



A Member of  MMC Group

GAS MALAYSIA BERHAD (240409-T)

Embracing
CH₄ ANGE

GAS MALAYSIA BERHAD (240409-T)
A Member of MMC Group

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Seksyen 26, Peti Surat 7901
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ANNUAL REPORT 2016

ANNUAL REPORT 2016



EMBRACING CHANGE

Gas Malaysia has taken steps to ensure that we are ready for change and to adapt our business to face the challenges and opportunities in the natural gas industry. The chemical formula typography on the cover design symbolises our strategy for sustainable growth, with business plans aimed at taking natural gas beyond the regulated sphere of the distribution business. By diversifying its use into a more commercially driven ventures, we create new demand for natural gas. Coupled with our most important asset – our people – we are preparing ourselves to embrace the landmark and structural changes being brought about by the industry liberalisation.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting of Gas Malaysia Berhad (“the Company”) will be held at the Mahkota II, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Tuesday, 9 May 2017 at 3.00 p.m. or any adjournment thereof, for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon. **(Refer Explanatory Note A)**
2. To declare a single-tier final dividend of 4.86 sen per ordinary share in respect of the financial year ended 31 December 2016. **(Refer Explanatory Note B)** **(Ordinary Resolution 1)**
3. To re-elect the following Directors who retire by rotation in accordance with Article 95(2) of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:-
 - i) Dato’ Sri Che Khalib bin Mohamad Noh **(Ordinary Resolution 2)**
 - ii) Encik Shigeru Muraki **(Ordinary Resolution 3)**
 - iii) Encik Yusa’ bin Hassan **(Ordinary Resolution 4)**
4. To approve the payment of Directors’ fees amounting to RM885,000.00 in respect of the financial year ended 31 December 2016. **(Refer Explanatory Note C)** **(Ordinary Resolution 5)**
5. To approve the payment of Directors’ fees and any benefits payable to the Directors from 1 January 2017 to the next Annual General Meeting (“AGM”) of the Company of an amount up to RM2,210,000.00. **(Refer Explanatory Note C)** **(Ordinary Resolution 6)**
6. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix the Auditors’ remuneration. **(Ordinary Resolution 7)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution:

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE AND PROPOSED NEW SHAREHOLDERS’ MANDATE FOR THE COMPANY AND/OR ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES** **(Ordinary Resolution 8)**

“That subject to the provisions of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties, as set out in Section 2.4 of the Circular to Shareholders dated 14 April 2017, which are necessary for the day-to-day operations; and are undertaken in the ordinary course of business of the Company and its subsidiaries, on arm’s length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

- i) the conclusion of the next AGM of the Company following this AGM at which the Proposed Shareholders’ Mandate is passed, at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;
- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (the “Act”) (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier.

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to such transactions as authorised by this Ordinary Resolution.” **(Refer Explanatory Note D)**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a single-tier final dividend of 4.86 sen per ordinary share in respect of the financial year ended 31 December 2016, if approved by the shareholders at the Annual General Meeting, will be paid on 16 June 2017 to the shareholders whose name appear in the Record of Depositors of the Company at the close of business on 26 May 2017.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 26 May 2017 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Yanti Irwani binti Abu Hassan (MACS 01349)
Noor Raniz bin Mat Nor (MAICSA 7061903)
Company Secretaries

Shah Alam, Selangor Darul Ehsan
14 April 2017

NOTES:

1. In respect of deposited securities, only members whose names appear on the Record of Depositors on 2 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
2. A member of the Company shall be entitled to appoint another person as his/her proxy to attend, participate, speak and vote at the meeting in his stead. A proxy need not be a member of the Company.
3. A member shall not be entitled to appoint more than two proxies. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. Where there are two or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or signed by an officer or attorney so authorised.
6. The instrument appointing a proxy or corporate representative or the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia no later than Monday, 8 May 2017 at 3.00 p.m.

EXPLANATORY NOTES:

- A. The **Audited Financial Statements** are laid in accordance with Section 340(1) of the Companies Act 2016 ("Act") and does not require approval of shareholders. This item is meant for discussion only under the Agenda and hence, will not be put forward for voting.
- B. Pursuant to Section 131 of the Act, the distribution to the shareholders (**Final Dividend**) can only be made out of profits of the company available if the company is solvent.

The Directors of Gas Malaysia are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 16 June 2017 in accordance with the requirements under Section 132(2) and (3) of the Act.

- C. Section 230(1) of the Act provides amongst others, that the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 26th AGM on the Directors' remuneration in two separate resolutions as follows:
 - **Ordinary Resolution 5 on payment of Directors' fees** in respect of the preceding year 2016; and
 - **Ordinary Resolution 6 on payment of Directors' fees and any benefits payable to the Directors** in respect of period commencing 1 January 2017 to the next AGM of the Company tentatively to be held in May 2018.

In determining the estimated total amount of other benefits payable, the Board considered various factors including the number of scheduled and special meetings for the Board and Board Committees.

Payment of Directors' fees and any benefits payable will be made by the Company on a monthly basis or as and when incurred. The Board is of the view that it is just and equitable for the Directors' fees to be paid on monthly basis or as and when incurred, after the Directors have discharged their responsibilities and rendered their services to the Company.

- D. **Ordinary Resolution 8**

The Ordinary Resolution 8, if passed, will benefit the Company by facilitating the Company and its subsidiaries ("the Group") to enter into transactions with Related Parties specified in Section 2.4 of the Circular to Shareholders dated 14 April 2017 in the ordinary course of the Group's business on normal commercial terms, in a timely manner and will enable the Group to continue to carry out recurrent related party transactions necessary for the Group's day-to-day operations.

COMPANY'S PROFILE

Gas Malaysia operates and maintains **2,186 kilometres** of gas pipeline serving major industrial areas.



OUR VISION

TO BE AN INNOVATIVE
VALUE-ADDED ENERGY
SOLUTIONS PROVIDER

OUR MISSION

TO PROVIDE THE CLEANEST,
SAFEST, COST EFFECTIVE AND
RELIABLE ENERGY SOLUTIONS
TO THE NATION



Gas Malaysia Berhad (“Gas Malaysia” or “the Company” or “the Group”) was established on 16 May 1992 to sell, market and distribute natural gas as well as to construct, operate and maintain the Natural Gas Distribution System within Peninsular Malaysia. We are licensed under the Gas Supply (Amendment) Act 2016 (“GSA”) by Suruhanjaya Tenaga (“ST”), with the approval of the Minister, to supply and sell reticulated natural gas in Peninsular Malaysia. Successively, on 15 December 2000, we were granted the licence to supply and sell reticulated Liquefied Petroleum Gas (“LPG”). From there on, we expanded our business to include the supply of reticulated LPG to the commercial and residential sectors within Peninsular Malaysia.

Over the years, Gas Malaysia has progressed to providing industry leadership and meeting the

nation’s growing energy needs. At present, Gas Malaysia operates and maintains 2,186 kilometres of gas pipeline across Peninsular Malaysia, supplying natural gas to 819 industrial customers, 935 commercial customers and 12,339 residential customers; and supplying LPG to 1,325 commercial and 22,959 residential customers. In total, our customer base stands at 38,377.

The industrial customers represent a diverse range of industries that includes rubber, food, beverage and tobacco, non-metallic minerals, glass, fabricated and basic metals, chemicals, electric and electronics, paper, printing and publishing, textiles and retails.

Headquartered in Shah Alam, Gas Malaysia has three regional offices in Prai, Gebeng and Pasir Gudang, and eight branch offices in Kuala Lumpur, Shah Alam, Bangi, Putrajaya,

Senawang, Kluang, Sri Manjung and the latest addition in Ayer Keroh. This is testament to our continuous effort in providing service excellence to meet the growing needs and expectations of our varied customers.

In line with the vision to be an innovative energy solutions provider, we constantly aim to stay ahead in the gas industry through the course of its liberalisation. Gas industry liberalisation has paved the way for Gas Malaysia to enhance its commercial potential by diversifying into the non-regulated sphere of the gas distribution business. To date, via our joint-venture entities, we have made progress in three new ventures – Combined Heat and Power, Virtual Pipeline and Bio Compressed Natural Gas – all of which are aimed at expanding the customer base further and strengthening future growth for the Group.

CORPORATE MILESTONES

1992

30 MAR

Signed the Joint Venture Agreement between MMC-Shapadu (Holdings) Sdn Bhd, Tokyo Gas-Mitsui & Co. Holdings Sdn Bhd and Petroliam Nasional Berhad ("PETRONAS") ("JVA")

16 MAY

Incorporated as a private company

1997

18 AUG

Signed the Gas Supply Agreement between PETRONAS as the seller and Gas Malaysia as the buyer for the supply of gas

1998

1 SEP

Obtained the Gas Utility Licence

2003

1 FEB

Awarded the certificate for implementing Environmental Management System which complies with ISO 14001:1997 (upgraded to ISO 14001:2004)

1 JUNE

Achieved two million man hours without lost time injury

2007

28 FEB

Signed the Supplemental Agreement to the JVA entered into following the transfer of PETRONAS' legal and beneficial ownership of all of its 8,559 ordinary shares of RM1,000.00 each in Gas Malaysia to its subsidiary, PETRONAS Gas Berhad, save for the Special Share retained by PETRONAS

24 OCT

Awarded the certificate for implementing an Occupational Health and Safety Management System which complies with OHSAS 18001:1999 (upgraded to OHSAS 18001:2007)

2009

1 NOV

Signed the first Supplemental Agreement to the existing Gas Supply Agreement between PETRONAS as the seller and Gas Malaysia as the buyer for the increase of as supply from 150 MMscfd to 300 MMscfd

2010

12 JUL
Signed the second Supplemental Agreement to the existing Gas Supply Agreement between PETRONAS as the seller and Gas Malaysia as the buyer for the increase of gas supply from 300 MMscfd to 382 MMscfd

2011

19 AUG
Converted into a public company

2012

23 FEB
Signed the new Gas Supply Agreement with PETRONAS

11 JUNE
Listed on the Main Board of Bursa Malaysia Berhad

26 NOV
Signed the first Pipeline Construction and Operating Agreement with a developer, BSS Development Sdn Bhd, to supply natural gas to the designated zone for the Sendayan Tech Valley Project

2014

24 FEB
Signed the Joint Venture Agreement with Tokyo Gas Engineering Solutions Corporation and IEV Energy Sdn Bhd to set up Gas Malaysia Energy Advance Sdn Bhd and Gas Malaysia IEV Sdn Bhd ("GMIEV"), respectively

8 MAY
Awarded the certificate for implementing Information Security Management System by SIRIM which comply with ISO/IEC 27001:2005 and ISO/IEC 27001:2007

2015

25 AUG
Teamed up with Sime Darby Offshore Engineering Sdn Bhd to set up a joint venture company, Sime Darby Gas Malaysia BioCNG Sdn Bhd ("SDGMBioCNG")

7 DEC
Signed a Memorandum of Understanding with Sabah Energy Corporation to explore the opportunities in harnessing and distributing Bio Compressed Natural Gas ("BioCNG") in Sabah

2016

10 JUL
SDGMBioCNG started supplying BioCNG to its first customer

24 OCT
GMIEV delivered CNG supply to its first customer

SUPPLY AREAS

NORTHERN REGION

PERLIS

Arau
Chuping
Kangar

KEDAH

Kuala Ketil
Kulim
Mergong
Padang Terap
Simpang Ampat
Sungai Petani

PENANG

Bayan Lepas
Bukit Mertajam
Georgetown
Jelutong
Mak Mandin
Nibong Tebal
Prai
Sungai Dua
Tanjung Pinang

PERAK

Bercham
Ipoh
Kampar
Kamunting
Lumut
Parit Buntar
Seri Iskandar
Seri Manjung
Sitiawan
Taiping
Tambun
Teluk Intan
Tronoh

CENTRAL REGION

SELANGOR

Ampang
Balakong
Bandar Sultan
Sulaiman
Bangi
Batu Caves
Banting
Beranang
Bestari Jaya
Cyberjaya
Damansara
Dengkil
Ijok
Jeram
Kajang
Kelana Jaya
Klang
KLIA
Kundang
North Port
Pandamaran
Petaling Jaya
Puchong
Pulau Indah
Rawang
Salak Tinggi
Selayang
Semenyih
Sepang
Serdang
Seri Kembangan
Shah Alam
Sungai Buloh
Teluk Panglima
Garang

FEDERAL TERRITORY OF KUALA LUMPUR

FEDERAL TERRITORY OF PUTRAJAYA

SOUTHERN REGION

NEGERI SEMBILAN

Nilai
Senawang
Sendayan
Seremban
Seremban 2

MELAKA

Alor Gajah
Ayer Keroh
Bandar Melaka
Batu Berendam
Bachang
Bukit Rambai
Cheng
Lipat Kajang
Tangga Batu

JOHOR

Air Hitam
Gelang Patah
Johor Bahru
Kluang
Kulai
Larkin
Nusajaya
Pasir Gudang
Plentong
Senai
Tampoi
Tanjung
Langsat
Tebrau
Yong Peng

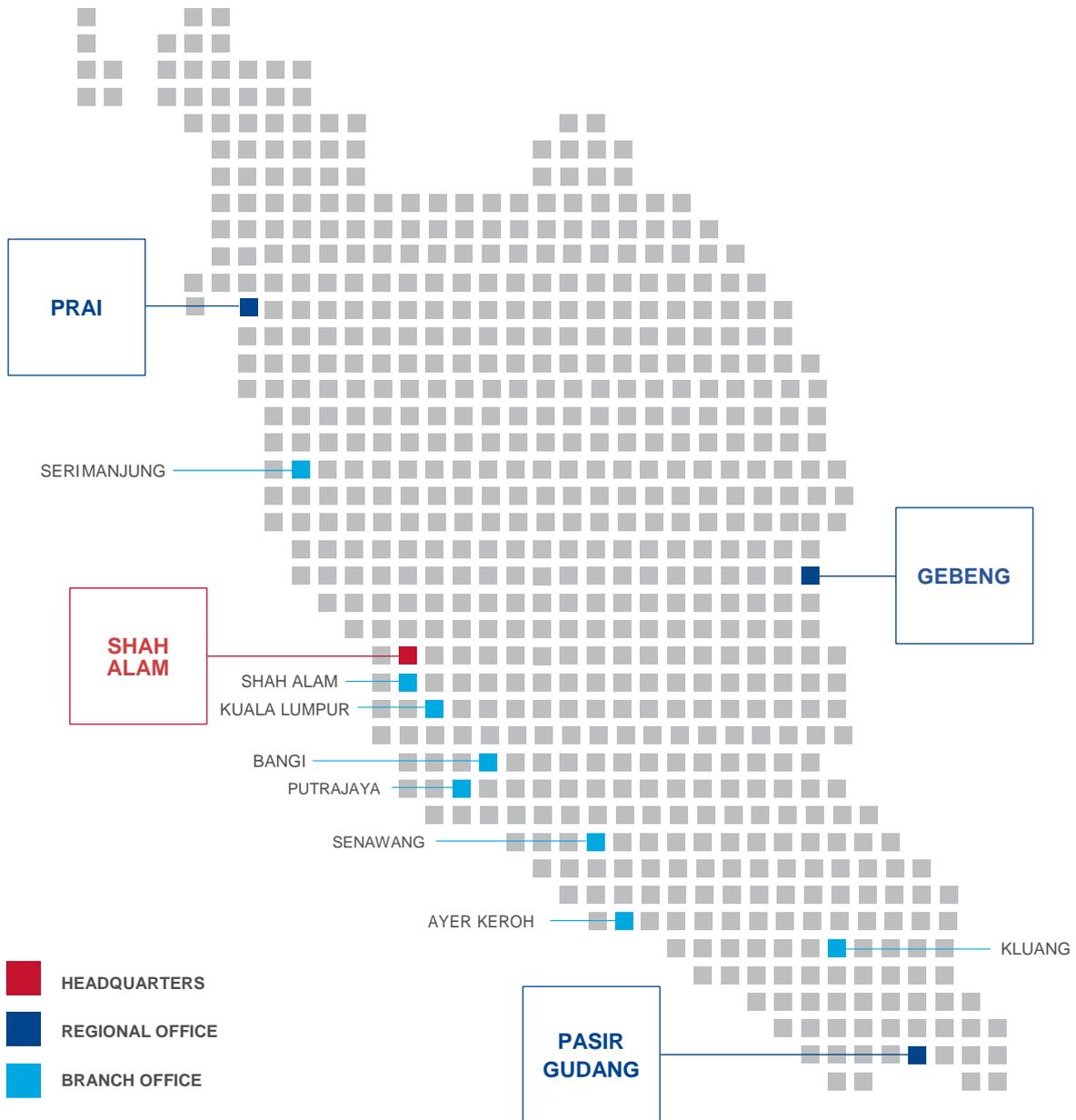
EASTERN REGION

PAHANG

Gambang
Gebeng
Kuantan
Kuantan Port

TERENGGANU

Kerteh
Teluk Kalong



CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK HAJI HASNI BIN HARUN

Chairman
Non-Independent
Non-Executive Director

DATO' SRI CHE KHALIB BIN MOHAMAD NOH

Non-Independent
Non-Executive Director

SHIGERU MURAKI

Non-Independent
Non-Executive Director

YUSA' BIN HASSAN

Non-Independent
Non-Executive Director

TAN LYE CHONG

Independent Non-Executive Director

DATUK PUTEH RUKIAH BINTI ABD. MAJID

Independent Non-Executive Director

DATUK SYED ABU BAKAR BIN S MOHSIN ALMOHDZAR

Independent Non-Executive Director

DATUK OOI TEIK HUAT

Independent Non-Executive Director

AIDA AZIZA BINTI MOHD JAMALUDIN

Alternate Director to Yusa' bin Hassan
Non-Independent
Non-Executive Director

HISASHI NAKAMURA

Alternate Director to Shigeru Muraki
Non-Independent
Non-Executive Director

SATOSHI HONJO

Alternate Director to Shigeru Muraki
Non-Independent
Non-Executive Director



AUDIT COMMITTEE

TAN LYE CHONG

Chairman

DATUK PUTEH RUKIAH BINTI ABD. MAJID

DATUK OOI TEIK HUAT

NOMINATION & REMUNERATION COMMITTEE

DATUK HAJI HASNI BIN HARUN

Chairman

DATUK PUTEH RUKIAH BINTI ABD. MAJID

DATUK SYED ABU BAKAR BIN S MOHSIN ALMOHDZAR



CHIEF EXECUTIVE OFFICER

**AHMAD HASHIMI BIN
ABDUL MANAP**

COMPANY SECRETARIES

YANTI IRWANI BINTI ABU HASSAN
(MACS 01349)

NOOR RANIZ BIN MAT NOR
(MAICSA 7061903)

INVESTOR RELATIONS

ZULKIFLI BIN MAWARDI
Email address:
investor@gasmalaysia.com

REGISTERED OFFICE & HEAD OFFICE

No. 5, Jalan Serendah 26/17
Seksyen 26
40732 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5192 3000
Fax : (603) 5192 6766/6749
Website address:
www.gasmalaysia.com
Email address:
enquiries@gasmalaysia.com

AUDITORS AND REPORTING ACCOUNTANTS

Messrs. PricewaterhouseCoopers
(Chartered Accountants)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : (603) 2173 1188
Fax : (603) 2173 1288

PRINCIPAL BANKERS

Malayan Banking Berhad
Seksyen 20, Shah Alam
No. 19 & 21, Jalan Singa 20/C
40000 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5032 0808

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market)
Listed since 11 June 2012
Stock Name : GASMSIA
Stock Code : 5209

RISK & COMPLIANCE COMMITTEE

SHIGERU MURAKI
Chairman

YUSA' BIN HASSAN

**DATUK SYED ABU BAKAR BIN
S MOHSIN ALMOHDZAR**

SHARE REGISTRAR & DIVIDEND SERVICE PROVIDER

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Helpdesk Tel : (603) 7849 0777
Fax : (603) 7841 8151/52

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2016

**ANNUAL
GENERAL
MEETING**

9 May 2017

**ENTITLEMENT
TO 2016
FINAL
DIVIDEND**

26 May 2017*

**PAYMENT
OF 2016 FINAL
DIVIDEND**

16 June 2017*

* These dates are subject to shareholders' approval on 9 May 2017

Announcement of results:

**1ST
QUARTER**

11 May 2016

**2ND
QUARTER**

11 August 2016

**3RD
QUARTER**

17 November 2016

**4TH
QUARTER**

15 February 2017

FINANCIAL SUMMARY

FINANCIAL YEAR ENDED 31 DECEMBER 2016

1

REVENUE

RM**4,053.0**
MILLION

2

3

PROFIT

BEFORE ZAKAT AND TAX

RM**212.8**
MILLION

TOTAL

ASSETS

RM**2,225.4**
MILLION

4

SHAREHOLDERS'

