comprehensive income for the period | - | - | 12,961 | (5,980) | 463,235 | 470,216 | (3,295) | 466,921 | |
| Transfer of share premium (Note a) | 1,186,472 | (1,186,472) | - | - | - | - | - | - | |
| Issuance of shares to non-controlling interest | - | - | - | - | - | - | 4,559 | 4,559 | |
| Interim dividend declared and paid in respect of previous year | - | - | - | - | (375,959) | (375,959) | - | (375,959) | |
| Total transactions with shareholders of the Company | 1,186,472 | (1,186,472) | - | - | (375,959) | (375,959) | 4,559 | (371,400) | |
| Balance at 31 March 2017 | 3,165,204 | - | 10,630 | 50,374 | 8,834,829 | 12,061,037 | 195,733 | 12,256,770 | |

Note a: Pursuant to section 74 of the Companies Act, 2016 ('the Act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There are no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account which are now part of share capital.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | 3 months ended | |
|---|-----------------------|--------------------------|
| | 2017 | 31 March 2016 |
| <i>In RM'000</i> | | |
| Cash receipts from customers | 1,235,006 | 1,202,749 |
| Cash paid to suppliers and employees | (598,609) | (597,456) |
| | 636,397 | 605,293 |
| Interest income from fund investments | 15,275 | 7,396 |
| Taxation paid | (38,673) | (25,153) |
| Net cash generated from operating activities | 612,999 | 587,536 |
| Purchase of property, plant and equipment | (395,449) | (356,683) |
| Proceeds from disposal of property, plant and equipment | - | 57 |
| Net cash used in investing activities | (395,449) | (356,626) |
| Dividends paid | (375,959) | (336,384) |
| Financing costs paid | (31,897) | (31,753) |
| Drawdown of term loan | 273,724 | 121,574 |
| Drawdown of loan from corporate shareholder of a subsidiary | 105,323 | 48,307 |
| Repayment of finance lease liabilities | (7,932) | (6,639) |
| Proceeds from shares issued to a non-controlling interest | 4,559 | 12,591 |
| Net cash used in financing activities | (32,182) | (192,304) |
| Net increase in cash and cash equivalents | 185,368 | 38,606 |
| Net foreign exchange difference | (87) | (1,079) |
| Cash and cash equivalents at beginning of the period | 1,763,117 | 1,230,815 |
| Cash and cash equivalents at end of the period | 1,948,398 | 1,268,342 |

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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 2016. 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 2016.

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 31 March 2017.

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 2017 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 2016 except as described below.

As of 1 January 2017, the Group has adopted the following amendments to MFRSs which are effective for annual periods beginning on or after 1 January 2017.

- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107 *Statement of Cash Flows: Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The initial application of the above mentioned amendments to MFRSs do 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 2016.

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 31 March 2017.

5. SEASONAL OR CYCLICAL FACTORS

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

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.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 March 2017.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

| <i>In RM'000</i> | 3 months ended | |
|---|-----------------------|-----------------|
| | 2017 | 31 March |
| | | 2016 |
| Ordinary | | |
| Interim paid: | | |
| 2015 - Fourth interim dividend of 17 sen per ordinary share | - | 336,384 |
| 2016 - Fourth interim dividend of 19 sen per ordinary share | 375,959 | - |
| | 375,959 | 336,384 |

The Board of Directors has approved on 15 May 2017, a first interim dividend of 15 sen per ordinary share amounting to RM296.8 million in respect of the financial year ending 31 December 2017. The interim dividend will be payable on 14 June 2017 to depositors registered in the record of depositors as at 30 May 2017.

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 second quarter ending 30 June 2017.

10. CHANGES IN THE COMPOSITION OF THE GROUP

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

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****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.

| <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 |
|--|--|--|---------------------|---------------------|
| 31 March 2017 | | | | |
| Financial assets | | | | |
| Long term receivables | - | 47,179 | 47,179 | 47,179 |
| Financial liabilities | | | | |
| Finance lease liabilities | - | (1,142,951) | (1,142,951) | (1,142,951) |
| Term loan | - | (1,057,906) | (1,057,906) | (1,057,906) |
| Loan from corporate shareholder of a subsidiary | - | (388,153) | (388,153) | (388,153) |
| Derivative liabilities | (24) | - | (24) | (24) |
| | (24) | (2,589,010) | (2,589,034) | (2,589,034) |
| 31 December 2016 | | | | |
| Financial assets | | | | |
| Long term receivables | - | 47,905 | 47,905 | 47,905 |
| Derivative assets | 15 | - | 15 | 15 |
| | 15 | 47,905 | 47,920 | 47,920 |
| Financial liabilities | | | | |
| Finance lease liabilities | - | (1,166,580) | (1,166,580) | (1,166,580) |
| Term loan | - | (795,602) | (795,602) | (795,602) |
| Loan from corporate shareholder of a subsidiary | - | (287,255) | (287,255) | (287,255) |
| | - | (2,249,437) | (2,249,437) | (2,249,437) |

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****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) into the Peninsular Gas Utilisation pipeline network.