FUNDS

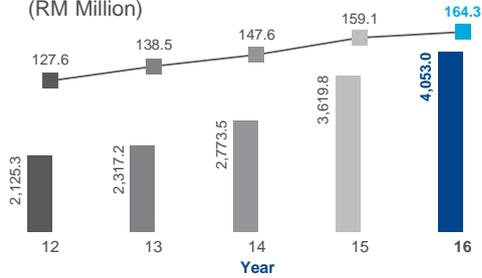
RM**1,020.2**
MILLION

FIVE-YEAR FINANCIAL SUMMARY

	2012	2013	2014	2015	2016
Sales Volume (MMBtu Million)	127.6	138.5	147.6	159.1	164.3
KEY OPERATING RESULTS (RM Million)					
Revenue	2,125.3	2,317.2	2,773.5	3,619.8	4,053.0
Profit before Zakat and Tax	214.1	220.9	213.1	143.6	212.8
Profit after Zakat and Tax	162.8	171.4	167.6	106.1	164.4
PROFIT AS % OF REVENUE					
Profit before Zakat and Tax ("PBZT")	10%	10%	8%	4%	5%
Profit after Zakat and Tax ("PAZT")	8%	7%	6%	3%	4%
KEY FINANCIAL POSITION DATA (RM Million)					
Total Assets	1,513.5	1,507.2	1,791.1	2,091.8	2,225.4
Shareholders' Funds	1,008.4	1,004.1	1,013.0	970.7	1,020.2
Total Liabilities	505.1	503.2	778.1	1,119.9	1,204.8
Paid-up Capital	642.0	642.0	642.0	642.0	642.0
KEY FINANCIAL RATIOS					
Revenue per Employee (RM Million)	5.839	6.019	6.899	8.026	8.773
PBZT per Employee (RM Million)	0.588	0.574	0.530	0.318	0.461
PAZT per Employee (RM Million)	0.447	0.445	0.417	0.235	0.356
Earnings per Share (RM)	0.13	0.13	0.13	0.08	0.13
Net Tangible Assets per Share (RM)	0.79	0.78	0.79	0.76	0.79
HUMAN RESOURCE					
Number of Employees	364	385	402	451	462

SALES VOLUME & REVENUE

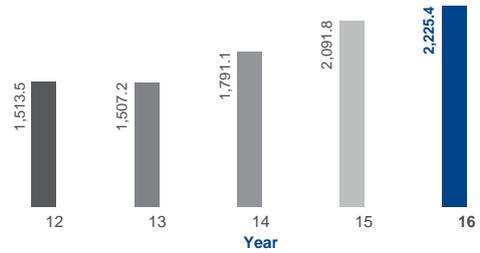
(MMBtu Million)
(RM Million)



■ Sales Volume ■ Revenue

TOTAL ASSETS

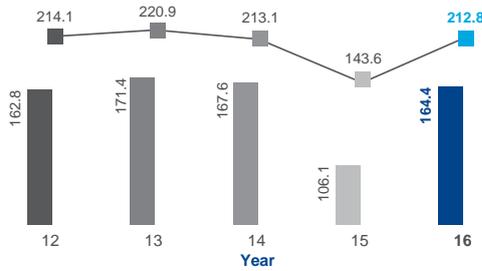
(RM Million)



■ Total Assets

PROFIT

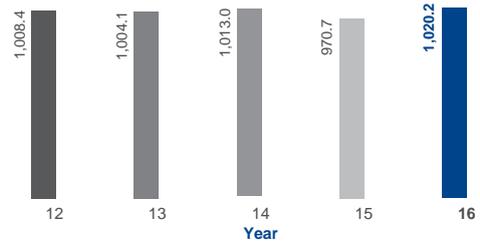
(RM Million)



■ Profit before Zakat and Tax ■ Profit after Zakat and Tax

SHAREHOLDERS' FUNDS

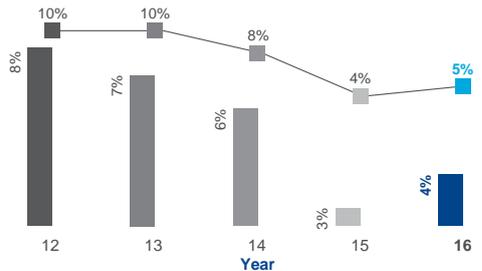
(RM Million)



■ Shareholders' Funds

PROFITS AS % OF REVENUE

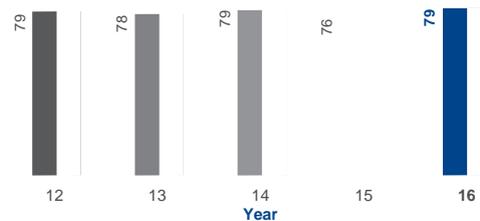
(RM Percentage %)



■ Profit before Zakat and Tax ■ Profit after Zakat and Tax

NET TANGIBLE ASSETS PER SHARE

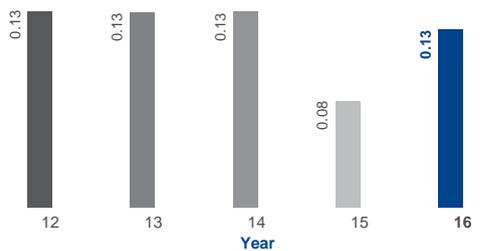
(Sen)



■ Net Tangible Assets Per Share

EARNINGS PER SHARE

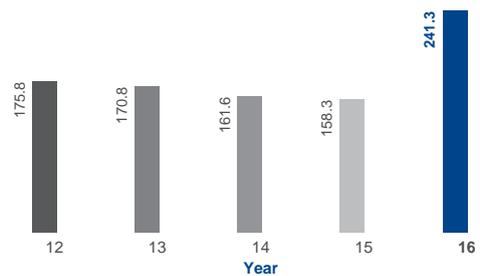
(RM)



■ Earnings Per Share

LONG TERM LIABILITIES

(RM Million)



■ Long Term Liabilities

INVESTOR RELATIONS

As a public listed company, Gas Malaysia is focused on delivering equitable shareholder return and creating value for our shareholders. On that account, Investor Relations (“IR”) plays a significant role in ensuring that shareholders, investors and other stakeholders are well informed of the business development in order to help them understand the underlying drivers of the Group’s performance.

RESULTS ANNOUNCEMENT

In accordance with guidelines under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), we issued timely announcements of the quarterly financial results to Bursa Malaysia.

Date	Event
11 May 2016	Quarterly report on consolidated results for the financial period ended 31 March 2016
11 August 2016	Quarterly report on consolidated results for the financial period ended 30 June 2016
17 November 2016	Quarterly report on consolidated results for the financial period ended 30 September 2016
15 February 2017	Quarterly report on consolidated results for the financial period ended 31 December 2016

INVESTOR ENGAGEMENT

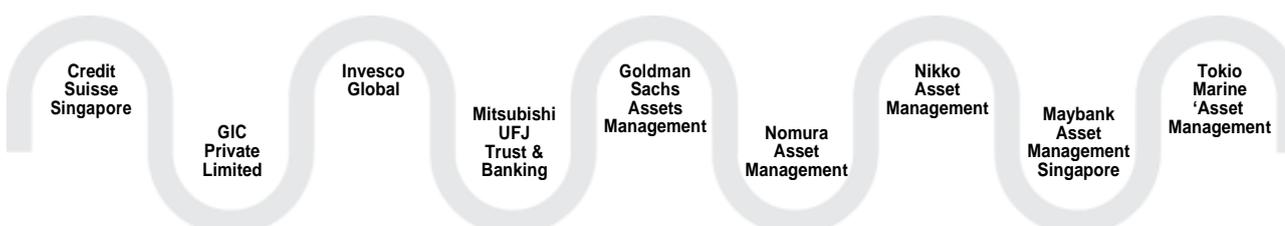
We value the importance of maintaining strong relationship with our investors. In the most practical way possible, we try to effectively communicate with the investing community and other stakeholders, disseminating timely, relevant and accurate information on the Group. Our engagement is aimed at guiding our investors to making informed decisions about Gas Malaysia

Our investor relations strategy, which is formulated at the beginning of each financial year, is designed to effectively and comprehensively plan our engagement activities.

ROADSHOW

In the interest of broadening the investor base and reaching out to more potential investors, we participated in a non-deal roadshow hosted by JP Morgan titled “Asia Rising Dragon 1x1 Forum” on the 22 November and 23 November 2016. The event was held in Singapore. Gas Malaysia was represented by the Chief Executive Officer, Director of Commercial, Chief Financial Officer, Deputy General Manager Regulatory Economics & Stakeholder Engagement and Senior Manager Corporate Affairs.

During the roadshow, many investors and fund managers had shown interest in the Company:



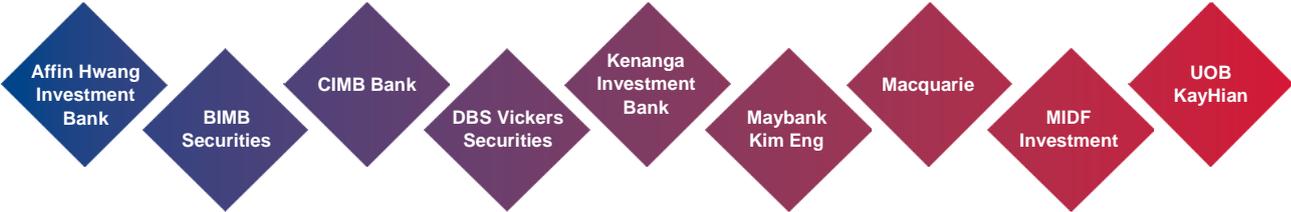
FOCUS ENGAGEMENT

Over the course of the year, we also maintained close relationships with the investment community in the form of one-on-one meetings and other communication channels with both fund managers and analyst. Some of them were:

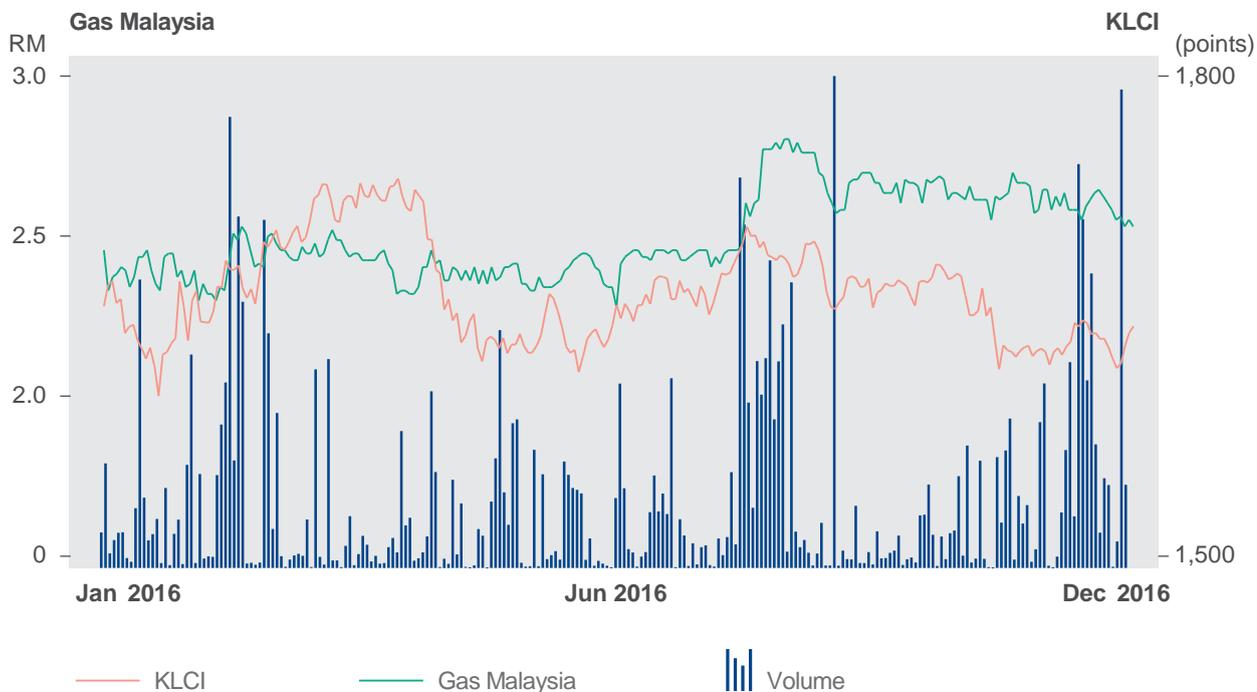
Fund Managers	Analysts
<ul style="list-style-type: none"> • Lembaga Tabung Haji • Permodalan Nasional • Employee Provident Fund • The Retirement Fund • Social Security Organisation • Allianz Insurance • Eastspring Investment • Pacific Mutual • Public Mutual • AmanahRaya Investment Management • Asian Islamic Investment • Great Eastern • CIMB Principal • AIA Group • Sumitomo Mitsui Trust • UBP Asset Management • Muamalat Invest • Asian Islamic Investment Management 	<ul style="list-style-type: none"> • AmResearch • CIMB Investment Bank • DBS Vickers Securities • Macquarie Research • CLSA Securities • JP Morgan • KAF Research • Maybank Kim Eng • MIDF Amanah Investment • HwangDBS – Vickers • Affin Hwang Investment Bank • BIMB Securities • Kenanga Investment • UOB Kay Hian • RHB Investment • Credit Suisse • Hong Leong Investment Bank Research

ANALYST COVERAGE

As at 31 December 2016, there were nine research houses that provided coverage on Gas Malaysia.



SHARE PRICE PERFORMANCE



Gas Malaysia share price

OPENED TRADING

RM2.28

on
4 Jan 2016

CLOSED THE YEAR

RM2.47

on
31 Dec 2016

LOW OF

RM2.23

on
28 Jun 2016

HIGH OF

RM2.73

on
25 Aug 2016

INVESTMENT INDICATORS



MARKET

CAPITALISATION

FY2016

RM3.17
BILLION

FY2015

RM3.08 BILLION



EARNINGS

PER SHARE

FY2016

12.86SEN

FY2015

8.27SEN



SHARE

PRICE

FY2016

RM2.47

FY2015

RM2.40



DIVIDEND

PER SHARE

FY2016

12.86SEN

FY2015

8.27SEN



TOTAL SHAREHOLDER RETURN

FY2016

8%

FY2015

-23%

Bright H2 outlook for Gas Malaysia

KUALA LUMPUR: Gas Malaysia Bhd earnings for the second half of this year look rosy as the incentive-based regulation (IBR) framework would continue to sustain the group's income, in addition to earnings growth from the non-regulated segment, said MIDF Research.

The research firm also said it expected the IBR framework to provide earnings clarity to Gas Malaysia as well as financial neutrality to the company with respect to any fluctuations in gas costs.

Gas Malaysia's second quarter and first half of 2016 financial results are within MIDF Research and consensus expectations.

In the second quarter, the company registered RM973.6 million in revenue compared with RM795 million in the same quarter last year.

The rise in revenue was mostly due to higher volume of gas sold and the upward revision of natural gas tariff.

Net profit also rose to RM38.97 million in the second quarter from RM33.7 million in same period a year ago.

For the first half of this year, Gas Malaysia reported higher revenue of RM1.93 billion compared with RM1.56 billion last year and higher

Gas Malaysia allocates RM140m for expansion

Capital expenditure includes extending pipeline network

BY AHMAD NAJIB IBRAHIM

KUALA LUMPUR: Gas Malaysia Bhd said it is allocating up to RM140 million for its expansion plans this year, which include growing its natural gas distribution system network in Peninsular Malaysia.

Gas Malaysia chief executive officer Ahmad Hashimi Abdul Manap said the group expects to build up to 100km of new pipelines across several states, including Perak and Johor, in 2016.

"We have allocated about RM130 million to RM140 million in capital expenditure, which will mainly be spent on the core business of building pipelines in Peninsular Malaysia. We expect to build between 80km and 100km of new pipelines this year," he said.

He noted that the group laid 74km of pipelines in 2015, bringing its pipeline length to 2,131km.

Meanwhile, he said Gas Malaysia's three new businesses — namely the

combined heat and power (CHP), virtual pipeline and bio-CNG (biogas compressed natural gas) businesses — which it embarked on two years ago, will commence contributions this year.

He said the CHP business, which is a 56:24 joint venture between Gas Malaysia and Tokyo Gas Engineering Solutions Corp, will be seeing its first plant in Perak, Penang, fully operational by the third quarter of 2016.

The virtual pipeline business is also expected to commence contributions in the third quarter, while the bio-CNG project, a joint venture with Sims Darby Offshore Engineering Sdn Bhd for the distribution of biogas, is expected to begin sometime in mid-2016.

"However, the contributions will not be very significant this year, as they are still in their early stages. But

in the next five years or so, these new businesses are expected to contribute about 20% to 30% of our bottom line," said Ahmad Hashimi.

In terms of earnings for the financial year ending Dec 31, 2016, he hopes to see better performance, in line with the growth in volume and its customer base.

On the margin compression faced by Gas Malaysia, Ahmad Hashimi said the group is in close consultation with the government to ensure it maintains a sustainable margin moving forward.

He spoke in the press yesterday after the conclusion of the group's 25th annual general meeting.

Gas Malaysia also announced yesterday that it recorded a net profit of RM31.30 million in the first quarter ended March 31, 2016 (1QFY16), an increase of 10.14% from RM28.49 million the year before (1QFY15),

mainly due to higher gross profits in line with the increase in its volume of gas sold.

Revenue rose 26.19% to RM961.04 million, from RM761.58 million, mainly due to higher volume of gas sold and the upward revision of natural gas tariff, Gas Malaysia said in its bourse filing.

"As we look to 2016, we remain cautiously optimistic. We have vigorously laid out the foundation for the three new businesses to strengthen the group's future growth."

"To this end, a five-year business plan has been formulated, with the aim to take natural gas beyond the ambit of regulated business and diversify its use by creating new demand on more commercially driven platforms," added Ahmad Hashimi.

Gas Malaysia closed down five pence to RM2.30 yesterday, valuing it at RM2.97 billion.

Gas Malaysia plans to build up to 100km of pipelines

KUALA LUMPUR: Gas Malaysia Bhd is planning to use a capital expenditure of RM140 million this year for the expansion of its core business in the peninsula.

The gas distributor and supplier was looking to build a further 80km to 100km of gas pipelines compared with the 74km built last year, said chief executive officer Ahmad Hashimi Abdul Manap today.

Speaking to reporters after the company's AGM here yesterday, Ahmad Hashimi said Gas Malaysia, a member of the MMC Group, had been working on three new businesses — combined heat and power (CHP), virtual pipeline and bio-compressed natural gas (bio-CNG).

The construction of its first CHP plant was already complete, while its virtual pipeline business had been approved by the authorities.

The bio-CNG business would be ready to start-up with a gas volume of 25,000 cubic metres thermal unit (Mthtu) per year.

"They were not expected to contribute significantly to the company's financials this year as they will only be ready in the second and third quarter of next year. However, they should contribute 20%-30% to our business bottom line in five years when they were running at full capacity," Ahmad Hashimi said.

For the first quarter ended March 31, Gas Malaysia posted a net profit of RM31.30 million, compared with RM28.49 million in the corresponding period last year.

Revenue rose 26.19% from RM761.58 million to RM961.04 million in the first quarter, an increase of 10.14% from RM28.49 million the year before (1QFY15),

mainly due to higher gross profits in line with the increase in its volume of gas sold.

"As we look to 2016, we remain cautiously optimistic. We have vigorously laid out the foundation for the three new businesses to strengthen the group's future growth."

"To this end, a five-year business plan has been formulated, with the aim to take natural gas beyond the ambit of regulated business and diversify its use by creating new demand on more commercially driven platforms," added Ahmad Hashimi.

Gas Malaysia closed down five pence to RM2.30 yesterday, valuing it at RM2.97 billion.



Gas Malaysia revises tariff for non-power sector on peninsula

BY GAO CHIE YUAN

KUALA LUMPUR: Gas Malaysia Bhd announced yesterday that an incentive-based regulation (IBR) framework will be used to fix the natural gas base tariff for the non-power sector in Peninsular Malaysia, for a three-year period from Jan 1, 2017.

In a filing with Bursa Malaysia, the natural gas supplier said that under the framework, the company would allow changes in gas costs to be passed through via the Gas Cost Pass-Through (GCPT) mechanism every six months.

Following the changes in the framework, a unified base rate for natural gas of RM26.71 per mmbtu (million metric British thermal units) will be charged across all categories in the first half of 2017, before being increased to RM28.05 per mmbtu in the second half.

In 2018, the base rate will be raised to RM30.98 per mmbtu in the first half and further increased to RM31.92 per mmbtu in the second half.

For 2019, the base rate will be raised to RM32.69 per mmbtu in the first half and RM32.74 per mmbtu in the second half.

Based on this, Gas Malaysia said residential consumers will

be charged RM19.26 per mmbtu for the first half of 2017. In comparison, the existing tariff is RM19.52 per mmbtu.

Consumers that use up to 600mmbtu annually, under tariff category B, will see the tariff revised to RM21.86 per mmbtu, from RM25.20 currently.

The category C tariff (from 600 to 5,000mmbtu) will be RM24.99 per mmbtu, while category D tariff (from 5,001 to 50,000mmbtu) will be RM25.24 per mmbtu.

For categories E and F, the tariff will be at RM26.33 per mmbtu, while those consuming more than 750,000mmbtu (category L) will be charged RM27.31 per mmbtu, compared with RM27.88 per mmbtu at present.

"Under the GCPT mechanism, a tariff rebate of 49 sen per mmbtu will apply to all tariff categories for the period beginning January to June 2017," said Gas Malaysia. This translates to an average effective tariff of RM26.31 per mmbtu, which is a reduction of 3.74% from the current average tariff.

"The base tariff for this regulatory period is expected to contribute positively towards the financial position of the company for the next three financial years," said Gas Malaysia.

Gas Malaysia sets RM140m capex mainly for 100km of pipelines

BY KAMALAVACINI

GAS Malaysia Bhd has set aside RM140 million in capital expenditure (capex) that would mainly be utilised to build up to 100km of pipelines this year.