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.

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 respectively.

| <i>In RM'000</i> | 3 months ended | | | | |
|--|-----------------------|---------------------------|------------------|-----------------------|--------------|
| | 31 March 2017 | | | | |
| Business Segment | Gas Processing | Gas Transportation | Utilities | Regasification | Total |
| Revenue | 389,699 | 323,694 | 291,482 | 164,273 | 1,169,148 |
| Segment results | 176,665 | 253,299 | 43,524 | 77,634 | 551,122 |
| Unallocated income | | | | | 21,753 |
| Operating profit | | | | | 572,875 |
| Financing costs | | | | | (26,316) |
| Share of profit after tax of equity-accounted associate and joint ventures | | | | | 30,488 |
| Profit before taxation | | | | | 577,047 |

| <i>In RM'000</i> | 3 months ended | | | | |
|--|-----------------------|---------------------------|------------------|-----------------------|--------------|
| | 31 March 2016 | | | | |
| Business Segment | Gas Processing | Gas Transportation | Utilities | Regasification | Total |
| Revenue | 389,781 | 327,127 | 252,885 | 160,800 | 1,130,593 |
| Segment results | 200,927 | 259,368 | 48,635 | 70,656 | 579,586 |
| Unallocated income | | | | | 12,352 |
| Operating profit | | | | | 591,938 |
| Financing costs | | | | | (23,755) |
| Share of profit after tax of equity-accounted associate and joint ventures | | | | | 10,535 |
| Profit before taxation | | | | | 578,718 |

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

12. SEGMENTAL INFORMATION (continued)

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 and other corporate income and expenses.

13. SUBSEQUENT EVENTS

Kimanis Power Sdn Bhd (KPSB), a 60% joint venture company of the Group, had issued a Notice of Arbitration on 24 March 2017 to Sabah Electricity Sdn Bhd (SESB) in connection to its disputes on Power Purchase Agreement entered into between the parties. The claim by KPSB is estimated at RM82,851,000.

Subsequent to the issuance of the Notice of Arbitration, SESB had replied on a possible counter claim amounting to approximately RM124,080,000. No provision has been made on the above contingencies in the financial statements up to the reporting date.

14. CONTINGENCIES

There were no material contingent liabilities and contingent assets since the last audited statement of financial position as at 31 December 2016.

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 31 March 2017 | As at 31 December 2016 |
|--|------------------------------------|---------------------------------------|
| Property, plant and equipment | | |
| Approved and contracted for | 1,310,685 | 1,467,297 |
| Approved but not contracted for | 2,276,196 | 2,542,181 |
| | 3,586,881 | 4,009,478 |
| Share of capital expenditure of joint ventures | | |
| Approved and contracted for | 250,901 | 261,917 |
| Approved but not contracted for | 54,209 | 55,089 |
| | 305,110 | 317,006 |
| | 3,891,991 | 4,326,484 |

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 2016.

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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

Current quarter against the corresponding quarter

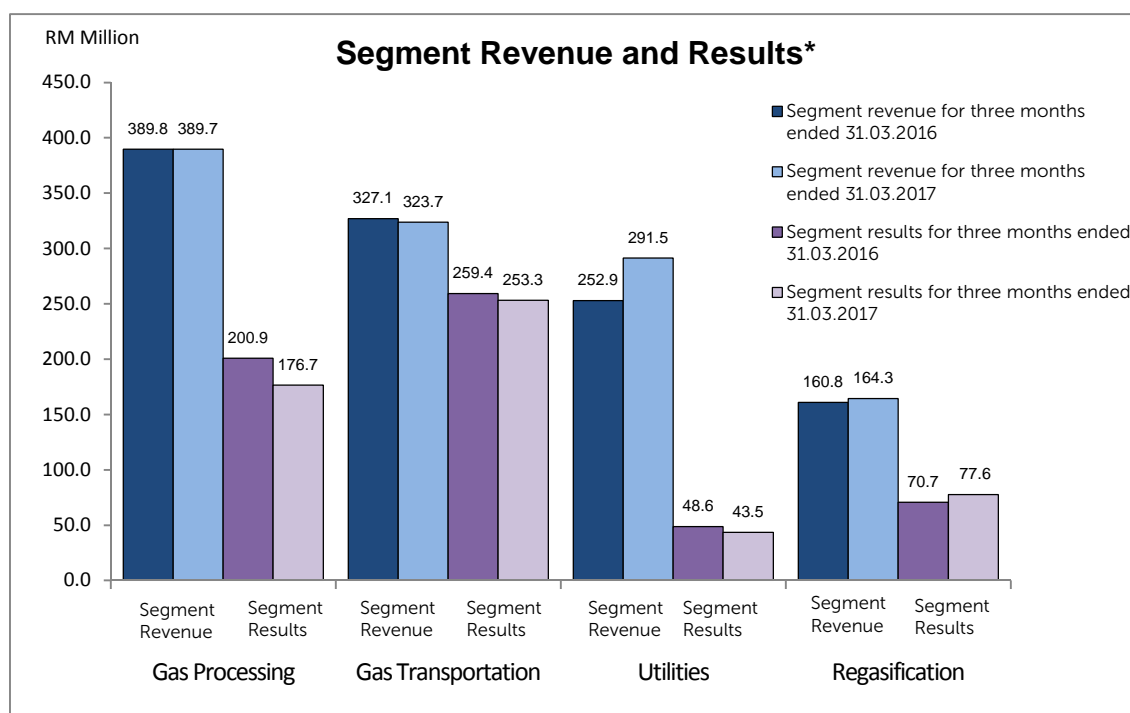
| In RM'000 | 3 months ended | |
|------------------------|----------------|---------------|
| | 2017 | 31 March 2016 |
| Revenue | 1,169,148 | 1,130,593 |
| Profit before taxation | 577,047 | 578,718 |
| Profit for the quarter | 463,161 | 447,272 |