Last year, Gas Malaysia built about 74km of pipelines, adding to the existing 2,131km, delivering stable supply of natural gas and liquefied petroleum gas (LPG) to more homes, commercial businesses and industries.

CEO Ahmad Hashimi Abdul Manap (picture) said that the company is expecting better growth this year, despite pressing external economic conditions.

"We anticipate some growth in the volume, with new customers and new areas to deliver the gas. We are in particular exploring small areas in Perak and Johor," he told the press after the company's 25th AGM in Kuala Lumpur yesterday.

Gas Malaysia is a member of the MMC Group, primarily

engaged in the sale and distribution of natural gas to industrial, commercial and residential sectors, as well as the construction and operation of the natural gas distribution system in Peninsular Malaysia.

Its subsidiaries include Gas Malaysia (LPG) Sdn Bhd, Pelantar Teknik (M) Sdn Bhd, Gas Malaysia Ventures Sdn Bhd and Gas Malaysia EV Sdn Bhd.

Ahmad Hashimi said the three new areas the company has ventured into — the combined heat and power (CHP), virtual pipeline business and bio-compressed natural gas (bio-CNG) — are expected to contribute between 20% to 30% to Gas Malaysia's bottom line in the next five years.

"We have embarked on these three new areas two years ago. They are almost ready now. The CHP plant in Penang would be ready by the third-quarter (3Q) of this year. "The virtual pipeline is also expected to be commissioned

in the 3Q, while the bio-CNG is expected to make its first delivery to customers by the middle of this year," Ahmad Hashimi said.

On the regulatory front, Ahmad Hashimi said the incentive-based regulation framework will provide better earnings with clarity, stability and transparency for the company.

"This year is a trial period. Subsequently, it will enter first regulatory period from 2017-2019. The implementation of the gas cost pass-through mechanism will ensure that the group remain financially neutral with respect to variations in gas costs," he said.

For the financial year ended Dec 31, 2015 (FY15), Gas Malaysia's sales volume grew 7.8% to 159.07 million Mthtu (one million British thermal units), against 147.62 million Mthtu the preceding year.

This led to a higher revenue for the year at RM2.62 billion from RM2.77 billion in FY14.

However, due to the reduction in gross contribution per mmbtu that was set by the regulator, gross profit came in 21.28% lower at RM196.66 million.

"Margin compression is the decision made by the government. We can't comment on it. We believe, the current (margin) is the lowest and we are in close consultation with the government and regulator to ensure that we have very sustainable margin," said Ahmad Hashimi.



Gas tariffs to go up

Gas Malaysia to raise rates by 5.95% for non-power sector

KUALALUMPUR: Gas Malaysia Bhd will raise natural gas tariffs for the non-power sector in Peninsular Malaysia by 5.95% from July 15.

The gas supply company said yesterday that the average gas tariff will be revised upwards by RM13.52 per one million British thermal units (MMBtu) or 5.95% from an average price of RM25.52/MMBtu to RM27.05/MMBtu.

"The tariff revision is in line with the national rationalisation plan and gas cost pass-through (GCP) mechanism that will see the revision of the piped gas price taking place every six months," the company said in an announcement to Bursa Malaysia.

Gas Malaysia said there would be no change to the selling price for residential customers, that is classified under category A, at RM19.52/MMBtu.

"While the tariff revision has no material impact on Gas Malaysia's business operations, it is expected to contribute positively towards the financial position of the company for the financial year ending Dec 31, 2016," it said.

Gas Malaysia said the Government had issued an instruction, and as confirmed in the Energy Commission's website, for the company to effect the revision of the natural gas tariff for the non-power sector in Peninsular Malaysia.

CIMB Research's Saw Xian Jun told StarBiz that this event had a "very limited" impact on Gas Malaysia's earnings and was largely a market neutral event.

"The company is already governed by regulations, so these are consistent with the GCP. The fluctuation in costs is passed through to the consumer with these incentives," Saw

said. He said that while the change in rates may have been affected by the change in the prices of liquefied natural gas, he also noted at the same time that the gas industry in Malaysia operated on a subsidised rate by Petrosains Nasional Bhd (Petrosains).

"Petrosains is selling gas to Gas Malaysia at a subsidised price, so they may have increased that price. Plus, the Government has been talking about subsidy rationalisation and I believe this (event) is related to that," Saw said.

Saw, who last rated Gas Malaysia a reduce with a target price of RM130, said there would be no change to its earnings estimates for the company pursuant to this event.

Gas Malaysia's share price added 13 sen at its close yesterday to RM2.35, with 341,900 shares being traded.

Gas Malaysia plans to issue ICPs and IMTNs

KUALA LUMPUR: Gas Malaysia Bhd is proposing to issue Islamic Commercial Papers (ICPs) of up to RM700 million and an Islamic Medium Term Notes (IMTNs) of up to RM700 million to repay its borrowings and finance future investments. In its filing to Bursa Malaysia, the company said the proposal was subject to a combined aggregate limit of up to RM700 million in nominal value under the Syariah principle of Murabahah (Sukuk Murabahah programme). "The ICP and the IMTN programmes will have a tenure of seven years and 10 years, respectively, from the date of the first issue under the respective programmes," it said.

Tariff revision for non-power sector gas supply

KUALA LUMPUR: Gas Malaysia Bhd has received the approval from the government to effect the revision of natural gas tariff for the non-power sector in Peninsular Malaysia from Jan 1 next year to Dec 31, 2019 in line with the Incentive Based Regulation (IBR) framework.

In a filing with Bursa Malaysia yesterday, the company said the IBR framework set the base tariff for a regulatory period of three years from January next year and allowed changes in gas costs to be passed through via Gas Cost Pass Through (GCP) mechanism every six months.

In 2017, the average base tariff is approved at RM24.71/MMBtu (one million British Thermal Units) for the first half, followed by RM28.05/MMBtu in the second half, and subsequently RM30.90 and RM31.93/MMBtu in the first and second half of 2018, respectively.

In 2019, the approved average base tariff is at RM32.69/MMBtu for the first six months and RM32.74 in the next six months.

Gas Malaysia said under the GCP mechanism,

Revised natural gas tariff from Jan 1 to June 30 next year

Tariff Category	Annual Gas Consumption (MMBtu)	Existing Tariff (RM/MMBtu)	Base Tariff (RM/MMBtu)
A	Residential	19.52	19.26
B	0-600	25.20	24.86
C	601-5,000	25.33	24.99
D	5,001-50,000	25.58	25.24
E	50,001-200,000	26.69	26.33
F	200,001-750,000	26.69	26.33
L	Above 750,000	27.58	27.21
Average		27.05	26.71



Source: Bernama

Smoother earnings for Gas Malaysia

Gas Malaysia Bhd

(Over 18 Months)

Malaysia hold with an unchanged target price of RM2.66. Gas Malaysia Bhd's net profit for the third quarter of financial year ending Dec 31, 2016 (Q3FY16) rose 18% year-on-year (y-o-y) to RM10 million, thanks to the higher spread between its gas selling price and purchase cost. Its revenue and operating cost both grew 19% y-o-y to RM4.07 billion and RM1.1 billion respectively. As a result, its earnings rose only 2% y-o-y, as we estimate the spread between its selling price and purchase cost in RM1/tonne expanded by 7% 4% y-o-y.

The company for the first time improved the impact of the gas cost pass-through (GCP) to its accounting earnings this quarter. In the previous quarters, Gas Malaysia recognised its gas purchase cost based on the price it paid to its supplier. From Q3FY16 onwards, the gas purchase cost recognised is adjusted for the difference between the actual cost and the projected cost based on the Incentive Based Regulation (IBR) mechanism.

Going forward, the earnings should be less volatile. Under the IBR, the tariff that Gas Malaysia charges its customers is determined based mainly on the projected gas purchase cost in different periods. Instead of recognising its gas purchase cost based on the actual cost incurred, which can be volatile as it is determined by market forces, Gas Malaysia now recognises the purchase cost based on the projected cost.

The difference between the purchase cost and actual cost will be passed through to its customers every six months. As at Sept 2016, Gas Malaysia over-recovered

Gas Malaysia Bhd

(Over 18 Months)

Financial Metric	2014	2015A	2015F	2016F	2017F
Revenue	2,771	3,018	4,199	4,893	5,201
Operating Costs	2,048	1,812	2,404	2,464	2,264
Net Profit	850	1,061	1,405	1,533	1,633
EPS (RM)	0.13	0.28	0.17	0.13	0.13
Core EPS growth (%)	-	2.2	18.7	41.3	2.1
FD rate PDR (%)	18.80	31.11	22.32	25.37	18.70
EPS rise	0.13	0.08	0.12	0.12	0.13
Dividend yield (%)	3.26	3.23	4.54	4.84	5.08
EV/EBITDA x	12.44	18.37	12.96	12.67	12.20
P/E (x)	11.31	12.09	9	10.17	10.19
Net Interest (%)	10.4	12.5	10.1	10.7	7.8
ROE (%)	3.26	3.48	3.40	3.42	3.40
ROE rise	35.6	10.7	15.4	13.4	14.3
Operating Margin (%)	30.6	35.1	33.4	31.3	31.4

Source: Company data, IHS iEconometrics

White Gas Malaysia's quarterly earnings could continue to fluctuate, its annual earnings should be stable under the IBR mechanism.

RM0.3 million worth of gas costs. From another perspective, the actual gas cost in the same month of FY16 (RM0.115) was RM0.3 million lower than the projected cost. All else being equal, these savings will be passed through to the customers in the form of lower tariffs in January to June 2017.

Despite the GCP, Gas Malaysia's reported earnings could still fluctuate from quarter to quarter for two reasons. Firstly, the actual gas sales volume could differ from the

projections. Higher-than-expected sales volume will raise its earnings above the earnings projected by the IBR, while lower-than-expected sales volume will result in the opposite. Secondly, the projected gas costs based on the IBR could fluctuate from quarter to quarter to reflect accurately the changes in piped gas and liquefied natural gas usage mix.

While Gas Malaysia's quarterly earnings could continue to fluctuate, its annual earnings should be stable under the IBR mechanism. We maintain a "hold" call as we believe its premium valuation (calendar year 2016 price-earnings ratio of 20 times, which is two times of Tenaga Nasional Bhd's 10 times) has already priced in the definite nature of its earnings.

The upside risk to our call is stronger-than-expected sales volume, while downside risk is an increase in the risk-free rate and risk premium. — CIMB Research, Nov 18

Gas Malaysia proposes sukuk programmes

GAS Malaysia Bhd has proposed Islamic Commercial Papers (ICPs) and Islamic Medium Term Notes (IMTNs) programmes of up to RM700 million each with an aggregate limit of RM700 million.

The proceeds raised from the issuance of the sukuk Murabahah will be utilised to repay the borrowings, to finance present and future Shariah-compliant investments, to finance its Shari-

Gas Malaysia to experience financial neutrality

Gas Malaysia Bhd

(Over 18 Months)

Malaysia Bhd will see an unchanged target price of RM2.66. Gas Malaysia Bhd's net profit for the third quarter of financial year ending Dec 31, 2016 (Q3FY16) rose 18% year-on-year (y-o-y) to RM10 million, thanks to the higher spread between its gas selling price and purchase cost. Its revenue and operating cost both grew 19% y-o-y to RM4.07 billion and RM1.1 billion respectively. As a result, its earnings rose only 2% y-o-y, as we estimate the spread between its selling price and purchase cost in RM1/tonne expanded by 7% 4% y-o-y.

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Core EPS growth (%)	-	2.2	18.7	41.3	2.1
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EPS rise	0.13	0.08	0.12	0.12	0.13
Dividend yield (%)	3.26	3.23	4.54	4.84	5.08
EV/EBITDA x	12.44	18.37	12.96	12.67	12.20
P/E (x)	11.31	12.09	9	10.17	10.19
Net Interest (%)	10.4	12.5	10.1	10.7	7.8
ROE (%)	3.26	3.48	3.40	3.42	3.40
ROE rise	35.6	10.7	15.4	13.4	14.3
Operating Margin (%)	30.6	35.1	33.4	31.3	31.4

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A blurred background image of an industrial or manufacturing facility, showing various pieces of machinery, pipes, and overhead lighting. The image is out of focus, emphasizing the text overlay.

OUR
OVERARCHING
STRATEGY
AND STRONG
FUNDAMENTALS
WILL GUIDE US IN
EMBRACING
CHANGE

CHAIRMAN'S STATEMENT

Dear Shareholders,

While the business sentiment was generally less sanguine in 2016, I am pleased to say that Gas Malaysia stayed on its course, leveraged on sound fundamentals and capitalised its prudent strategy to surmount the macro challenges and solidify its market position in the natural gas industry.



47 KILOMETRES OF NGDS NETWORK EXPANDED IN 2016

Bringing the total pipeline length to 2,186 kilometres.



VOLUME GROWTH CONTRIBUTION

Gas Malaysia sales volume grew by 3.26% to 164.26 million MMBtu in 2016.

The year in review indeed saw a weaker macro environment characterised by sluggish economic growth in the US and EU, moderating development in China, softer energy commodity prices and bleak oil and gas industry outlook. This was further compounded by major political developments in the form of Brexit and the outcome of US presidential elections, all of which weighed down the global growth prospect. Malaysia was not spared from the vagaries of the marketplace. Coupled with the weak prospect of the Ringgit against other major currencies, softer domestic demand and slower consumer spending, Malaysia's Gross Domestic Product ("GDP") grew at a slower pace at 4.2%, against a growth of 5.0% in 2015 (source: Bank Negara Malaysia).

Against this economic backdrop and a host of structural and regulatory changes, Gas Malaysia reassessed its expectations and business plans but remained resilient operationally and financially. The year saw us reverting to our inherent strengths, namely our robust business fundamentals, disciplined management approach and strong operational efficiencies, resulting in solid progress and sound financial performance.

KEY DEVELOPMENTS

In 2016, we continued to reach a wider base of customers by strengthening and extending our presence to better serve and grow with them. We expanded the Natural Gas Distribution System ("NGDS") network by 47 km to 2,186 km and successfully delivered a stable supply of natural gas and Liquefied Petroleum Gas ("LPG") to more homes, commercial businesses and industries in Peninsular Malaysia. By the end of the year, we recorded 38,377 customers in total. Though the customer base for the year under review was lower compared to the preceding year (2015:38,690), it was compensated by the increase in the industrial sector that registered 819 customers, which contributed to about 99.1% of total gas volume sold.

The new ventures of the Group, namely Combined Heat & Power ("CHP"), Virtual Pipeline and Bio Compressed Natural Gas ("BioCNG") businesses all made progress in their respective segments. Among the highlights for the year were the near completion of Gas Malaysia Energy Advance Sdn Bhd's first CHP plant for a major manufacturer in Prai, Penang; the commencement of CNG supply to the first customer of Gas Malaysia IEV Sdn Bhd; and the inaugural supply of BioCNG to the first customer of Sime Darby Gas Malaysia BioCNG Sdn Bhd.

These developments bode well for us as they provide new revenue streams to sustainably complement our regulated distribution business.

With the gas industry going through its liberalisation phase, we started the year with the landmark changes in regulatory framework. The Incentive Based Regulation ("IBR") framework was effected to govern our regulated distribution business, albeit at a trial basis. The framework is aimed at promoting efficient resource allocation and usage as well as sustainable financial performance among natural gas players while ensuring a cost-efficient tariff structure for the customers. The IBR is expected to provide earnings clarity, certainty and stability for Gas Malaysia while also acting as an incentive to improve on operational, financial and capital structure efficiencies.

FINANCIAL HIGHLIGHTS

I am pleased to announce that the Group turned in a commendable performance in 2016 on the back of resilient demand and strong customer base. Our gas sales volume increased by 3.26% to 164.26 million MMBtu in 2016, against 159.07 million MMBtu in 2015. This was primarily attributable to the increased consumption from our industrial customers.

Due to the two natural gas tariff revisions and gas volume growth, we experienced an increase of 11.97% in revenue. Total revenue came in at RM4.05 billion, compared to RM3.62 billion in the previous year. We registered gross profit growth of 29.32% to total at RM255.35 million. Profit before Zakat and Tax came in at RM212.84 million, resulting in the Profit after Zakat, Tax and Non-controlling Interest of RM165.1 million, a stellar 55.55% increase against 2015's RM106.2 million.



We managed to achieve a

9%

improvement in overall productivity, yielding an impressive revenue per employee of

RM8.7 MILLION

SUSTAINABLE VALUE CREATION

A focus on shareholder return is at the heart of the Group's strategy. The Board also believes that sustainable long term revenue and earnings growth, combined with a disciplined approach to capital management and progressive dividend policy, will drive superior returns for shareholders.

In view of the sound performance of the Group for the year under review, the Board has proposed a final cash dividend of 4.86 sen per ordinary share. Combined with the first two interim dividends of 4.00 sen each, this brings the total dividend payment per share to 12.86 sen. With the dividend payments, we turned around the total shareholder return for 2016 to 8.27%, surpassing the Kuala Lumpur Composite Index main market performance of -3.00%.

We are pleased to have again delivered on our financial commitment and returned equitable value to our shareholders.

HUMAN CAPITAL

Our people are our biggest asset and at the centre of what we do. Because of this, we are committed to maintaining an efficient and productive workforce through various initiatives. We also accorded our people the necessary knowledge and skills to carry out their tasks to the best of their abilities. In 2016, we continued to focus on training, talent and career development, and succession planning activities, with the aim of achieving an optimal balance between technical and business acumen, and managerial capabilities.

The Group has always demonstrated prudence in managing its biggest asset. In 2016, our workforce numbering at only 462 people managed to achieve a 9% improvement in overall productivity yielding an impressive revenue per employee of RM8.7 million.

RESPONSIBLE CORPORATE PRACTICES

Our business ambitions are adequately balanced by responsible corporate practices, as we understand that we need to look at the long term impact of our business today on its survivability tomorrow. To do this, we remain committed to solidifying our relationships with all our stakeholders so that we can prosper together.

The manner in which we give back to society goes beyond philanthropy as we endeavour to deliver meaningful initiatives with lasting outcomes to a diverse group of beneficiaries. We strive to accomplish greater level of importance in corporate and social responsibility whilst ensuring sustainability.

In 2016, we rolled out several effective programmes under our Corporate Social Responsibility initiatives. The programmes, which focused on improving the quality of lives of the under-privileged, were also aimed at enhancing the wellness of the overall communities. For the year under review, we provided assistance in the form of contribution to the Malaysian Cancer Society for paediatric patients, the Selangor & Federal Territory Association for the Mentally Handicapped and Pusat Dialisis An-Nur in Shah Alam.

Our Sustainability Statement in this Annual Report underscores our commitment towards economic, environment and social goals. We commissioned a materiality survey to identify material topics of interest to our stakeholders and subsequently, reported the materiality matters in greater depth.

PROSPECTS

Consensus numbers are pointing to a slight improvement in the economic growth in 2017, with the GDP being forecast by Bank Negara Malaysia between 4.3% and 4.8%, on the back of improved consumer spending, better domestic demand resulting from the planned pump priming of the economic activities and healthier external demand on the expectation of better energy commodity prices.

However, our optimism in the business outlook is guarded by some degree of uncertainties on the macro picture culminating from the reservation on the US future trade policies, unresolved political and policy issues in the EU following the Brexit and China's slowing economic growth.

In a conceivable future, we anticipate steady volume growth for the distribution business on the back of improved demand from the existing and new industrial customers. While our regulated business will continue to be the main contributor to the growth of the Group, more efforts are being undertaken to continue identifying and developing new areas of business, which are not regulated. Having started on a positive note in 2016, we will continue to build on the achievements of our CHP, Virtual Pipeline and BioCNG ventures which, together with other future ventures, are expected to contribute positively to the Group's revenue in the long term.

The ensuing years will reflect the structural and regulatory changes which will impact Gas Malaysia and the way we operate our business. Like before, we shall remain resilient and embrace those changes. The fact that we had successfully underwent the trial period of the IBR this year showed how agile we are in transitioning our business model in addressing the changing regulatory requirement. Moving forward, we are diligently preparing ourselves to embrace the opportunities and overcome the challenges that come with the new Third Party Access ("TPA") framework. Although TPA will introduce competition in the natural gas industry value chain, it will also carry with it new set of opportunities that will help increase our competitive advantage and create new value for our business.

We shall enter 2017 with a clear strategy and will continue to stay committed towards achieving the Group's business objectives and delivering greater value to our shareholders.

APPRECIATION AND RECOGNITION

The Board is responsible for setting the right tone from the top and ensuring that a robust governance structure is in place to enable the business to succeed and deliver long term sustainable growth. For this, I extend my sincere appreciation to the Board for their vision, wise counsel and astute insights in guiding Gas Malaysia.

In relation to this, I take this opportunity to thank our former Director, Encik Shazali bin Dato' Haji Shahrani, who resigned on 14 June 2016 to pursue other interests. Encik Shazali was appointed to the Board on 15 January 2009 and had since been invaluable in providing counsel and guidance for the Company. We wish him well in his future endeavours.

On behalf of your Board of Directors, I wish to extend my sincere gratitude and humble appreciation to our shareholders, customers, business partners, regulatory bodies and authorities for their continued support.

It has been a year of further progress – strategically, operationally and financially. However, in such rapidly changing markets, we need to continue to focus our energies on translating our vision into business deliverables and good returns for all shareholders. We can only do this successfully with excellent people and, on behalf of the Board, I would like to express my appreciation and thank our Management team and all our employees for their unrelenting efforts, commitment and teamwork.

It is my hope that all stakeholders will lend us their unwavering support as we continue to forge ahead with confidence to overcome the challenges and embrace opportunities that awaits us in the coming years.

Datuk Haji Hasni bin Harun
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Embracing CH₄ ANGE



Dear Shareholders,

In 2016, your Company's overarching strategy and strong fundamentals guided us through the opportunities and challenges that were presented against a softer economic background, increasingly competitive business environment and changing regulatory landscape.



We emerged stronger, having carried out our business plan with undeterred perseverance with the support of our most valuable asset – our people. We successfully navigated the many challenges and opportunities that the year brought upon us, delivered on key operational aims and met our financial targets.

Painted on the economic canvas was a less sanguine economic picture.

To start, the world economic growth came in lower at 3.15%, weighed down by the US' weaker performance at 1.6%, China's moderated growth at 6.7% and by weak energy commodity prices (source: Bloomberg).

The lacklustre economic performance abroad permeated through Malaysia's economy and resulted in weaker external demand, as exports waned and manufacturing activities weakened. Business sentiment was further affected by the weakening Ringgit and bleak Oil & Gas industry outlook. Coupled with moderating domestic demand and consumer spending, Malaysia's Gross Domestic Product ("GDP") grew at a much slower pace of 4.2% (2015: 5%). (source: Bank Negara Malaysia).

Reacting to the slower economic growth, Gas Malaysia was cautiously optimistic about the prospects of its business. We reviewed our commitment to expanding our capital expenditure and gauged the strength of demand for gas more closely, with the confidence that the Government policies would continue to be supportive of growth for all businesses.

The year in review also saw the natural gas industry continuing to experience structural and regulatory changes as efforts to liberalise the industry gained momentum. Aimed at promoting efficient resource allocation and usage as well as ensuring equitable financial performance, Incentive Based Regulation ("IBR") was implemented on a trial basis in 2016. Through our close engagement with Suruhanjaya Tenaga ("ST"), the Government was to implement for the customers a more sustainable and efficient tariff structure and for the Company, equitable cost recovery for running the distribution business.

MANAGEMENT DISCUSSION & ANALYSIS

COMMENDABLE FINANCIAL PERFORMANCE

Gas Malaysia fared well in managing the changing industry landscape in 2016. Our efforts for the financial year ended 31 December 2016 were well rewarded with our turning in a much improved profitability. This was in tandem with the level reflecting the prevailing tariff setting mechanism that dictated our regulated business.

On average over 2016, we saw higher gross contribution for every one million British Thermal Units, or MMBtu, of natural gas sold. Gas volume grew by 3.26% to 164.26 million MMBtu in 2016, compared to 159.07 million MMBtu in 2015, driven primarily by the increase of gas consumption from industrial customers. In addition, due to the higher tariff (RM25.53/MMBtu for 1H2016 and RM27.05/MMBtu for 2H2016), the corresponding revenue grew by 11.97% to RM4.05 billion in 2016 as compared to RM3.62 billion recorded in 2015.

Gross profit grew by 29.32% year on year to RM255.35 million, in line with the increase in gas sold, tolling fees and assets contribution by customers. Profit before Zakat and Tax came in at RM212.84 million. Finally, we posted Profit after Zakat, Tax and Non-controlling Interest of RM165.1 million, 55.55% higher from that in the preceding year.

For the period under review, two of our new ventures – the Virtual Pipeline and Bio Compressed Natural Gas (“BioCNG”) – were completed, hence slated to capitalise on the opportunities that lay inherent within the natural gas value chain. The Combined Heat & Power (“CHP”) was near completion and expected to commence operation in January 2017.



EXTENDING OUR FOOTPRINT

Our strategy to grow our regulated business continues to be fruitful. The year in review saw us making good inroads towards strengthening our infrastructure and customer base.

In meeting the resilient demand for natural gas from growing customer base, we continued to expand our Natural Gas Distribution System ("NGDS") network. Backed by capital expenditure of RM133.45 million (which was financed by our borrowings) and guided by the counsel with several state departments, we grew the NGDS network by another 47 km, bringing the total length of our distribution pipeline across Peninsular Malaysia to 2,186 km. Separately, we had also awarded construction projects that would result in over 90 km of pipelines in the future.

With the enhanced infrastructure, we extended our reach to more industrial customers in the Central region, covering existing areas such as Shah Alam, Nilai, Kuala Lumpur, Banting, Klang, Ijok, Bukit Jalil, Petaling Jaya, Beranang, Sendayan, Seremban, Teluk Panglima Garang, and Kundang; the Southern region, Tanjung Langsat, Pasir Gudang, Kluang, Alor Gajah, Ayer Keroh, Tampoi, Jasin, Kulai, Yong Peng and Senai; Northern region, Prai, Kulim, Kamunting and Parit Buntar; and the Eastern region, Gebeng, Teluk Kalong and Kuantan Port.

To date, the industrial sector accounts for 99.1% of Gas Malaysia's total gas volume contribution and will remain the key driver for future growth. Meanwhile, the commercial and residential sectors account for about 0.8% and 0.1%, respectively. Our industrial customer profile continued to reflect a consistent demographic with most of the customers stemming from the Central region, followed by the Southern,

Northern and Eastern regions. In terms of gas volume sold, the regions contributed 48.10%, 23.13%, 21.36% and 7.41%, respectively. The 48.10% contribution from the Central region was due in part to the reclassification of Sendayan and Seremban to the region.

The sector segmentation of the industrial customers and their percentage contribution to gas consumption are given below:

Sector Segmentation (Industrial Customers)



33%
Rubber
Products



10%
Fabricated &
Basic Metal



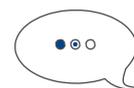
8%
Non-metallic
Mineral



27%
Food, Beverages
& Tobacco



8%
Chemical
Products



14%
Others

MANAGEMENT DISCUSSION & ANALYSIS

Our marketing efforts had resulted in our securing 45 new industrial customers this year. However, the less favourable economic condition has taken a toll on some manufacturing activities and we had to cease the gas supply to 21 customers.

As at 31 December 2016, our customer base, which is represented by the industrial, commercial and residential sectors, stood at 38,377 customers in total. Our customer segmentation was as follows:



Customer Segmentation

FOR NATURAL GAS:

Industrial
819

Commercial
935

Residential
12,339

FOR LIQUEFIED PETROLEUM GAS:

Commercial
1,325

Residential
22,959

Over the course of the year, we continued to explore opportunities and project our marketing efforts to leverage on existing industrial areas and expanding customers, new potential customers currently not utilising natural gas, new industrial areas, as well as new areas of growth for natural gas. Hand in hand with this marketing effort is the commitment to providing efficient service to our customers. Case in point was the opening of the new Ayer Keroh branch office in Melaka, which signifies our aim to expand our presence within the district of Alor Gajah and Jasin.

EMBRACING NEW GROWTH OPPORTUNITIES

Even as Gas Malaysia's regulated business continued to support the Group's organic growth and contribute significantly towards our earnings, we continued to make good progress with our three more commercially-driven ventures. In 2016, with the completion of the Virtual Pipeline and BioCNG businesses, we had started to gradually create new demand for natural gas, opening up new avenues of opportunity for the Group's long term growth.

Combined Heat & Power

For the year in review, Gas Malaysia Energy Advance Sdn Bhd almost completed its first CHP plant for a major manufacturing company in Prai, Penang. The 33MW capacity cogeneration plant, which generates 128 tonne-per-hour of steam recovery, would consume approximately 3.5 million MMBtu of natural gas per annum, simultaneously producing electricity and steam to meet its customer's operational requirements. At up to 85% efficiency level, the CHP system captures and makes productive use of the waste heat on-site, providing cost savings close to 20% to the customers.

Virtual Pipeline

The Virtual Pipeline business entails the supply of CNG via land transportation to areas beyond the reach of the NGDS network. This is another example of our endeavour in taking energy supply farther, creating new demand for natural gas within 200 km radius from the mother station. With the completion of its mother station in Gebeng, Kuantan, Gas Malaysia IEV Sdn Bhd had commenced operations and delivered CNG supply to its first customer, with an initial consumption of approximately 19,000 MMBtu per annum.

BioCNG

Via Sime Darby Gas Malaysia BioCNG Sdn Bhd ("SDGMBioCNG"), our 49% joint venture with Sime Darby Offshore Engineering Sdn Bhd, we are able to capitalise on opportunities within the BioCNG distribution business. Utilising biogas resources from palm oil mills, BioCNG has the potential to displace diesel or LPG as fuel as well as enable grid-connected electricity generation and wastewater management for palm oil mills, all of which will reduce greenhouse gas emissions. SDGMBioCNG's mill in Sungai Tinggi, Kuala Kubu Baru, Selangor, which began operations in July 2016 has started supplying 15,000 MMBtu of BioCNG per annum to its first customer.

STRENGTHENING OPERATIONAL EXCELLENCE AND SAFETY

Gas Malaysia acknowledges that safety and service reliability are at the core of our business operations and must not be compromised in any circumstance. To this end, we strive to ensure the safe delivery of natural gas to homes, commercial businesses and local industries. To date, we have successfully maintained a 99% service reliability rate.

We continue to uphold high maintenance standards. Our initiatives to limit any breakdown to the system and facilities include the adoption of stringent standards for pipeline design, material selection and construction procedures. We also patrol the pipeline daily to detect unauthorised third parties working near our gas facilities and deploy preventive maintenance programmes to upkeep our facilities.

For the year in review, we registered 2.3 leakages per 1,000 km of pipeline against 1.9 leakages per 1,000 km of pipeline the year before. In light of this, in 2016, we clocked in higher System Average Interruption Duration Index (“SAIDI”) score of 0.6083 minutes of interruption per customer, against the 0.1786 minutes recorded in the preceding year.

The higher SAIDI score registered this year came on the back of two major interruptions we experienced – one in Ayer Keroh, Melaka and another at Sungai Puloh in Klang, Selangor. The pipeline leakage in Ayer Keroh affected 13 industrial customers, while a pipeline rupture due to soil movement at Sungai Puloh affected two customers.

Notwithstanding SAIDI statistics, we posted an improvement in our average response time. At 24.44 minutes, which was an improvement from last year’s 26.83 minutes, this achievement far surpassed our targeted response time of 90 minutes.

In addition to the above achievements, Gas Malaysia continues to take calculated measures to effectively manage the level of unaccounted for gas (“UFG”) from our distribution system, with the aim of minimising the costs associated with the UFG. Over the course of 2016, the UFG, which results from the inevitable imbalance that exists at any given time between measured gas coming into and going out of our NGDS, remained below 1%, thus underscoring our excellent record among other utility players.

Our economic success is highly dependent upon our achievements in the areas of Health, Safety, Environment and Quality (“HSEQ”). The well-integrated HSEQ management systems, procedures and practices are essential for the Group’s business growth and safe operations. As such, we are committed to creating a safe and conducive working environment where dedicated personnel implements regular awareness programmes for our staff, the relevant authorities and third-party contractors.

The Group boasts internationally recognised management system standards to meet the needs of our customers and other stakeholders as well as comply with statutory and regulatory requirements. To date, we have in place a sustained programme to ensure the proper maintenance of our ISO accreditation which includes ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System), OHSAS 18001:2007 (Occupational Health & Safety Management System) and ISO/IEC 27001:2013 (Information Security Management System) certification.

MANAGEMENT DISCUSSION & ANALYSIS

TALENT MANAGEMENT AND CONDUCTIVE WORKING ENVIRONMENT

To ensure that our organisation grows in a progressive and sustainable manner, we continue to bolster our existing workforce by equipping them with the necessary tools and skills to carry out their jobs effectively. Our holistic approach to human capital development balances employee skills and capabilities with the Group's tactical, operational and financial objectives.

The priority now is to optimise the workforce at hand and so our efforts are focused on ensuring that our people have the best tools and resources to give their best to the Company.

Our technical employees, which make up about 45% of our workforce, are well equipped and certified as a "Competent Person" by the Department of Occupational Safety and Health ("DOSH") and ST. For the year under review, our technical staff attended the following courses accredited by DOSH and ST:

- 1) Authorised Gas Tester & Entry Supervisor for Confined Space by DOSH;
- 2) Authorised Entrant & Standby Person for Confined Space by DOSH;
- 3) Gas Engineers & Gas Engineering Supervisors Course by ST; and
- 4) Gas Fitters Course by ST.



We understand the importance of employee engagement and we proactively roll out a host of initiatives to inculcate a sense of unity and good *esprit de corps* among our people. As we grow both in headcount and in business expansion, we are aware of the need to connect with our employees. In 2016, we organised several key initiatives, for instance, the Information Meeting & Long Service Award ceremony, the Light & Easy with CEO session, company trip, *Hari Raya Open House* and *Anugerah Pelajar Cemerlang* award ceremony.

The Group is committed to providing a conducive working environment and to looking after the interests of our employees in accordance with local labour laws. Our statutory Employee Provident Fund contribution rate of between 12% and 17%, (depending on the length of service), is one of the highest rates in the industry. We believe the many human capital initiatives we have implemented to date have proven successful given our low employee attrition rate of 4.5% in 2016, below the industry benchmark of 5.0%.

BUSINESS RISKS

Gas Malaysia continues to grow from strength to strength and demonstrates its resiliency amidst looming changes to the regulatory environment and highly competitive playing field. There are several risks that we are exposed to in the course of our business and we continue to do our best to mitigate these risks. In line with Bursa Malaysia's new disclosure requirements, we are highlighting three key anticipated risks that the Group is exposed to that may have a material impact on our operations, performance, financial condition and liquidity, and ultimately to the sustainability of the business.

Firstly, loss of market share due to unfavourable policies that would affect the Company's profitability.

In an effort to manage this risk, we continuously strive for close engagement with the Government and Regulator.



Secondly, increased competition as a result of potential new licenses issued under the Third Party Access (“TPA”) framework.

In brief, the TPA aims to encourage entry of new players into the natural gas sector by providing a level playing field, thereby ensuring sufficient and reliable gas supply to meet growing demand.

Controls were already in place to address the potential business competition resulting from the regulatory changes. The controls are as follows:

- 1) Exercising continuous engagement with Regulators, relevant authorities and other stakeholders;
- 2) Demonstrating operational excellence in network system development, efficiency, reliability and dependability as well as high standard of customer services.

Thirdly, loss of Gas Utility Licence (“GUL”) due to non-compliance to licence’s condition.

To address this, we undertake systematic monitoring of the GUL in ensuring compliance. This includes monthly and quarterly reports submission to the ST, outlining issues concerning maintenance and operations of the gas distribution systems as well as customer service.

THE OUTLOOK FOR 2017

The International Monetary Fund predicts that global economic activity will scale up to 3.4% and 3.6% in 2017 and 2018, respectively, following 2016’s rather lacklustre growth (source: www.imf.org). The advanced economies are projected to register moderate gains. However, global risks remain apparent given the reservation on US President Trump’s trade policies, unclear directions from the Brexit resolution, as well as the still moderating economic growth in China, all lend to the air of uncertainty on the macro picture.

With that, we are cautiously optimistic about our prospect in 2017.

We believe that external demand is expected to increase on the back of the recovery in commodity prices, especially, in energy commodities. Furthermore, the Government has indicated the use of fiscal stimuli to spur growth locally, with the pump priming of a slew of multi-billion ringgit mega projects. Coupled with the expected increase in consumer spending, the GDP for 2017 is expected to improve slightly between 4.3% and 4.8% (source: Bank Negara Malaysia).

Strategies for Continued Success

We foresee that Gas Malaysia’s business growth, to some extent, trails the economic outlook, which is expected to perform slightly better in 2017.

Whilst slower manufacturing activities from the steel and ceramic sectors are anticipated, this will be more than offset by the expected upbeat performance from the rubber glove, oleo-chemicals and consumer product sectors.

This said, we anticipate steady volume growth for our regulated business in the foreseeable future.

MANAGEMENT DISCUSSION & ANALYSIS

To support this growth, the CAPEX programme for the next three years for our regulated business is estimated at RM500 million. We shall also continue to work closely with various state departments to gauge future growth areas.

Given the improved outlook for energy commodity prices, we are ramping up our resources to continue exploring potential within the gas industry value chain. We are confident that our new ventures, namely our CHP, Virtual Pipeline and BioCNG businesses, will perform better in the improved operating environment. To this end, we shall look at potential new customers and explore new areas of opportunity within the non-regulated sphere of business.

Liquidity

Moving forward, the expansion strategies for the regulated and new ventures will be financed by both internally generated funds and issuance of debts. In the past, retained profits and cash from operations had been sufficient in generating the required liquidity to support our business plans. However, as the business grows, we acknowledge that it is prudent to have a more efficient capital structure to take advantage of cheaper cost of, and relatively easy access to, debt in raising capital.

In line with this, we have secured RM700 million Sukuk Murabahah programmes (“Sukuk”) with a tenure of 10 years. The Sukuk will be utilised to finance our future business expansion, working capital, capital expenditure as well as to promote progressive capital management.

New Realities

Another equally significant aspect having bearing on our continued success is how proactive we are in embracing the imminent landmark, structural and regulatory changes that will repaint the landscape of our business going forward.

Succeeding the IBR framework on trial basis in 2016, we will enter the first Regulatory Period for three years beginning on 1 January 2017 until 31 December 2019. We welcome a greater degree of certainty and clarity of Gas Malaysia’s profitability under this regime, given the efficient tariff structure that IBR promotes. The Gas Cost Pass Through mechanism embedded in the framework ensures financial neutrality of the Company with respect to variation in gas costs.



In addition, we are diligently preparing the Company for the changing business dynamics under the TPA, for which, as the incumbent in the industry, we are given until January 2018 to equip and ready ourselves.

On top of the controls that we have put in mitigating business risks inherent in the TPA, we are currently undertaking system readiness and assessment study to ensure the risks emanating from TPA regime, such as increased competition and loss of market share, are mitigated. Already, we are at the stage where we established service responsibilities, determine structure and governance, detail new potential opportunities and chart the road map towards transitional and new business dynamics.

Our Commitment

In any forward looking organisation, talent management and succession planning programmes are integral to ensuring sustainable development of the business. This said, to play a part in safeguarding the Group's sustainable growth, the Senior Management team consistently implements initiatives to attract, groom and nurture talent across the Company, as well as support the ongoing development of a pool of competent successors.

Our regulated business, involving the sale and marketing of natural gas, will continue to be significant to our earnings stream going forward.

We remain committed to safeguarding the growth of this business and will, in view of the marginal economic growth expected in 2017, re-evaluate the strength of gas demand accurately and review the capital expenditure realistically.

On the non-regulated front, with industry liberalisation underway, we will continue to strengthen our diversification agenda by replicating similar efforts in the existing ventures such as the aforementioned CHP, Virtual Pipeline and BioCNG, as well as in other commercially viable ventures. Diversifying the Group's revenue base into other areas of opportunity reduces concentration risk and will shape the Company to be more robust. Taking this into consideration, our earnings profile is likely to change too – CHP, Virtual Pipeline, BioCNG and all other future ventures are expected to contribute positively to the Group in five years' time.

To sum up, even as Gas Malaysia comes to grip with the new market realities, we will continue to fortify our fundamentals and capitalise on growth opportunities that are being presented by the liberalisation of the natural gas industry in the country. We are very excited about embracing change that is coming our way. Just like what we have done for almost 25 years, we shall continue to focus on actionable tactical responses and a long-range business strategy that will enable us to adapt and rise above the aforementioned landmark, structural and regulatory challenges.

Going forward, your Company will stay focused on its long term strategies that will make the business become more robust and to deliver sustainable growth.

IN APPRECIATION

Many parties continue to play a part in our sustainable growth and I am sincerely appreciative of their efforts.

On behalf of the Management and staff of Gas Malaysia, I wish to convey my gratitude to the members of the Board for their wise counsel and astute insights in helping steer the Company and guiding us through the fast changing natural gas industry. To the government agencies and authorities whom we work with, thank you for your unwavering assistance and cooperation. To our loyal customers from the diverse industries and sectors that we serve, thank you for your continued patronage and trust in the Gas Malaysia brand. As we venture forth to embrace new opportunities and take on all challenges, we ask that all our stakeholders continue to lend us their steadfast support. Thank you.

Ahmad Hashimi bin Abdul Manap
Chief Executive Officer

BOARD OF DIRECTORS



YUSA' BIN HASSAN

Non-Independent
Non-Executive Director

Member of Risk &
Compliance Committee

DATUK HAJI HASNI BIN HARUN

Chairman

Non-Independent
Non-Executive Director

Chairman of Nomination
& Remuneration Committee

DATO' SRI CHE KHALIB BIN MOHAMAD NOH

Non-Independent
Non-Executive Director

SHIGERU MURAKI

Non-Independent
Non-Executive Director

Chairman of Risk &
Compliance Committee



TAN LYE CHONG

Independent
Non-Executive Director
Chairman of Audit Committee

**DATUK PUTEH RUKIAH
BINTI ABD. MAJID**

Independent
Non-Executive Director
Member of Audit Committee
Member of Nomination
& Remuneration
Committee

**DATUK SYED ABU
BAKAR BIN S MOHSIN
ALMOHDZAR**

Independent
Non-Executive Director
Member of Nomination
& Remuneration
Committee
Member of Risk &
Compliance Committee

DATUK OOI TEIK HUAT

Independent
Non-Executive Director
Member of Audit Committee

BOARD OF DIRECTORS' PROFILE

DATUK HAJI HASNI BIN HARUN

Age 59, Male, Malaysian

Chairman

Non-Independent
Non-Executive Director

Chairman of Nomination
& Remuneration Committee

DATE OF APPOINTMENT:

Director - 11 April 2008

Chairman - 15 May 2013



Datuk Haji Hasni is a member of the Malaysian Institute of Accountants. He holds a Masters degree in Business Administration from United States International University San Diego, California and a Bachelor of Accounting (Honours) degree from University of Malaya.