The Group's revenue for the quarter ended 31 March 2017 increased to RM1,169.2 million, higher by RM38.6 million or 3.4% as compared to the corresponding quarter. This was primarily contributed by higher utilities revenue in tandem with higher offtake by customers as well as higher sales prices in line with fuel gas price revision coupled with higher regasification revenue attributed to higher storage fees.

Profit before taxation (PBT) however was slightly lower by RM1.7 million mainly due to higher operating costs attributed to one-off staff costs adjustment and depreciation expense in line with completion of major capital projects. These were partially offset by higher share of profit from joint ventures and other income.

Profit for the quarter however increased by RM15.9 million primarily contributed by lower tax expense as a result of utilisation of Utilities business tax incentive.

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)

Current quarter against the corresponding quarter (continued)

Gas Processing

Revenue for the quarter ended 31 March 2017 of RM389.7 million was comparable against corresponding quarter.

Gas Processing segment profit of RM176.7 million however was lower by RM24.2 million mainly due to one-off staff costs adjustment as well as higher depreciation expense in line with completion of major projects post quarter 1, 2016.

Gas Transportation

Gas Transportation segment registered revenue of RM323.7 million, a slight decrease of RM3.4 million mainly due to lower number of calendar days as compared to corresponding quarter.

Gas Transportation segment profit was slightly lower by RM6.1 million due to one-off staff costs adjustment as well as higher property taxes incurred at various locations due to revision of tariff.

Utilities

Utilities revenue for the quarter ended 31 March 2017 rose by RM38.6 million to RM291.5 million, primarily contributed by higher offtake by customers and higher average sales price of steam and industrial gases in line with upward fuel gas price revision effective 1 July 2016 and 1 January 2017 respectively.

Utilities segment profit for the quarter however decreased by RM5.1 million as compared to the corresponding quarter mainly due to one-off staff costs adjustment and higher depreciation expense.

Regasification

Regasification revenue for the quarter ended 31 March 2017 was RM164.3 million, increased by RM3.5 million as compared to the corresponding quarter attributed to higher storage fees following weakening of RM against USD.

Regasification segment profit for the quarter was higher by RM6.9 million in line with higher revenue and lower operating costs.

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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 | |
|------------------------------|------------------|---------------------|
| | 31 March 2017 | 31 December 2016 |
| Revenue | 1,169,148 | 1,153,943 |
| Profit before taxation (PBT) | 577,047 | 483,787 |
| Profit for the quarter | 463,161 | 463,265 |

The Group registered revenue for the quarter of RM1,169.2 million, higher by RM15.3 million as compared to the preceding quarter. This was primarily contributed by higher regasification revenue due to a pass through revision of FSU OPEX charter hire to customer in the preceding quarter, higher utilities revenue in line with higher offtake by customers and higher gas processing revenue contributed by higher performance based structure (PBS) income.

Profit before taxation surged by RM93.3 million, mainly contributed by lower operating costs due to phasing of repair and maintenance activities coupled with higher share of profit from joint ventures.

Despite higher PBT, profit for the quarter of RM463.2 million was comparable against preceding quarter mainly due to adjustment of over provision of tax expense in prior years in the preceding quarter.

19. COMMENTARY ON PROSPECTS

The Group performance is expected to remain stable in 2017, amidst the challenging economic environment on the back of its strong and sustainable income streams from existing Gas Processing Agreement, Gas Transportation Agreements and Regasification Service Agreement signed with PETRONAS.