Datuk Haji Hasni held several senior positions in the Accountant General's Office from 1980 to 1994. He was the Senior General Manager of the Investment Department at the Employees Provident Fund from 1994 to 2001, and the Managing Director of RHB Asset Management Sdn Bhd from 2001 until 2006. He then joined DRB-HICOM Berhad as Group Chief Financial Officer until December 2006.

In January 2007, he joined MMC Corporation Berhad ("MMC") as the Group Chief Operating Officer. In March 2008, he was appointed as the Chief Executive Officer Malaysia, prior to his appointment as the Group Managing Director of MMC in May 2010 until May 2013. He is currently a Director of Permodalan Felcra Sdn Bhd.

Datuk Haji Hasni attended all seven Board meetings held for the financial year ended 31 December 2016.

**DATO' SRI CHE
KHALIB BIN
MOHAMAD NOH**

Age 52, Male, Malaysian

Non-Independent
Non-Executive Director

DATE OF APPOINTMENT:
Director - 1 July 2013



A qualified accountant, Dato' Sri Che Khalib is a member of the Malaysian Institute of Accountants (CA, M) and also a Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom.

Currently, Dato' Sri Che Khalib is the Group Managing Director of MMC Corporation Berhad.

Dato' Sri Che Khalib began his career with Messrs. Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within the Renong Group. In June 1999, Dato' Sri Che Khalib joined Ranhill Utilities Berhad as Chief Executive Officer. He then assumed the position of Managing Director and Chief Executive Officer of KUB Malaysia Berhad. Dato' Sri Che Khalib was then appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad ("TNB") on 1 July 2004 where he served TNB for eight years until the completion of his contract on 30 June 2012. He later joined DRB-HICOM Berhad as the Chief Operating Officer of Finance, Strategy and Planning in July 2012.

Dato' Sri Che Khalib was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from year 2000 to 2004. He also served as a Board member within the United Engineers Malaysia Group of companies and Bank Industri & Teknologi Malaysia Berhad.

Dato' Sri Che Khalib currently sits on the Board of MMC Corporation Berhad, Zelan Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Bank Muamalat Malaysia Berhad, Port Dickson Power Berhad Group, NCB Holdings Berhad, Kontena Nasional Berhad, Northport (Malaysia) Bhd and several private limited companies.

Dato' Sri Che Khalib attended six out of seven Board meetings for the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

SHIGERU MURAKI

Age 67, Male, Japanese

Non-Independent
Non-Executive Director

Chairman of Risk &
Compliance Committee

DATE OF APPOINTMENT:

Director - 1 April 2014



Shigeru Muraki is currently Executive Advisor of Tokyo Gas Co., Ltd ("Tokyo Gas") and President of Tokyo Gas-Mitsui & Co Holdings Sdn Bhd. After graduating from Graduate School of Engineering in Applied Chemistry, the University of Tokyo, he joined Tokyo Gas in 1972. He was appointed as the Chief Representative of New York Office from 1991 until 1994; and in 2000 was appointed as General Manager of Gas Resources Department and subsequently, in 2002 as Executive Officer of Tokyo Gas. In 2004, he assumed the role of Senior Executive Officer and Chief Executive of Technology Development Division of Tokyo Gas, and in 2007 as Senior Executive Officer and Chief Executive of Energy Solutions Division. Then in 2010, he was appointed to Representative Director, Executive Vice President. Whilst, at the same time, also assumed to position of Chief Executive of Energy Solutions Division of Tokyo Gas. In 2014, he was appointed to his current position in Tokyo Gas.

Since April 2015, he has been Executive Adviser for Tokyo Gas. Shigeru Muraki's experience and activities are not limited in gas industry. Since 2007, he has been Vice Chairman of Japan District Heating & Cooling Association, and from 2011 to 2013, he served as Chairman of Japan Institute of Energy. In 2013, he was appointed as a Policy Advisor of Japanese Government assuming to role as Project Director of Energy Carrier Project of Strategic Innovation Promotion Program of Japan. He delivered keynote speeches and participated in strategic panel discussions of several major gas and energy related conferences such as World Gas Conference, World Energy Congress, LNG Conference and Gastech.

He has attended six out of seven Board meetings for the financial year ended 31 December 2016, while his alternate, Satoshi Honjo attended one Board meeting on his behalf.

YUSA' BIN HASSAN

Age 54, Male, Malaysian

Non-Independent
Non-Executive Director

Member of Risk &
Compliance Committee

DATE OF APPOINTMENT:

Director - 2 August 2013



Yusa' bin Hassan has a career which spans over 30 years in PETRONAS. He started his career in 1985 as an Engineer as part of the pioneer team of PETRONAS Chemical Group's maiden plant, ASEAN Bintulu Fertiliser Sdn Bhd. From 1998 to 2011, he held various plant senior and top management positions in various PETRONAS operating units.

During the inception of PETRONAS Chemicals Group Berhad in 2010, he was appointed as Head of Fertilizer and Methanol followed with an appointment as Head of Olefin and Derivatives in June 2011.

On 1 July 2013, he was appointed as the Managing Director/Chief Executive Officer of PETRONAS Gas Berhad.

He has attended all seven Board meetings for the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

DATUK PUTEH RUKIAH BINTI ABD. MAJID

Age 64, Female, Malaysian

Independent
Non-Executive Director

Member of Audit Committee

Member of Nomination &
Remuneration Committee

DATE OF APPOINTMENT:
Director - 16 August 2011



Datuk Puteh Rukiah holds a Bachelor of Economics (Honours) degree from University of Malaya and a Master of Economics from Western Michigan University, United States of America.

She began her career in the civil service in 1976 as an Assistant Director in the Economic Planning Unit, Prime Minister's Department. She continued to serve the Government in the Ministry of Finance from 1992 and held various posts in the Ministry. Her various appointments included being the Principal Director of the Budget Division and as Undersecretary, Investment and Privatisation and Minister of Finance Incorporated Division. From 2006 until March 2011, she was the Deputy Secretary General (Systems and Controls), at the Ministry of Finance.

Datuk Puteh Rukiah also sits on the boards of MIMOS Berhad, Pelaburan Hartanah Berhad, Zelan Berhad, Pos Malaysia Berhad and several non-listed companies.

She attended all seven Board meetings for the financial year ended 31 December 2016.

**DATUK SYED
ABU BAKAR
BIN S MOHSIN
ALMOHDZAR**

Age 66, Male, Malaysian

Independent
Non-Executive Director

Member of Nomination &
Remuneration Committee

Member of Risk &
Compliance Committee

DATE OF APPOINTMENT:
Director - 16 August 2011



Datuk Syed Abu Bakar is currently the Managing Director of the World Islamic Economic Forum Foundation. He is also a Fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Datuk Syed Abu Bakar attended all seven Board meetings for the financial year ended 31 December 2016.

Datuk Syed Abu Bakar held various senior positions in public listed companies in Malaysia. He was formerly the Managing Director of Tradewinds (M) Berhad and Executive Vice President of Tradewinds Corporation Berhad. At present, he is an Independent and Non-Executive Director of Allied Hotels Properties Inc. and King George Financial Corp. which are listed on TSX Venture Exchange in Canada.

BOARD OF DIRECTORS' PROFILE

TAN LYE CHONG

Age 61, Male, Malaysian

Independent
Non-Executive Director

Chairman of Audit Committee

DATE OF APPOINTMENT:

Director - 16 August 2011



Tan Lye Chong is currently practicing as an Approved Company Auditor. Prior to that, he had served as a Partner and the Head of the Audit Division of an international accounting firm, BDO; and was with the firm for over 22 years until October 2010. He has more than 31 years of working experience; primarily in the accounting profession and has extensive experience in auditing, financial reporting and corporate finance.

Tan Lye Chong is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom and is a member of the Malaysian Institute of Accountants. He is formerly a member of the Public Practice Committee of Malaysian Institute of Accountants from 2001 to 2008 and a former member of the Audit/Liquidator Licensing Interview Panel from 2006 to 2008.

For several years up to 29 February 2012, he had been a member of the Investigating Tribunal Panel of the Bar Council and on 29 February 2012, he was appointed as a member of the Disciplinary Committee Panel of the Bar Council.

He attended all seven Board meetings for the financial year ended 31 December 2016.

DATUK OOI TEIK HUAT

Age 57, Male, Malaysian

Independent
Non-Executive Director

Member of Audit Committee

DATE OF APPOINTMENT:
Director - 16 May 2013



Datuk Ooi Teik Huat is a member of Malaysian Institute of Accountants and CPA Australia, and holds a Bachelor Degree in Economics from Monash University, Australia.

He began his career with Messrs. Hew & Co., Chartered Accountants, before joining Malaysian International Merchant Bankers Berhad. He subsequently joined Pengkalen Securities Sdn Bhd as Head of Corporate Finance, before leaving to set up Meridian Solutions Sdn Bhd where he is presently a Director.

He sits on the Boards of Tradewinds (M) Berhad, Tradewinds Plantation Berhad, MMC Corporation Berhad, DRB-HICOM Berhad, Zelan Berhad, Johor Port Berhad, Malakoff Corporation Berhad, Padiberas Nasional Berhad, Mardec Berhad, Tradewinds Corporation Berhad and several private limited companies.

He attended all seven Board meetings of the Company held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

HISASHI NAKAMURA

Age 57, Male, Japanese

Non-Independent
Non-Executive Director

DATE OF APPOINTMENT:

1 April 2014
(Alternate Director to
Shigeru Muraki)

SATOSHI HONJO

Age 47, Male, Japanese

Non-Independent
Non-Executive Director

DATE OF APPOINTMENT:

11 May 2016
(Alternate Director to
Shigeru Muraki)

After graduated from the Faculty of Agriculture, University of Tokyo, Hisashi Nakamura joined Tokyo Gas Co., Ltd. ("Tokyo Gas") in 1985. In 2002, he was appointed as General Manager of General Administration & Corporate Relations Section of Kanagawa Service Branch of Tokyo Gas. During 2004 to 2010, he was seconded to Tokyo Gas Energy Co., Ltd. ("Tokyo Gas Energy"). Then in 2009, he was appointed as Director of Tokyo Gas Energy. In 2010, he was appointed as Managing Director of Tokyo Gas Energy. In 2011, he was appointed as Deputy General Manager of Finance Department. In 2014, he was appointed to his current position, the General Manager of Business Development Department in Tokyo Gas. He is also a Director of Tokyo Gas Engineering Solutions Co., Ltd., Tokyo Gas-Mitsui & Co Holdings Sdn Bhd and a member of the board of Tokyo Gas International Holdings B.V., Tokyo Gas Australia Pty Ltd, MT Falcon Holdings Company, S.A.P.I. DE C.V., Tokyo Gas America Ltd, TG Barnett Resources LP and Tokyo Gas Asia Pte Ltd.

Satoshi Honjo holds a Master of Business Administration and Bachelor of Arts in Human Science from Waseda University, Japan.

He joined Tokyo Gas Co., Ltd. since April 1992. He was appointed as the Chief Representative of Tokyo Gas Co., Ltd., Asia Pacific Regional Office since April 2016.

Prior to that, he served as a Deputy Manager of Commercial Sales Planning Section from 2002 to 2007. In 2007, he served as Manager of General Administration Section of General Administration Department in Japan Gas Association. From 2010 to 2013, he was appointed as Deputy General Manager of Planning Section of Regional Development Planning Department in Tokyo Gas Co., Ltd. He then served as Chief Manager of Energy Resources Planning Section of Gas Resources Department in Tokyo Gas Co., Ltd. in April 2013 till March 2016.

He was appointed as a Director of Tokyo Gas-Mitsui & Co Holdings Sdn Bhd in April 2016.

He has attended one Board meeting in place of Shigeru Muraki for the financial year ended 31 December 2016.

AIDA AZIZA BINTI MOHD JAMALUDIN

Age 44, Female, Malaysian

Non-Independent
Non-Executive Director

DATE OF APPOINTMENT:

2 August 2013
(Alternate Director to
Yusa' bin Hassan)

Aida Aziza binti Mohd Jamaludin, graduated with a Bachelor of Accounting and Finance from the University of Lancaster, United Kingdom. She is also a Fellow of the Association of Chartered Certified Accountants of United Kingdom. She was appointed as an Alternate Director to Yusa' bin Hassan on 2 August 2013.

Aida Aziza began her career with PETRONAS in October 1996 as an executive in the Budget Department of PETRONAS Holding Company and in the ensuing years, has held various positions in the PETRONAS Group, including serving as the General Manager for the Finance and Accounts Services Division, prior to her current appointment. She is also Director of Pengerang LNG (Two) Sdn Bhd, a subsidiary of PETRONAS Gas Berhad ("PGB"), Kimanis Power Sdn. Bhd, Kimanis O&M Sdn Bhd and Pengerang Gas Solutions Sdn Bhd, joint ventures of PGB. She also sits on the Board of Gas District Cooling (UTP) Sdn Bhd and TTM Global Sukuk Berhad, both subsidiaries of PETRONAS.

Aida Aziza has acquired more than 19 years of experience in accounting and finance related assignments. She has led several Financial Reporting Standard ("FRS") and Malaysian Financial Reporting Standard ("MFRS") implementations for PETRONAS Group of Companies. She has also led the implementation of the SAP ECC6.0 for PETRONAS Holding Company.

Aida Aziza is currently the General Manager of Finance Division, PGB and responsible to lead and drive the production of statutory and management reporting, taxation, corporate finance and financial services, procurement and investors relation for PGB and its subsidiaries.

None of the Directors has:

- (i) Any family relationship with any Director and/or Major Shareholder of Gas Malaysia.
- (ii) Any conflict of interest with Gas Malaysia.
- (iii) Any conviction for offences within the past five years other than traffic offences, public sanction or penalty imposed by the relevant regulatory bodies during the financial year under review.

MANAGEMENT TEAM





1 Ahmad Hashimi bin Abdul Manap **2** Shahrir bin Shariff
3 Mohamed Sophie bin Mohamed Rashidi **4** Mohd Nisharuddin bin
 Mohd Noor **5** Mohamad Farid bin Ghazali **6** YM Raja Iskandar bin Raja
 Mukhtaruddin **7** Ikhwan Nasir bin Abdul Manaf **8** Shahrel Amir bin Mohd
 Rashid **9** Azrina binti Abdul Samat **10** Mohd Rozi bin Othman
11 Jekria bin Ibrahim **12** Mohd Daharie bin Che Din **13** Zulkifli bin Mawardi
14 Azwin binti Noh **15** Noraishah binti Mohd Radzi **16** Yanti Irwani binti
 Abu Hassan

MANAGEMENT PROFILE

AHMAD HASHIMI BIN ABDUL MANAP

Age 53, Male, Malaysian
Chief Executive Officer



Ahmad Hashimi bin Abdul Manap is the Chief Executive Officer since 12 February 2015.

As the Head of the Group, Ahmad Hashimi provides the strategic direction with full oversight on the overall business which includes but not limited to financial, commercial, operational, regulatory, stakeholders, crisis management and other administrative affairs. He has 31 years of working experience; 24 years of which are in Gas Malaysia.

Preceding to his current role, he was the Chief Operating Officer, Technical and prior to that, he was the Senior General Manager, Operations & Maintenance Department, a position he managed excellently since 1 January 2007. He had also held other pivotal positions in the Group. Before joining Gas Malaysia on 1 September 1992, he was part of the team that undertook the feasibility study for the implementation of the Natural Gas Distribution System network in Peninsular Malaysia.

Prior to that in 1989, Ahmad Hashimi worked with MMC Engineering Sdn Bhd as a Pipeline Engineer. He began his career in 1986 as a Structural/Civil Engineer in a local consulting firm.

Ahmad Hashimi is currently a Council Member of Malaysian Gas Association and a member of the Institution of Engineers Malaysia. In 2004, he attended the Advanced Management Program at Wharton Business School, USA. He holds a Bachelor of Science in Civil Engineering from Oklahoma State University, USA.

In addition to his role in Gas Malaysia Berhad, Ahmad Hashimi holds office as Chairman in Gas Malaysia Energy Advance Sdn Bhd, Gas Malaysia IEV Sdn Bhd and Gas Malaysia (LPG) Sdn Bhd. He is also a Director in Sime Darby Gas Malaysia BioCNG Sdn Bhd, Pelantar Teknik (M) Sdn Bhd, Gas Malaysia Ventures Sdn Bhd, Gas Malaysia Venture 1 Sdn Bhd, and Gas Malaysia Venture 2 Sdn Bhd.

Ahmad Hashimi holds 21,500 ordinary shares in the Company as at 31 December 2016.

SHAHRIR BIN SHARIFF

Age 52, Male, Malaysian
Director of Commercial



Shahrir bin Shariff is the Director of Commercial since 2 October 2015.

Prior to this role, he was the Chief Operating Officer, Commercial. He strategises and leads marketing and business development plans, focusing on creating opportunities for Gas Malaysia business growth. He is also involved in setting the scope of regulatory negotiations with respect to commercial viability of the tariff structure, which are aimed at enhancing the Group's profitability.

Prior to joining Gas Malaysia in October 2012, Shahrir was with MMC as a Director in the Project Development and International Business unit. His experience encompassed a wide range of project development functions.

During his seven-year tenure in MMC, Shahrir was instrumental in the start-up and development of the Jazan Economic City Project in Saudi Arabia. His other works were the development project proposals to the Government on sewerage treatment complex, a few highway projects and KL-Singapore high speed rail project.

Before MMC, he was the Chief Operating Officer in GIIG Holdings Sdn Bhd from 2002 until 2006. During this tenure, he spearheaded the Hydroelectric Power and Aluminum Smelter projects. He was also one of the key executives involved in the proposed takeover of the Bakun hydroelectric project in Sarawak.

Shahrir started his career in 1985 as a Trainee Auditor in KPMG Peat Marwick, London, before progressing to the Audit Senior position with Arthur Andersen & Co in 1990. Subsequently, he joined PETRONAS in 1992 and over the next seven years was involved in the development of KLCC and later Putrajaya.

He graduated with a Bachelor of Science in Economics and Accountancy from the City University, London in 1985. He was subsequently admitted to the membership of the Institute of Chartered Accountants in England & Wales upon completing his articleship in London in 1990. Shahrir is also a member of the Malaysian Institute of Accountants.

In addition to his role in Gas Malaysia Berhad, Shahrir also holds office as Director in the following six subsidiaries: Gas Malaysia (LPG) Sdn Bhd, Gas Malaysia Energy Advance Sdn Bhd, Gas Malaysia IEV Sdn Bhd, Gas Malaysia Ventures Sdn Bhd, Gas Malaysia Venture 1 Sdn Bhd and Gas Malaysia Venture 2 Sdn Bhd. He is also a Director in Sime Darby Gas Malaysia BioCNG Sdn Bhd.

Shahrir does not hold any shares in the Company as at 31 December 2016.

MANAGEMENT PROFILE

MOHAMED SOPHIE BIN MOHAMED RASHIDI

Age 57, Male, Malaysian
Chief Financial Officer



Mohamed Sophie bin Mohamed Rashidi is the Chief Financial Officer since 1 July 2012.

In this capacity, Mohamed Sophie manages and supervises a team of managers under Accounting & Finance department which also includes Residential Billing and Management Information System. He implements various financial plans from the Management, prompts budgetary planning and maintains suitable relations with investors and stakeholders. His professional duties has also encompassed the area of corporate financial operations.

Mohamed Sophie is relied upon to convey essential financial data to all levels of the Management and external stakeholders.

He joined Gas Malaysia as a Finance Manager on 1 September 1999 and was later transferred to MMC Corporation Berhad in 2003. In the same year, he was promoted to General Manager of Finance. Subsequently in 2008, he was reassigned to Gas Malaysia in his current position. Prior to joining Gas Malaysia, Mohamed Sophie was attached with Dewina Food Services Sdn Bhd in 1998.

Mohamed Sophie started his career with Hanafiah Raslan & Mohamad as an Audit Senior in 1983. In 1990, he joined Golden Hope Plantations Berhad as an Internal Audit Executive. Then in 1994, he joined CIMB Securities Sdn Bhd as an Executive, Institutional Business and a year later, he moved to Lang Education Sdn Bhd, a subsidiary of Land & General Berhad, as an Accountant.

He holds an Advance Diploma in Accounting from MARA Institute of Technology (now known as University Teknologi MARA). He later obtained a Master's degree in Business Administration from Universiti Kebangsaan Malaysia in 2000. He is also a member of Malaysian Institute of Accountants since 1993.

In addition to his role in Gas Malaysia Berhad, Mohamed Sophie also holds office as Director in Pelantar Teknik (M) Sdn Bhd.

Mohamed Sophie holds 16,000 ordinary shares in the Company as at 31 December 2016.



MOHD NISHARUDDIN BIN MOHD NOOR

Age 52, Male, Malaysian
General Manager, Operations & Maintenance

Mohd Nisharuddin bin Mohd Noor was appointed as General Manager in the Operations & Maintenance Department on 1 June 2014. In this capacity, he oversees and manages Gas Malaysia's gas distribution system assets which ensure continued supply of natural gas and LPG to customers whilst safeguarding safety, reliability and integrity of the gas distribution system. Prior to this, he was the General Manager in Technical Services Department, responsible for strategising the overall planning, development and execution of the Natural Gas Distribution System ("NGDS") projects.

His career began at Malaysia Shipyard and Engineering Sdn Bhd as a Graduate Trainee in 1987, where he was involved in the fabrication of process piping for the offshore oil production platform project.

Before joining Gas Malaysia, Mohd Nisharuddin was the Operations Engineer of Esso Malaysia Berhad since 1988. He was primarily responsible for providing engineering and maintenance support to the fuel terminals and the implementation of projects. Earlier in 1988, he joined Perbadanan Kilang Felda as a Mill Engineer and assumed a role as awn Assistant Mill Manager, where he primarily focused on the daily operations of palm oil mill processing fresh fruit bunches to produce crude palm oil.

He joined Gas Malaysia on 6 January 1994 as an Engineer and over a span of six years, he rose through the ranks and was appointed as the Manager, Engineering & Construction in Technical Services Department. In January 2008, he was promoted to the position of Senior Manager, Technical.

Mohd Nisharuddin completed the Management Development Program from Asian Institute of Management, Manila, Philippines in the year 2007. He also graduated from Syracuse University, New York, USA in 1987 with a Bachelor of Science in Mechanical Engineering. He holds a Certificate of Competency as the Gas Engineering Supervisor issued by Suruhanjaya Tenaga.

In addition to his role in Gas Malaysia Berhad, Mohd Nisharuddin also serves as a Director in Gas Malaysia Energy Advance Sdn Bhd and Gas Malaysia IEV Sdn Bhd.

Mohd Nisharuddin holds 15,000 ordinary shares in the Company as at 31 December 2016.



MOHAMAD FARID BIN GHAZALI

Age 51, Male, Malaysian
General Manager, Marketing

Mohamad Farid bin Ghazali is the General Manager for the Marketing Department since 1 August 2011.

On 1 December 1992, he joined Gas Malaysia as Technical Support Engineer in the Marketing Department. He was subsequently promoted to Assistant Manager of Technical Support in 1995. In 1997, he progressed to assume the Industrial Sales Manager to oversee planning and implementation of natural gas sales activities for the industrial market.

In 2011, Mohamad Farid was again promoted to his current position and is responsible for implementing the marketing objectives and plans for Gas Malaysia.

He started his career as a Service Executive with Tractors Malaysia Sdn Bhd in 1988, where he was involved in the service operations and offshore maintenance contract.

Mohamad Farid graduated from Fairleigh Dickinson University, New Jersey, USA in 1988 with a Bachelor of Science in Mechanical Engineering. He completed the Management Development Program from Asian Institute of Management, Manila, Philippines in 2009. He also holds a Certificate of Competency as the Gas Engineering Supervisor issued by the Suruhanjaya Tenaga.

Mohamad Farid holds 45,000 ordinary shares in the Company as at 31 December 2016.

MANAGEMENT PROFILE



YM RAJA ISKANDAR BIN RAJA MUKHTARUDDIN

Age 52, Male, Malaysian
General Manager, Human Resource & Administration

Raja Iskandar bin Raja Mukhtaruddin is the General Manager, Human Resource & Administration since 1 January 2012.

He joined Gas Malaysia on 1 August 1997 as an Assistant Manager in our Residential & Commercial Sales section. He was subsequently promoted to Manager of Marketing Support & Communications in 2000. Later in 2001, he was assigned a new responsibility as Industrial Sales Manager for the Northern Regional Office. Successively in 2005, he assumed the post of Industrial Sales Manager for the Southern Regional Office.

On 1 August 2007, he was made a Department Head of Human Resource Department where he was responsible for the overall function of human resource management ranging from manpower planning, compensation and benefits as well as training and development. Raja Iskandar was promoted to his current post on 1 January 2013 to lead the newly combined Human Resource & Administration Department.

He began his career in 1988 when he joined Mobil Oil Corporation (M) Sdn Bhd as a Sales Representative under its Graduate Program. He later joined Malaysia Tourism Promotion Board ("MTPB") in 1990 and was later made the Assistant Director for the MTPB Office in London, United Kingdom in 1992.

Raja Iskandar graduated in 1987 with a Bachelor of Science degree in Business Administration, majoring in Management from California State University, Sacramento, USA. In 2009, he completed the Management Development Program from Asian Institute of Management in the Philippines. He currently holds a membership as Fellow, Malaysian Institute of Management.

Raja Iskandar does not hold any shares in the Company as at 31 December 2016.



IKHWAN NASIR BIN ABDUL MANAF

Age 53, Male, Malaysian
Deputy General Manager, Gas System Management

Ikhwan Nasir bin Abdul Manaf is the Deputy General Manager, Gas System Management since 1 June 2014.

Ikhwan Nasir joined Gas Malaysia on 1 September 1992 as Project Development Engineer where he was involved in the development of the Natural Gas Distribution System in HICOM industrial area, Gas Malaysia's first NGDS network. He was later tasked to manage a few more NGDS projects as Project Manager.

He later assumed bigger responsibility within the Operations & Maintenance Department, including having purview on the operation and maintenance of NGDS facilities within the central region and taking charge of the Operation Control Centre Section.

In June 2014, Ikhwan Nasir was promoted to his current position where he is responsible for the overall management of the Operation Control Centre as well as the development, operation and maintenance of the Gas Supply and Network Monitoring System; such as Supervisory Data Acquisition System and Gas Chromatograph.

He started his career in 1990 as a Technical Assistant in Dewan Bandaraya Kuala Lumpur.

Ikhwan holds an Advanced Diploma in Civil Engineering from MARA University of Technology in 1990, as well as a certificate of Competency as the Gas Engineering Supervisor issued by Suruhanjaya Tenaga of Malaysia. Additionally, he completed the Management Development Program from Asian Institute of Management in the Philippines in 2007.

Ikhwan Nasir holds 200 ordinary shares in the Company as at 31 December 2016.



SHAHREL AMIR BIN MOHD RASHID

Age 49, Male, Malaysian
Deputy General Manager, Gas Networks & Infrastructure

Shahrel Amir bin Mohd Rashid Was appointed as the Deputy General Manager of the Gas Networks & Infrastructure Department on 1 June 2014. In this capacity, he is responsible for the management of the overall network planning and design, development and execution of the NGDS and Geographical Information System (“GIS”) projects. Parallel to the management of these projects, he plans and implements the strategic efforts in strengthening the network delivery system and enhancing the reliability of the NGDS.

He started his career in Gas Malaysia as a Pipeline Network Planning Engineer, Technical Planning Section, under the Technical & Operations Department on 1 May 1993. Subsequent to this period in 1996, riding on the Confederation of British Industry Overseas Scholarship Scheme, Shahrel Amir was attached to Ove Arup Partnership of London, an engineering consulting firm where he was involved in the planning, engineering and design of the Natural Gas Pipeline and Above Ground Installation project.

He was appointed as Technical Planning Manager in the Technical Services Department on 1 January 2001 and later promoted to Senior Manager, Technical Planning on 1 July 2012, prior to his current position.

He graduated in 1991 with a Bachelor of Engineering (BEng) in Civil Engineering, and in 1993, with Master of Engineering (MEng) in Civil Engineering, from the Kyushu Institute of Technology (“Kyutech”), Kitakyushu, Fukuoka, Japan.

In addition to completing the Management Development Programme from Asian Institute of Management in Philippines in 2011, Shahrel Amir also holds a Certificate of Competency as the Gas Engineering Supervisor issued by the Suruhanjaya Tenaga Malaysia.

Shahrel Amir holds 100 ordinary shares in the Company as at 31 December 2016.



AZRINA BINTI ABDUL SAMAT

Age 43, Female, Malaysian
Deputy General Manager, Regulatory Economics and Stakeholders Engagement

Azrina binti Abdul Samat heads the Regulatory Economics and Stakeholders Engagement Department since 2 February 2015. The department strives towards safeguarding and ensuring Gas Malaysia’s seamless transition into the IBR environment and spearheads initiatives towards the Company’s readiness for the landmark changes in the regulatory landscape with the introduction of the Third Party Access in 2017.

Prior to joining Gas Malaysia Berhad, Azrina worked with Tenaga Nasional Berhad (“TNB”) holding various portfolios including Regulatory Economics; her team spearheaded efforts towards establishing the IBR Tariff Framework which culminated in an inaugural base tariff review in 2014 as well as the Macro Policy & Pricing, both of which charted TNB’s long and medium term strategic business direction.

Her 18-year stint in TNB also showcased her capability in the area of fuel procurement management primarily in power sector’s fuel macro policies for natural gas, coal and LNG . Furthermore, her experience in the energy procurement spanned across from Power Purchase Agreements with the Independent Power Producers to international cross-border agreements with Thailand, Indonesia and Singapore.

Her versatility and her broad spectrum experience in the energy sector, particularly within the regulatory perspective, complements Gas Malaysia with the necessary capacity and capability in order to engage various key stakeholders in an environment of increasing regulatory complexity. Azrina holds a Master of Science in Engineering Management from the University of Warwick, UK as well as the Bachelor of Science in Computation from the University of Manchester Institute of Science and Technology (UMIST), UK.

Azrina does not hold any shares in the Company as at 31 December 2016.

MANAGEMENT PROFILE



MOHD ROZI BIN OTHMAN

Age 51, Male, Malaysian
Deputy General Manager, Business Development

Mohd Rozi Bin Othman joined Gas Malaysia in 16 December 1992 as Superintendent in Technical Support, Marketing section. He was subsequently promoted to Senior Executive, Industrial Sales of Marketing in 1997. Later in 2002, he was assigned to a new responsibility as Manager, Combined Heat and Power (CHP) to manage the new natural gas market in providing energy solutions to customers for the growth of natural gas business.

In 2014, he was promoted as Senior Manager, Business Development where he was responsible for the overall function in managing the activities for new businesses in accordance to the company's overall strategy in order to meet the revenue and business objectives of Gas Malaysia Berhad. As to date, three (3) Joint-Venture companies; Gas Malaysia Energy Advance Sdn Bhd for the Combined Heat and Power business, Gas Malaysia IEV Sdn Bhd for the Virtual Pipeline distribution business and Sime Darby Gas Malaysia BioCNG Sdn Bhd for the Bio Compressed Natural Gas ("BioCNG") distribution have been incorporated. In 1 January 2017, he was promoted to be the Deputy General Manager to head the Business Development Department.

He began his working life in 1988 when he joined Public Work Department. He pursued his education in the Mechanical Engineering field and graduated from University of Technology Malaysia.

Mohd Rozi holds 2,000 ordinary shares in the Company as at 31 December 2016.



JEKRIA BIN IBRAHIM

Age 54, Male, Malaysian
Senior Manager, Health, Safety, Environment & Quality

Jekria bin Ibrahim is the Senior Manager of the Health, Safety, Environment and Quality Department ("HSEQ"). In this capacity, he initiates, formulates and implements the HSEQ Management Systems. As the expert on matters concerning HSEQ, he is responsible to ensure that Gas Malaysia comply with all pertaining regulations and statutory requirements.

Jekria joined Gas Malaysia on 1 April 1999 as Manager, Occupational Safety & Health Department ("OSH"). After heading the department for five years, the Management in 2004 decided to make OSH functions more holistic and infuse the quality and environmental functions and subsequently adopted the department's present name. In July 2012, he was promoted to the position of Senior Manager, HSEQ.

Prior to joining Gas Malaysia, Jekria was employed by Amoco Chemical (M) Sdn Bhd ("Amoco") in Kuantan as Safety Officer from February 1995 where he was responsible to set up and manage its OSH Management System. Preceding Amoco, he assumed the role of Safety Officer and later Technical/Safety Trainer position in Shapadu Energy & Engineering Sdn Bhd, which involved in offshore platform maintenance services; both functions were for the period between October 1992 and January 1995.

Jekria started his career in 1981 when he joined Sabah Shipyard Sdn Bhd in Labuan as Safety Promoter. He later progressed to accept the position of Safety Foreman in ASEAN Bintulu Fertilizer Sdn Bhd, a subsidiary of PETRONAS, in November 1987.

Jekria does not hold any shares in the Company as at 31 December 2016.



MOHD DAHARIE BIN CHE DIN

Age 47, Male, Malaysian
Senior Manager, Procurement & Contract

Mohd Daharie bin Che Din is the Senior Manager for the Procurement & Contracts Department since 1 July 2012.

Mohd Daharie joined Gas Malaysia on 3 February 1997 as Contract Executive and was subsequently promoted to Senior Contract Executive in 2000, Assistant Manager in 2002, Acting Manager in 2007 and Manager of Procurement & Contracts in 2011. As the Head of Department, he was responsible for the Procurement, Contracts and Warehouse sections.

He started his career in 1990 when he joined Yusof and Hoe Associates Jurukur Bahan as a trainee Assistant Quantity Surveyor as part of Industrial Training program. In 1991, he joined Jurukur Bahan Perdana as Assistant Quantity Surveyor before furthering his studies at Glasgow Caledonian University. Upon his graduation in 1995, he joined RM Associates as Quantity Surveyor.

Mohd Daharie graduated from Glasgow Caledonian University, Glasgow, Scotland in 1995 with a Bachelor of Science in Quantity Surveying. He had earlier obtained his Diploma in Quantity Surveying in 1991 from University Teknologi MARA (formerly known as MARA Institute of technology).

Mohd Daharie does not hold any shares in the Company as at 31 December 2016.



ZULKIFLI BIN MAWARDI

Age 46, Male, Malaysian
Senior Manager, Corporate Affairs

Zulkifli bin Mawardi is the Head of Corporate Affairs Department since 22 April 2013. In this capacity, he strategises and manages investor relations and corporate communications plans, whose implementation is aimed at providing accurate portrayal of Gas Malaysia's performance and prospects, creating conditions for fair assessment of its value and marketability, as well as for favourable awareness and perception by all stakeholders.

Prior to joining Gas Malaysia Berhad in April 2013, Zul was an Investment Manager licensed by the Securities Commission, undertaking research and portfolio management functions in various investment banks and firms. His last tenure was with AmMetLife Berhad, preceding which, he was with KAF Fund Management, CIMB Private Banking, Citibank Berhad, Libra Invest Berhad and AmInvestment Management Sdn Bhd.

Through his working experience in the investment industry, he brings with him the aptitude required to effectively communicate the message and appeal of Gas Malaysia Berhad to the investment community.

Zulkifli holds a Bachelor of Science in Statistics with High Distinction from the University of Illinois at Urbana-Champaign, USA.

Zulkifli does not hold any shares in the Company as at 31 December 2016.

MANAGEMENT PROFILE



YANTI IRWANI BINTI ABU HASSAN

Age 39, Female, Malaysian
Company Secretary

Yanti Irwani binti Abu Hassan was appointed as the Joint Company Secretary of Gas Malaysia on 20 March 2013. She is a member of the Malaysian Association of Company Secretaries and holds a Bachelor Degree in Corporate Administration from MARA University of Technology in 1999.

Yanti Irwani started her career at Tenaga Nasional Berhad as an Assistant Company Secretary in 2001. She subsequently joined Puncak Niaga Holdings Berhad from the year 2007 until September 2010, before joining Pharmaniaga Berhad.

With the experience thereby acquired she made a strategic career move and joined MMC Corporation Berhad, a holding company of Gas Malaysia Berhad in September 2012 following which she was appointed as the Joint Company Secretary of Gas Malaysia on 20 March 2013. October 2015, was another milestone in her career progression, as she was appointed to her current position as a full time in house Company Secretary, responsible for company secretarial services for Gas Malaysia Group.

Yanti Irwani does not hold any shares in the Company as at 31 December 2016.



NORAISHAH BINTI MOHD RADZI

Age 45, Female, Malaysian
Head, Legal & Compliance

Noraishah binti Mohd Radzi heads the Legal & Compliance Department of Gas Malaysia Berhad since 14 February 2017. She has accumulated 21 years of working experience in various corporate and operations functional roles mainly in legal, corporate affairs, human resources management and procurements.

Prior to joining Gas Malaysia Berhad, she was the Head of Group Legal, DRB-Hicom Berhad. Her more than 16 years in DRB has exposed her to various legal aspects such as merger and acquisition, corporate exercises, banking and fund raising exercises, land matters, joint ventures, commercial, technical and operational agreements, construction, disputes and litigations and providing advice in respect of various legal matters.

In that respect, she was also competent in executing other responsibilities delegated to her beyond the capacity as the head of legal. She was involved in several highly valued business exercises playing the role as the head of procurement and a proficient negotiator in relation to collective bargaining with trade unions.

She holds Master in Comparative Laws from International Islamic University as well as Bachelor of Laws from the same university. She was called to the Bar in October 1996.

Noraishah does not hold any shares in the Company as at 31 December 2016.



AZWIN BINTI NOH

Age 39, Female, Malaysian
Manager, Internal Audit

Azwin binti Noh is the Manager, Internal Audit Department since 5 January 2015. In this capacity, she leads the independent audit exercise for the Group's operations to reasonably ensure the adequacy and effectiveness of its governance, risk management and internal control processes. Reporting to the Audit Committee, she is also tasked to enhance the internal audit standards and practices within the Group.

Prior to joining Gas Malaysia Berhad, she was the Head of Group Internal Audit Department of Amanah Raya Berhad ("ARB") for 6 years. Playing a pivotal role in improving the audit practice and making it more conducive to conduct audit and implement recommendations, Azwin had successfully built relationships with the Head of Departments; assisting them understand issues and identify areas for operational improvements. She also provided support in adhering to regulatory requirements, kept abreast of developments in Corporate Governance practices and advised the Management accordingly.

She started her career with a public accounting firm as an Audit Assistant in 2001. In 2003, she joined Malaysia Building Society Berhad as an Internal Audit Executive.

Azwin holds a Master in Business Administration from the University of Sunderland, United Kingdom as well as a Bachelor of Accounting (Honours) from the International Islamic University, Malaysia. She is a Fellow of the Association of Chartered Certified Accountants ("FCCA") United Kingdom, a member of Malaysian Institute of Accountants ("MIA") and a Chartered Member of The Institute of Internal Auditors Malaysia ("CMIIA").

Azwin does not hold any shares in the Company as at 31 December 2016.

None of the Management has:

- (i) Any family relationship with any Director and/ or Major Shareholder of Gas Malaysia.
- (ii) Any conflict of interest with Gas Malaysia.
- (iii) Any conviction for offences within the past five years other than traffic offences, public sanction or penalty imposed by the relevant regulatory bodies during the financial year under review.

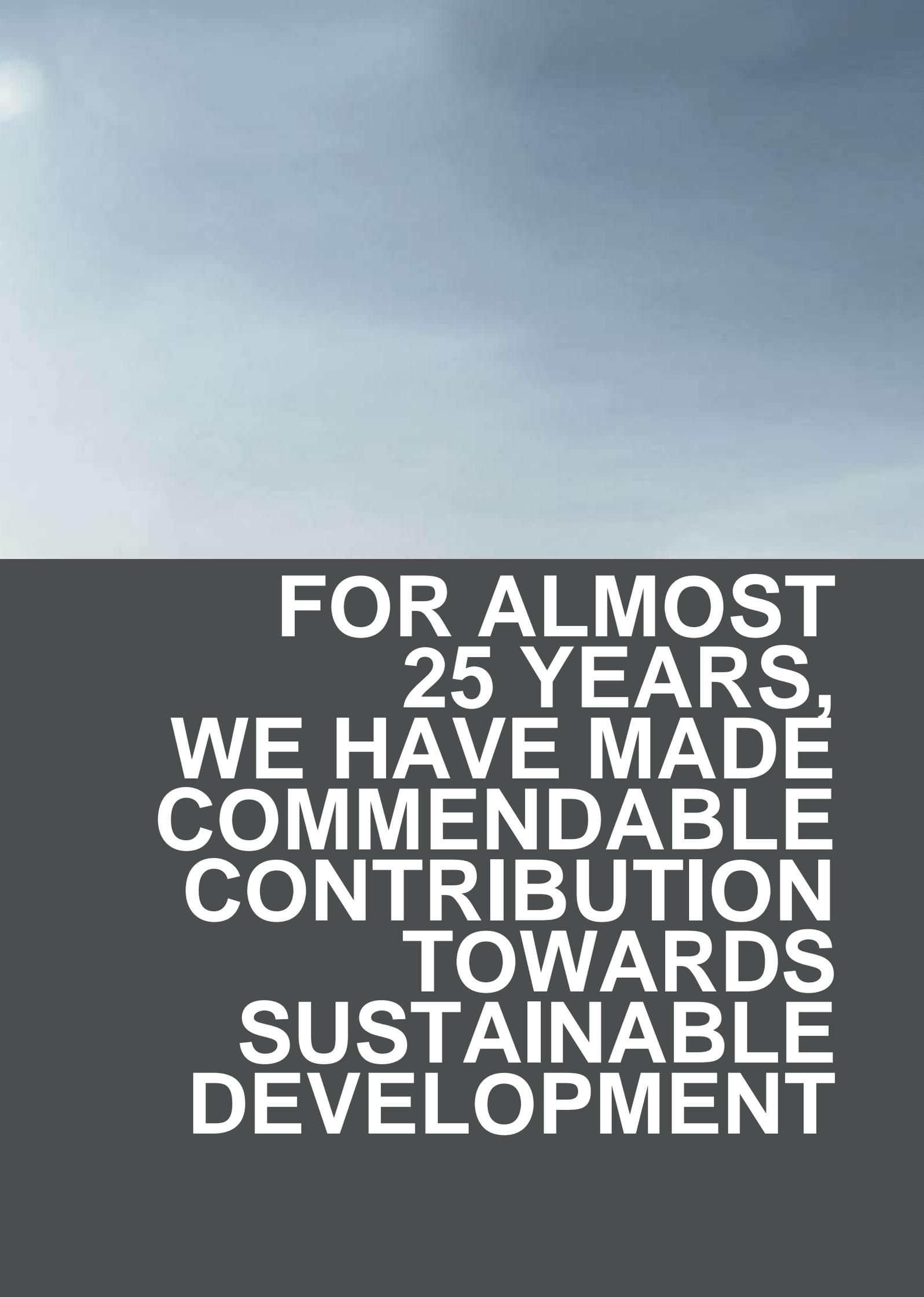


LEADING



CHANGE

TOWARDS SUSTAINABILITY

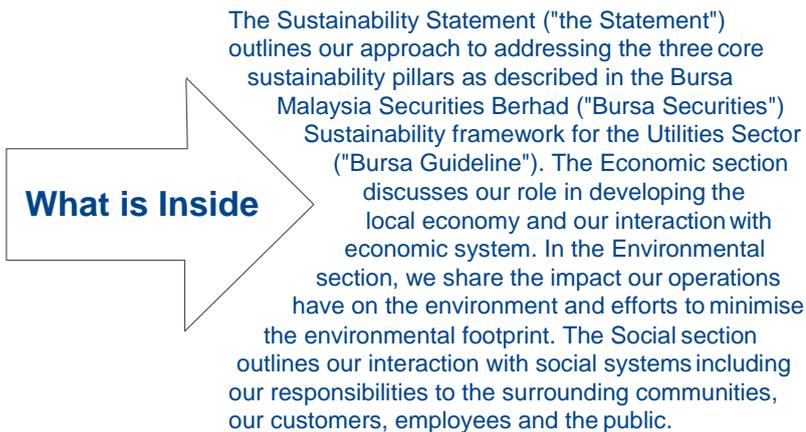


**FOR ALMOST
25 YEARS,
WE HAVE MADE
COMMENDABLE
CONTRIBUTION
TOWARDS
SUSTAINABLE
DEVELOPMENT**

SUSTAINABILITY STATEMENT

We understand that the realities of stakeholder expectation have changed:

stakeholders are increasingly interested in understanding the approach Gas Malaysia Berhad (“Gas Malaysia” or “the Company” or “the Group”) takes in managing economic, environment and social risks & opportunities. Our customers, investors, regulators and business partners, as well as the community in which we operate, have become more aware of the impact our business has on them.