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

20. PROFIT FORECAST

Not applicable as no profit forecast was published.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****21. TAXATION**

Taxation comprises the following:

| <i>In RM'000</i> | 3 months ended 31 March | |
|---|------------------------------------|----------------|
| | 2017 | 2016 |
| Current tax expenses | | |
| Malaysia | | |
| - current period | 100,590 | 21,274 |
| Deferred tax expenses | | |
| - origination and reversal of temporary differences | 13,296 | 110,172 |
| | 113,886 | 131,446 |

The effective tax rate (ETR) for the current and corresponding quarter ended 31 March was lower than the statutory tax rate of 24% due to utilisation of tax incentive granted for Utilities business.

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.

23. BORROWINGS

Particulars of Group's borrowings are as follows:

| <i>In RM'000</i> | As at 31 March 2017 | As at 31 December 2016 |
|---|------------------------------------|---------------------------------------|
| Non Current | | |
| Finance lease liabilities | 1,109,956 | 1,134,012 |
| Term loan | 1,057,906 | 795,602 |
| Loan from corporate shareholder of a subsidiary | 388,153 | 287,255 |
| | 2,556,015 | 2,216,869 |
| Current | | |
| Finance lease liabilities | 32,995 | 32,568 |
| | 2,589,010 | 2,249,437 |
| <i>In RM'000</i> | | |
| By Currency | | |
| USD | 2,589,010 | 2,249,437 |

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

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 | 1,142,951 | 32,995 | 39,071 | 141,336 | 929,549 |
| Unsecured | | | | | |
| Term loan | 1,057,906 | - | - | 1,057,906 | - |
| Loan from corporate shareholder of a subsidiary | 388,153 | - | 79,884 | 177,049 | 131,220 |
| | <u>2,589,010</u> | <u>32,995</u> | <u>118,955</u> | <u>1,376,291</u> | <u>1,060,769</u> |

Finance lease liabilities bears interest at rate of 9.1% (2016:9.1%) per annum. The unsecured term loan bears interest at rates ranging from 1.7% to 1.9% (2016: 1.2% to 1.4%) 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.

Reconciliation of liabilities arising from financing activities:

| <i>In RM'000</i> | At 1.1.2017 | Cash flows | | Non-cash changes Foreign exchange movement | At 31.3.2017 |
|---|------------------------|-------------------|------------------|---|-------------------------|
| | | Drawdown | Repayment | | |
| Finance lease liabilities | 1,166,580 | - | (7,932) | (15,697) | 1,142,951 |
| Term Loan | 795,602 | 273,724 | - | (11,420) | 1,057,906 |
| Loan from corporate shareholder of a subsidiary | 287,255 | 105,323 | - | (4,425) | 388,153 |
| | <u>2,249,437</u> | <u>379,047</u> | <u>(7,932)</u> | <u>(31,542)</u> | <u>2,589,010</u> |

24. MATERIAL LITIGATION

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

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017

**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 | |
|---|-----------------------|--------------------------|
| | 2017 | 31 March 2016 |
| Net profit for the period attributable to ordinary shareholders of the Company (RM'000) | 463,235 | 447,168 |
| Number of ordinary shares in issue ('000) | 1,978,732 | 1,978,732 |
| EPS (sen) | 23.41 | 22.60 |

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 | |
|--|-----------------------|--------------------------|
| | 2017 | 31 March 2016 |
| Profit for the period is arrived at after charging: | | |
| Depreciation of property, plant and equipment | 228,336 | 204,292 |
| Property, plant and equipment written off | - | 39 |
| Loss on realised foreign exchange | 200 | - |
| and crediting: | | |
| Gain on realised foreign exchange | - | 1,556 |
| Gain on unrealised foreign exchange | 3,014 | 4,955 |
| Gain on disposal of property, plant and equipment | - | 57 |
| Interest income from fund investments | 15,275 | 7,031 |

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.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017

**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 31 March 2017 | As at 31 December 2016 |
|--|---------------------------|------------------------------|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries: | | |
| - realised | 9,159,382 | 9,064,518 |
| - unrealised | (735,522) | (706,298) |
| | 8,423,860 | 8,358,220 |
| Total share of retained profits/(accumulated losses) from an associate: | | |
| - realised | 82,456 | 76,584 |
| - unrealised | (19,624) | (22,887) |
| | 62,832 | 53,697 |
| Total share of retained profits from joint ventures: | | |
| - realised | 182,911 | 158,812 |
| - unrealised | 186,303 | 184,962 |
| | 369,214 | 343,774 |
| Consolidation adjustments | (21,078) | (8,138) |
| Total retained profits | 8,834,828 | 8,747,553 |

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 15 May 2017.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)
 Yeap Kok Leong (MAICSA0862549)
 Company Secretaries
 Kuala Lumpur
 15 May 2017