Reporting Scope

The Statement covers the entire organisation and its subsidiaries and includes quantitative and qualitative data relevant to sustainability reporting.

Reporting Period

1 January 2016 to 31 December 2016.

Reporting Cycle

Annually

Principle Guidelines

Bursa Guideline

OUR SUSTAINABILITY JOURNEY

As we celebrate our 25th anniversary, we would like to take this opportunity to present our sustainability journey.

Over the past 25 years, we have made commendable contributions towards sustainable development – a concept that advocates the utilisation of resources in a manner that generates economic growth for the Company, creates social benefits and at the same time minimises the impact on the environment.

In line with our mission, we provide the cleanest, safest, cost effective and reliable supply of gas to industrial, commercial and residential sectors. 25 years ago, if you had gone to major industrial areas during the day, chances are you would see factories producing large amount of smoke into the atmosphere. The toxics chemicals in the smoke would form smog and fall to the ground in the form of acid rain and consequently contaminate the soil and the water.

Now, fast forward 25 years, after Gas Malaysia started supplying natural gas to these factories, emission of environmental pollutants has reduced and the occurrence of acid rain has declined. Furthermore, because natural gas also emits lower carbon dioxide (“CO₂”) compared to other fossil fuels, our business activities have contributed to lower CO₂ emission into the atmosphere.

We continue to lead on sustainable practices by providing innovative value-added energy solutions. The nature of our new ventures business activities allows us to innovate, whilst addressing the environmental challenges our generation is facing.

For instance, the Combined Heat and Power (“CHP”), which is a mini power generation system with heat recovery, boasts high thermal efficiency, resulting in lower Greenhouse Gas (“GHG”) emission compared to a conventional power plant — a win-win situation for our clients and the environment. Through Virtual Pipeline and Bio Compressed Natural Gas (“BioCNG”), we also address other issues pertaining to sustainable development such as supply availability and reliability, all whilst creating new demand for cleaner energy.

When you think about it, at Gas Malaysia, our vision and mission are in fact, the enablers for sustainability.

As part of the gas industry liberalisation, the Incentive Based Regulation (“IBR”) framework introduces a more efficient and sustainable tariff structure that help ensure earnings stability and certainty. As for our customers, the framework avails to them efficient pricing for natural gas.

Gas Malaysia enhances its commercial potential by diversifying into the aforementioned new ventures, namely, the CHP, Virtual Pipeline and BioCNG. The diversification offers economic opportunities as it complements the regulated distribution business.

On a different note, we ensure that our business contributes to the community too, by initiating and supporting charitable causes. We support programmes that improves the quality of lives of those who are mentally challenged, children with cancer and those with renal disease.

Our responsibility to society is as important as it is to our employees. We strive to provide a conducive working environment for our employees, offer them challenges and opportunities for their career advancement, afford them competitive compensation and benefits, as well as development training. Our goal is to have a strong employer brand, fitting for our employee – our greatest asset.

Moving Forward

As our business continues to expand, we shall continue to evaluate the impact of economic, environmental and social risks and present respective opportunities in ensuring long term growth whilst charting sustainability for the Group.

MATERIALITY MATTERS

Driving Sustainability

In 2016, we formed a Sustainability Reporting Committee ("SRC") to assist us in our corporate sustainability reporting. The SRC is chaired by our Chief Executive Officer, Encik Ahmad Hashimi Abdul Manap, and reports to the Risk & Compliance Committee. As the SRC mirrors the organisational chart of the Company, it includes representatives from all departments.

Information on the Company's organisational chart can be found at <http://www.gasmalaysia.com/index.php/about-gas-malaysia/corporate-information/organisational-chart>

The SRC addresses issues, develop and refine strategies, and evaluate progress towards established sustainability goals and targets. The SRC looks for ways to improve performance in areas that impact all stakeholders, helping the Company meets its long term responsibilities.

In coming up with the statement, materiality assessment was undertaken. We commissioned a materiality survey to identify sustainability topics that matter to our stakeholders as well as examined the most relevant issues for Gas Malaysia. The materiality survey evaluated 30 sustainability areas under the economic, environment and social pillars.

The Methodology

A comprehensive materiality survey was conducted in the last quarter of 2016. The entire process was handled by an external consultant, to ensure impartiality and protect the anonymity of the respondents.

Stakeholder Groups Participating in the Materiality Survey



Business Partners



Customers



Management/ Employees



Regulators



Shareholders (Investors & Analysts)



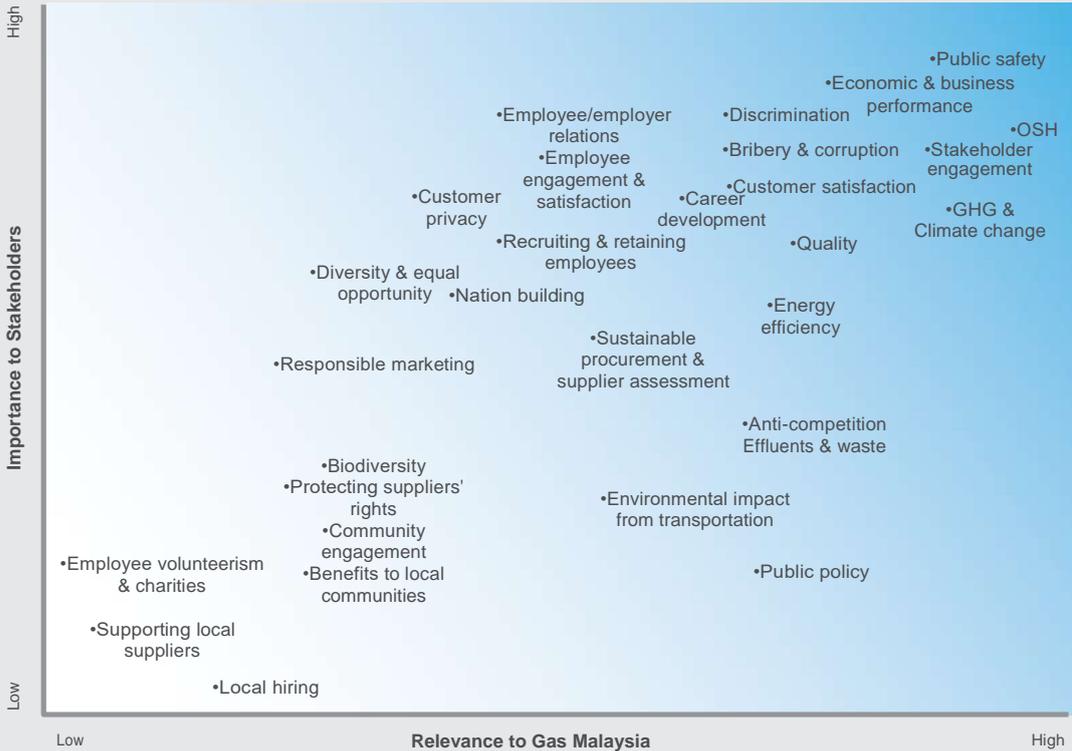
Supplier and Contractors

Respondents were asked to indicate how important each sustainability area was, from a scale of 'very unimportant' (1) to 'very important' (5) with (3) being neutral.

A similar survey was completed by the members of the Board whose responses represented Gas Malaysia.

The Results

The results of the materiality survey are depicted in the chart below. The topics mapped in the rightmost quadrant of the chart are most relevant for both Gas Malaysia and all its stakeholders and are therefore discussed more extensively.



Our approach to materiality provides a deeper understanding of the Company’s materiality matters, which allows us to narrow down to areas that are closely linked to our business and operations. All topics which appear in the chart carry certain level of importance to our stakeholders and the Company. The level of disclosure for most material issues which appear at the top right hand corner of this chart is more extensive than those for others.

Based on the combined highest scores, the result of our materiality survey shows that the top five materiality matters are:

- 1



Public safety
- 2



Occupational Safety & Health (“OSH”)
- 3



Economic & business performance
- 4



Stakeholder engagement
- 5



GHG & climate change



ECONOMIC

Gas Malaysia has made a significant contribution to the economic development of the gas industry by **building natural gas infrastructure** and **providing innovative and reliable energy solutions.**

At Gas Malaysia, we support the national agenda by embracing our vision that is to be an innovative value added energy solutions provider and carrying out our mission that is to provide the cleanest, safest, cost effective and reliable energy solutions to the nation. Gas Malaysia has made a significant contribution to the economic development of the country by building natural gas infrastructure and providing innovative energy solutions and reliable supply of gas with service excellence to our customers.

Our Natural Gas Distribution System ("NGDS") network, which is now over 2,000 kilometres in length, supplies the competitively priced natural gas to all major industrial areas, hence driving the economic growth of the nation.

For customers who are remotely located from the NGDS network, we avail natural gas supply to them via land transportation such as that in our Virtual Pipeline and BioCNG businesses. This effort has further helped create new demand for natural gas.

Advancing the Industry through Active Engagement

Gas Malaysia is committed to engaging constructively and responsibly in the industry in numerous ways such as participating in forums and discussions, being members of associations and participating in outreach activities with the Company's stakeholders.

By engaging with our respective stakeholders, we are able to anticipate, identify and understand the key issues that may affect our industry. Through our active engagement, we strive to shape regulatory outcome and advance the industry by contributing our views and expertise.

As a result of our engagement with the Suruhanjaya Tenaga ("ST"), we have a much more structured and efficient tariff structure for our distribution business, benefiting both our customers and the Company.

We have also taken part in discussions and engagement sessions with ST and local authorities on safety regulations.

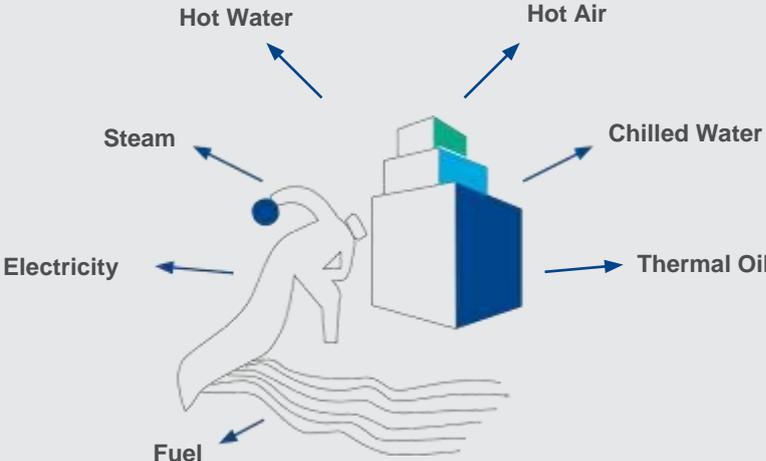
In addition, on a regular basis, we collaborate with other utility companies to raise awareness of safety guidelines with respect to working within the vicinity of our gas pipeline and facilities. This is to ensure no disruption of services.

We build a **strong market presence** and brand by taking part in industry-related discussions, forums and events. Our **continuous engagement** ensures we learn from other players, business partners and industry experts.

Building the Nation through Innovative Energy Solutions

CHP is an efficient and clean approach to generating electric power and useful thermal energy from a single fuel source with lower priced natural gas.

Combined Heat and Power

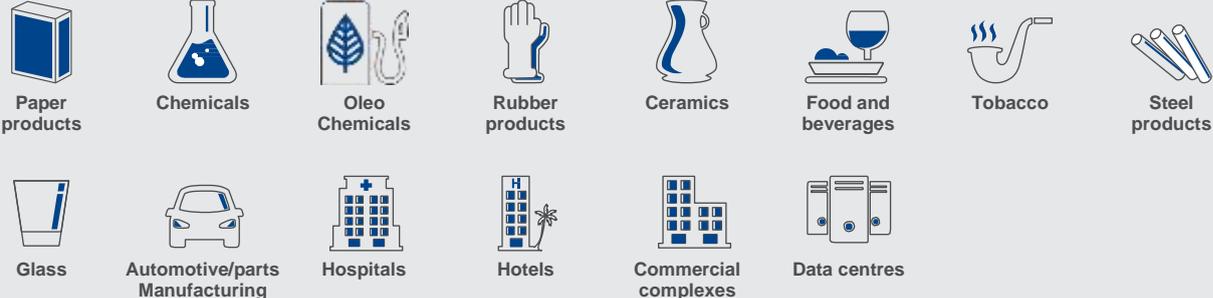


Single Fuel Producing Multiple Energy

Benefits of CHP

- Reduce conventional infrastructure & competitive operating cost
- Reduce total utility bill
- Ensure reliability and efficiency of energy supply
- Reduce CO₂ emissions by about 30%

Industries That Stand to Benefit Most From CHP





ENVIRONMENT



Climate change is one of the biggest environmental challenges facing our society today. In keeping the impacts of our business activities on the environment at the minimum, we observe the value of eco-efficiency. Eco-efficiency promotes the improvement in economic benefits of energy savings. In so doing, we can work towards not only reducing our GHG emissions but also lowering production costs.

The Environmental Benefits of Switching to Natural Gas

Natural gas offers significant climate change benefits as carbon dioxide emissions from natural gas are about half those of coal, resulting in both immediate and long term benefits for public health and the environment.

Natural gas advantages over other fuels include the following: it has fewer impurities, it is less chemically complexed and its combustion generally results in less pollution. Therefore, using natural gas produces less CO₂ emission and environmental pollutants.

Tackling the Issue of Global Warming

There is no single solution to global warming, which is primarily a problem of too much heat-trapping gas such as CO₂, methane, nitrogen oxide and sulfur dioxide in the atmosphere. In addressing of this situation, the Government had re-pledged to achieve 45% reduction in CO₂ emission by 2030.

For the last 25 years, Gas Malaysia have been supporting the national agenda of reducing GHG. Besides promoting the use of natural gas, which is the cleanest version of fossil fuel, we have also been promoting efficient energy solutions which has vast potential to save energy, money and most important of all, our environment.

The approaches that we have taken thus far in promoting energy efficiency are as follows:

- 1 Promoting the use of natural gas;
- 2 Promoting the use of CHP; and
- 3 Promoting the use of BioCNG.

Natural Gas – Source of Cleaner Energy

As already mentioned in the previous section, natural gas offers significant climate change benefits as it emits up to 50% less carbon dioxide compared to other fossil fuels.

Natural gas, as the cleanest of the fossil fuels, can be used in many ways to help reduce the emissions of pollutants into the atmosphere. Burning natural gas in place of other fossil fuels emits fewer harmful pollutants.

CHP – Conserving the Environment

As discussed earlier, since CHP system uses energy sources more efficiently, it reduces the overall burning of fossil fuels. This increases the overall efficiency of the power supply system, hence leading to lower environmental impact.

BioGas – Reducing Malaysia's Global Warming Potential

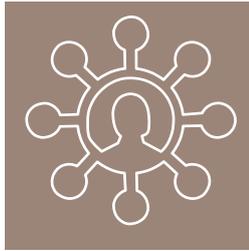
As we cope with increasing energy demand and rising fuel costs, the need to seek out alternative and cleaner energy looms even larger.

Many palm oil mills in Malaysia have anaerobic digester to generate biogas, providing huge source of renewable energy with the potential to create viable revenue stream. The mills also play a major role in addressing the issue of global warming. Via biogas trapping facilities at the mills, methane can be purified and subsequently used as energy.

If not captured, methane can be 22 times more hazardous than CO₂ in terms of trapping heat in the atmosphere, which subsequently causes global warming.

Our BioCNG project, which is undertaken by the joint venture company, undertakes the BioCNG distribution business via land transportation, for customers that are currently not served by NGDS.

By creating demand for BioCNG via biogas upgrading and methane capture, we tackle the issue of global warming.



SOCIAL

The social section of this report highlights our progress in delivering social commitment to our stakeholders. Following the Bursa Guideline, this section has been divided into four sub-sections of product responsibility; society; labour practices and decent work; and human rights.



PRODUCT RESPONSIBILITY

Ensuring Public Safety through Safe Operations

The Company is committed to managing our operations in a way that protects the safety, security, and health of our employees, customers and the public, as well as the integrity of our assets. We do this in a responsible, reliable and safe manner that meets regulatory requirements. We believe that this approach is essential to creating superior and sustainable value to our business.

Public safety is prioritised during any construction or maintenance work. The work is carried out in accordance with the respective Standard Operating Procedure.

Pipeline Safety

As part of our comprehensive preventive maintenance programme, the gas pipeline is inspected daily for signs of potential leaks or other abnormalities. Our systematic approach also helps detect third party activities in the vicinity of the gas facilities.

Gas Malaysia's pipeline can be identified by a Pipeline Warning Marker ("PWM") that is placed at approximately every 50 metres (concrete) and every 500 metres (sign board) along the pipeline. PWMs are installed by the contractor and maintained by Operations & Maintenance personnel.

Cathodic Protection ("CP") Inspection

CP forms part of our asset integrity management to protect against corrosion, so as to ensure supply reliability to our customers.

Business Continuity Management

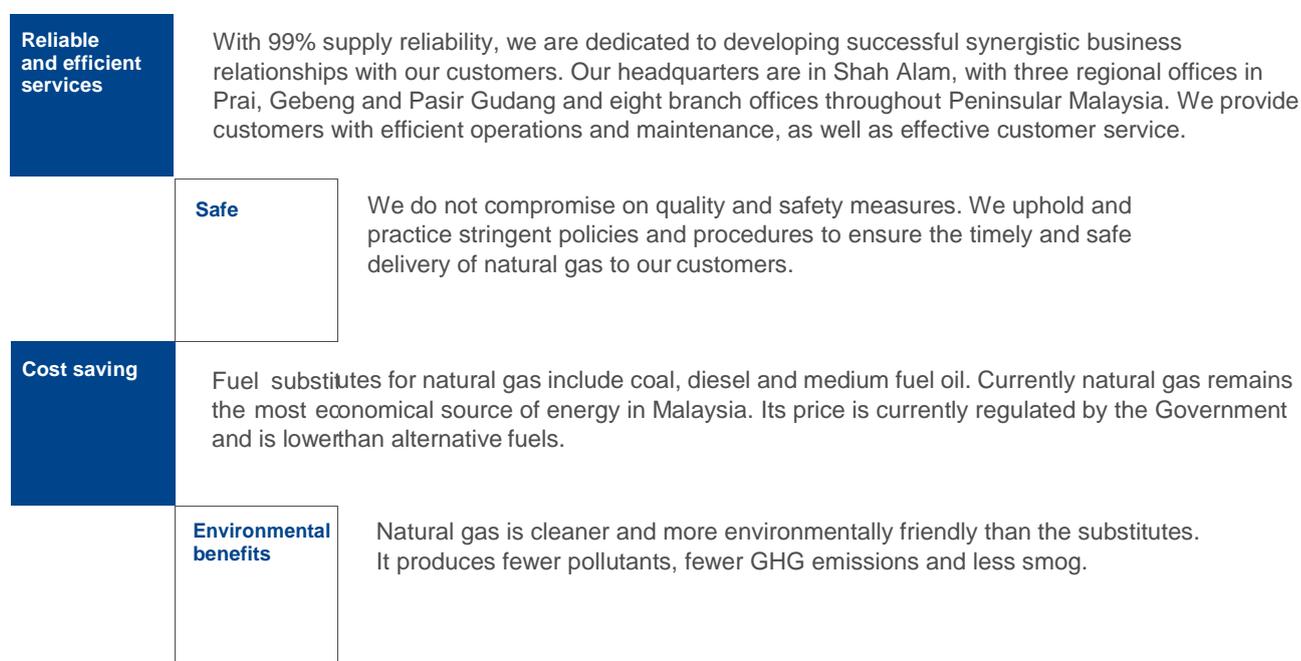
Driven by the mission to provide the cleanest, safest, cost effective and reliable energy solutions to the nation, Gas Malaysia pursues optimal development of strategies, plans and actions that provide protection for those activities or business processes which, if they were to be interrupted, might otherwise bring damage or potentially fatal loss to the Company.

We have in place a comprehensive Business Continuity Management ("BCM") plan, developed to achieve our business objectives by minimising the impact of any untoward incident on employees, business partners, local community and environment. This is to ensure that crucial business functions are able to be performed even in an emergency situation.

Delivering Reliable Service

Delivering services with superior quality is more than a matter of Company's pride; we believe it is also both environmentally responsible and economically sensible. Accordingly we have evolved a company-wide culture that is focused intensely on quality. Our journey towards quality excellence shown below involves hundreds of small procedures and practices, many of which far exceed industry standards.

Our commitment to quality and excellence surrounds four core areas including reliable and efficient services, safe, cost saving and environmental benefits.



Managing the Risk of Supply Interruption

We take proactive measures in minimising the risk of supply interruption by implementing measures which help to ensure a continuous and stable supply of gas to our customers. These measures are as below:

- Daily pipeline inspection
- Repair and troubleshoot
- Third party management
- Managing risk of supply interruption
- Emergency response
- Preventive maintenance
- Supply performance indicator

PRODUCT RESPONSIBILITY

Responsible Pricing

Gas Malaysia activities are governed by the Gas Supply (Amendment) Act 2016 and Gas Supply Regulations 1997. These Acts also protect customers through:

- Efficient tariffs and other terms of supply
- Reliability of gas supply
- Gas supply availability

In addition to these Acts, the Government had recently introduced the IBR framework for the natural gas sector, which governed on a trial basis our distribution business from 1 January 2016 until 31 December 2016. The IBR framework is a form of economic regulation that encourages Gas Malaysia to improve its operational and financial performance while regulating the natural gas tariff.

It protects the interests of all stakeholders in the gas industry. It also covers aspects of safety, economy, reliability, quality and efficiency.

The cost efficient tariff structure, which is embedded in the IBR framework, provides tariff certainty and helps our customers forecast their costings and plan for their consumption. It also provides earnings clarity and certainty for the Company.

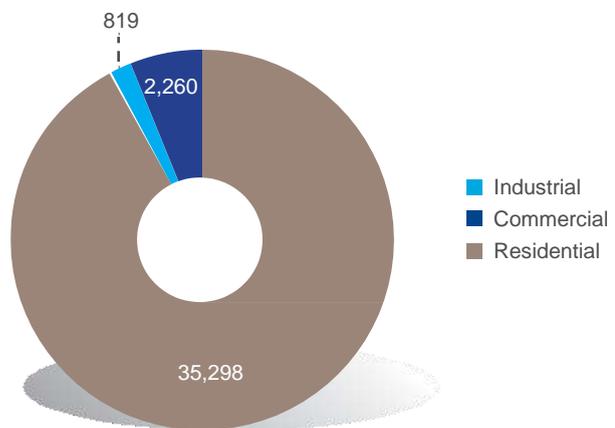
Our Customer Growth

We leverage on our knowledge of market needs and unique capabilities to increase our industry presence. Our customer growth relies on the success of our customer engagement strategies in balancing the customer's experience with our service and their business requirements.

In 2016, our customer base which is represented by the industrial, commercial and residential sectors, stood at 38,377.

In terms of numbers, residential customers form the majority of our customers' base (92%), followed by commercial (5.9%) and industrial (2.1%). However, though the percentage of our industrial customers is only 2.1%, they accounted for 99.1% of Gas Malaysia's total gas volume contribution.

Customer Breakdown by Business Sector



Gas Malaysia's Industrial Customer Growth in 2016



Customer-First Culture

We are committed to providing the highest standard of customer experience. We have established a customer care unit that provides customers with all the necessary help and assistance they need. The customer service team is responsible for:

- Delivering excellent service by responding to customers' needs and requirements in a timely and courteous manner;
- Resolving any pertinent issues to a high standard within a set timeframe;
- Providing a friendly and efficient service with a dedicated executive or engineer being assigned to every customer to ensure a consistent level of service; and
- Listening to customers' requirements and comments to allow us to continually improve the service we provide.

We welcome and respond to feedback, whether it is a compliment, suggestion or complaint.

Our customer care unit is operated from 9:00 am to 5:00 pm by a specialised department dedicated to handling feedback efficiently.

Our Operations Control Centre, which operates around the clock, is a focal point in emergency cases. Day-to-day responsibilities include:

- Handling emergency calls;
- Providing an appropriate response during emergency;
- Attending and replying to enquiries on gas facilities;
- Providing daily gas information to customers; and
- Monitoring gas pressure and daily off-take.



How to Reach Us

customer service hotline

1-300-88-4276

24-hour toll-free number

1-800-88-9119

PRODUCT RESPONSIBILITY



Full Compliance with the Law and Regulations

Responsible corporate governance covers adherence to laws, regulations and standards, and also requires a stringent compliance system. We have defined strict rules and guidelines for our employees across the entire spectrum of our areas of activity. Through our conformity with the law, we ensure that the Company, its shareholders, clients, employees and the public are protected as comprehensively as possible.

Compliance Obligations

Petroleum Development Act 1974	Factories & Machinery Act 1967	Petroleum Safety Measures Act 1984	Gas Supply (Amendment) Act 2016	
Occupational Safety & Health Act 1994	Employment Act 1955	Environmental Quality Act 1974	Bursa Securities Main Market Listing Requirements	Gas Supply Regulations 1997



SOCIETY

Our Focus Areas in 2016

Giving back to communities is an important part of our company ethos, especially in locations that are closest to our operations. This philosophy complements our community tagline of 'improving the quality of life. Three main focus areas have been identified. These focus areas provide structure to our community programme and ensure that we support those, in which we can make a difference.

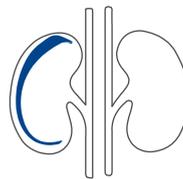
Focus Areas for Community Programmes



Mentally Challenged



Paediatric Cancer



Renal Disease

We are **committed to making a meaningful contribution** to society through engagement and advocacy of important issues.



We aided **SAMH** in providing support for the mentally challenged.

Mentally Challenged

The Selangor & Federal Territory Association for the Mentally Handicapped ("SAMH") provides education and training programmes to children and adults with mental disabilities. This non-profit voluntary organisation grew from a humble beginning of four children and one teacher. Currently, SAMH operates from three buildings in the Klang Valley and supports 350 children and adults with various types of mental disability.

SAMH's primary aim is to provide education and training programmes for mentally challenged children and adults. The programme helps them be as independent as possible. It is hoped that our support for SAMH's causes will help improve the quality of life of these mentally challenged individual in its care.

SOCIETY

Paediatric Cancer

Cases of paediatric cancer in Malaysia are rising at an alarming rate. According to the National Cancer Registry Report (Malaysian Cancer Statistics, 2007), the most common cancers in children below 14 years old are leukaemia, brain cancer and lymphoma. Generally, factors that can trigger cancer in children are different from adults. Paediatric cancer often results from abnormalities in the DNA. These abnormalities occur early in the child's life, sometimes before the child is even born.



We donated to the National Cancer Society to help fund its mission of providing education, care and support to patients, caregivers and the public.

Renal Disease

More and more Malaysians are diagnosed with kidney failure each year. With the rising prevalence of diabetes mellitus and hypertension in Malaysia, not surprisingly, there are currently so many Malaysians being diagnosed with chronic renal disease. Many of whom have to be on dialysis.

Gas Malaysia contributed to An-Nur Dialysis Centre, in support of its cause in providing care for those in need of dialysis treatment.



Zakat Distribution

We also executed our obligatory duty via zakat contribution to various schools, mosques as well as underprivileged individuals.

Our Ethical Conduct in the Society

Gas Malaysia is firmly opposed to corruption in all forms and follows the highest ethical business standards. All employees are responsible for understanding the important legal and ethical issues that affect our business and must act with integrity at all times. Integrity covers both the spirit and the letter of the laws and the regulations that govern our industry.

Gas Malaysia's ethical business conduct commits us to conducting business fairly, impartially and in full compliance with applicable laws and regulations. We operate with integrity and honesty in all our business relationships internally and externally. Our employees are required to complete training about Gas Malaysia policies and procedures. Various policies, procedure and guidelines are in place to ensure the Company's compliance to all relevant laws and regulations.



LABOUR PRACTICES AND DECENT WORK

Creating value for employee is an important part in driving the company and delivering its success. Our approach is to have a fair and inclusive organisation where our employees' personal and professional aspirations are met while creating value for the shareholders.

Providing a Safe Workplace

Quality and productivity are our primary goals; however, the safety of our personnel or project sites is never compromised to achieve them. Our commitment towards OSH extends beyond our employees to include our entire team of contractors, subcontractors, suppliers, vendors and industry partners. All persons working on site must adopt our OSH safety guidelines and we strive to achieve a workplace that is free from incidents each day. We are guided by our Health, Safety, Environment & Quality ("HSEQ") policy.

Safety and Health Commitment

A safe and healthy work environment is a basic requirement for safeguarding the wellbeing of all employees. Adopting occupational health and safety best practices helps us improve our overall performance. Our commitment to safety and health objectives along with our achievements are presented below.



Commitment

- Safety and health committee meeting once every three months with minutes being kept for a minimum of seven years
- Notification and reporting of accidents and dangerous occurrences to State Department of Occupational Safety and Health ("DOSH") with records being kept for at least five years
- Conduct continuous education programme for employee representatives in the safety and health committee



Objectives

Maintain zero non-compliance with OSH Act 1994, Environmental Quality Act 1974 and related regulations



Achievements to Date

- Four safety and health committee meetings were held in January, April, July and October 2016
 - No reportable incidents occurred in 2016
 - Three continuous education programmes conducted in 2016
-
- Continue to conduct building evacuation drills for HQ as well as regional and branch offices
- To maintain building evacuation timing within 3-minutes as per Jabatan Bomba & Penyelamat Malaysia, standard for low rise building
- Four evacuation drills were conducted in 2016:
 - At HQ on 16 May 2016
 - At Southern Regional Office on 14 September 2016
 - At Eastern Regional Office on 18 August 2016
 - In KL Branch Office on 17 February 2016

LABOUR PRACTICES AND DECENT WORK



Commitment

- Periodic inspection and maintenance of PA system and other fire safety installation facilities



Objectives

To ensure functionality of emergency facilities



Achievements to Date

- Regular functional testing of the PA system as per schedule

- Conduct HSE workplace inspection (including at Joint Venture (“JV”) companies worksite)
- Conduct HSEQ induction to all new temporary and trainee employees
- Conduct OSH awareness training for selected personnel of Operations & Maintenance (“O&M”) Department

Striving for ZERO:
Lost Workday Case (LWC)
Discrepancy rate

- 367 inspections were conducted at Gas Malaysia sites, and four inspections at our JV and subsidiary companies
- 20 induction sessions were conducted for new employees, one for temporary staff and one for practical students
- Two OSH awareness training sessions were conducted for O&M employees

- Conduct HSEQ Internal Audit and 2nd Party Audit (contractors and vendors)
- Reviewing and revising related SOPs to meet current practices
- Conduct ISO & OHSAS Management Review meeting
- Conduct evaluation of legal compliance

Effective implementation and continual improvement of HSEQ Management System (HSEQ MS) – ISO 9001, ISO 14001 and OHSAS 18001

- 28 internal audits were conducted
- 7 second party audits were conducted
- 12 procedures were reviewed in 2016
- Two ISO/OHSAS Management System Review meetings were held
- Evaluation completed in August 2016

Reviewing Our Employees' Performance

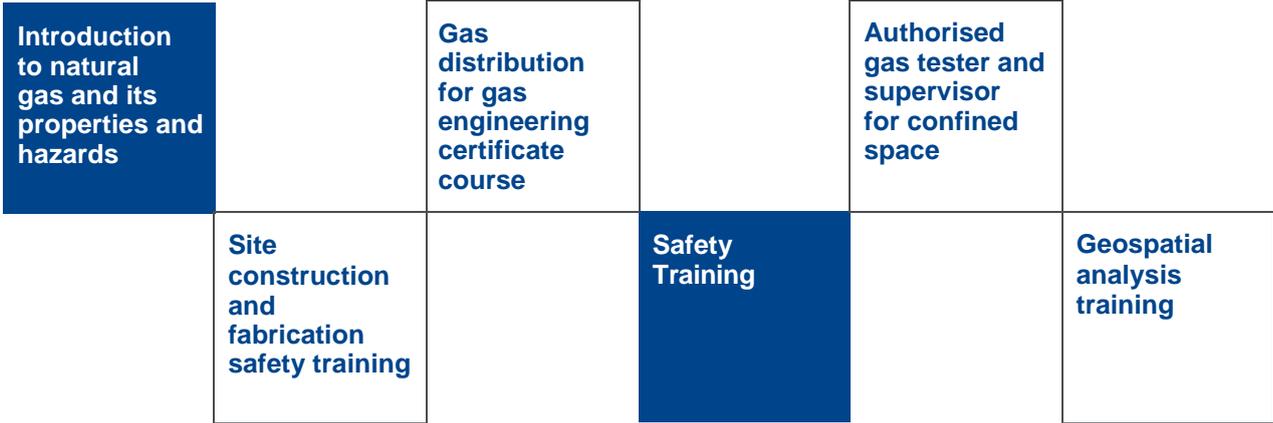
Each employee is appraised annually by his or her line manager. Appraisals comprise of two components: performance assessment and development planning. Employees receive specific feedback on their performance and clear guidance on career prospects. Recognising and valuing good performance is as equally important in this context as identifying individual potential or areas for further training.

Our people are our greatest asset – we say it often and with good reason. Their sheer determination and dedication ensure that we are well-equipped to serve our clients, **generate long term value for our shareholders** and contribute to the broader public.

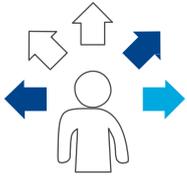
Our Commitment to Career Development

We strive to motivate our employees and encourage their personal growth through on-the-job learning. Employees are also given access to a variety of training programmes designed to improve their skills. Training programmes are tailored to each employee's needs. However, some training programmes are conducted regularly to ensure the workforce attains high levels of competency in carrying out their responsibilities.

Structured Training Courses within Gas Malaysia



LABOUR PRACTICES AND DECENT WORK



Succession Planning

Succession planning ensures that a successor can quickly assume the position without causing any severe damage to the organisational functions. This is essential for sustainable operations.

As part of the Company's succession planning programme, we have identified a cadre of leaders who are ready and able to perform, in the event that incumbents in critical positions are unexpectedly incapacitated or has reached retirement age. Succession planning helps the prospective successor prepare for taking charge because the skills demanded for top level management are different from those at the bottom level of the organisation.

Enhancing Employees' Wellbeing

Registered in 2005, *Kelab Sukan dan Rekreasi Gas Malaysia* ("KSRGMS") promotes social recreational activities to its members through sports, games and competitions. The sport club is open to all employees.

The committee convenes at least quarterly to organise and oversee the society's activities and a range of matters affecting its running.

KSRGMS' Objectives



Empowers the workforce



Promotes the development of an inclusive environment



Improves the health and well-being of employees

Examples of Activities Organised by KSRGMS in 2016



Zumba
(dance fitness programme)



Bowling



Fishing



Recreational related activities



Table Tennis



Darts



Volleyball

Diversity and Equal Opportunity

Our policies and initiatives such as recruitment, retention, training and development, as well as corporate activities, are all undertaken in a way that does not discriminate against age, gender, ethnicity and disability. Gas Malaysia employs, appoints, promotes, develops and rewards its employees through the principles of meritocracy and fairness.

A Culture of Inclusivity

Employer-employee relationships are strengthened each year by delivering various programmes and communicating more effectively. This healthy working environment helps boost employees' morale and loyalty to the Company. Some of the engagement sessions were our Information Meeting, Light & easy with the CEO, and several others involving the middle and senior Management team.



HUMAN RIGHTS

At Gas Malaysia we treat everyone within the Company – and everyone with whom we come into contact – with fairness, respect and dignity. We treat everyone fairly and without discrimination. We also recognise and respect employees' right to freedom of association within the scope of labour practice and laws in this country.

CORPORATE EVENTS



3 FEBRUARY 2016

***Suruhanjaya Tenaga ("ST")* New Recruits Visits to Gas Malaysia**

Venue:
Gas Malaysia HQ

The new recruits along with several senior staff from ST visited Gas Malaysia's Headquarters at Shah Alam.

The objective of the visit was to familiarise the new recruits from ST on Gas Malaysia's business functions and operations. With similar visits anticipated in the future, the affiliation between ST and Gas Malaysia is expected to be further strengthened.



23 FEBRUARY 2016

Information Meeting & Long Service Award

Venue:
Holiday Inn Kuala Lumpur,
Glenmarie

The objective of the Information Meeting & Long Service Award event was to update employees on the Company's performance business outlook for 2016 and the future direction. It was also used as a platform to extend the Board's appreciation for the contribution rendered in 2015.



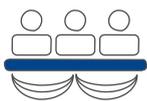
19 APRIL 2016

**Educational Visit by
ST to Gas Malaysia's
Project Site in Alor Gajah**

**Venue:
Alor Gajah**

A team from ST paid an educational visit on 19 April 2016, to Gas Malaysia's project site at Alor Gajah to familiarise themselves with the pipeline construction processes and have a better understanding on the procedures involved.

A team from Gas Malaysia, led by Encik Syed Ahmad Fariz Syed Mohamed from the Gas Networks & Infrastructure Department, welcomed the delegation and conducted a briefing session on construction activities.



11 MAY 2016

**Gas Malaysia's 25th
Annual General Meeting**

**Venue:
Hotel Istana Kuala Lumpur**

Gas Malaysia's Annual General Meeting ("AGM") was successfully held on 11 May at Hotel Istana Kuala Lumpur.

The AGM was held in a well organised manner with accommodation and services being improved to a greater extent to better cater for our shareholders as well as other stakeholders.

CORPORATE EVENTS



17 JUNE 2016

Majlis Berbuka Puasa

Venue:
Gas Malaysia HQ

Gas Malaysia organised a *Majlis Berbuka Puasa* event on 17 June 2016 to honour the month of Ramadhan and to nurture fellowship amongst Gas Malaysia employees. The evening included a buffet dinner, which hosted over 150 staff and guests.

The event provided an opportunity for Gas Malaysia to come together as a family and reconnect. It was also a time to reaffirm commitments as a Muslim towards helping the less fortunate. For this year's event, we invited orphans from Rumah Amal Al-Firdaus.



29 JULY 2016

Majlis Hari Raya Aidilfitri

Venue:
Gas Malaysia HQ

Gas Malaysia organised a *Majlis Hari Raya Aidilfitri* event on 29 July at its headquarters in Shah Alam. Intended to nurture fellowship amongst Gas Malaysia employees, the moderate and low key event included numerous Malay delicacies.

The event was a testament to Gas Malaysia's strong sense of tradition, providing a platform for all to share the joy and happiness of Hari Raya.



18 AUGUST 2016

Crisis Simulation Drill

Venue:
Gas Malaysia HQ

In an effort to inculcate greater awareness on the importance of the Business Continuity Management Programme, Gas Malaysia organised a crisis simulation drill at its headquarters. It was to examine the respective emergency response team's operational effectiveness, during emergency situation or crisis.



21 DECEMBER 2016

**Ayer Keroh Branch Office
Officiating Ceremony**

Venue:
**Gas Malaysia Ayer Keroh
Branch Office**

Gas Malaysia officially inaugurated the opening ceremony of our new branch office in Ayer Keroh, Melaka. The ceremony was officiated by our Chief Executive Officer, Encik Ahmad Hashimi Abdul Manap and was graced by the presence of the local authorities as well as customers.

The opening of the Ayer Keroh branch office was intended to further increase our presence and provide better services in view of the new gas pipeline expansion in the district of Alor Gajah and Jasin.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “Board”) of GAS MALAYSIA BERHAD (the “Company” or “Gas Malaysia”) is pleased to elaborate on Gas Malaysia’s application of the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 (“the Code” or “MCCG 2012”) and the extent of the Company’s compliance during the financial year under review.

MCCG 2012 has set out the broad Principles and specific Recommendations on structure and process which a company should adopt in making good corporate governance an integral part of the business dealings and culture. In this respect, the Board acknowledges the importance of corporate governance practice in enhancing shareholders’ value by implementing and maintaining high standards of corporate governance principles at all levels within the Group whilst ensuring the long term sustainability of the Group’s businesses and operations.

The Board believes that the Principles and Recommendations set out in the MCCG 2012 have, in all material respects, been adhered to and complied with as set out in this statement and to the extent that they were found to be suitable and appropriate to the Group’s circumstances.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

(Principle 1 of the MCCG 2012)

Board’s and Management’s Functions

The Company’s Articles of Association provides that its business and affairs are to be managed by or under the direction of the Board. The Board delegates certain matters to the Chief Executive Officer (“CEO”) and through the CEO to other principal officers. In governing the decision-making within the Group, the Management is guided by the Limits of Authority (“LOA”). The LOA covered both monetary and non-monetary limits of authority level for operational and management decision making activities. This promotes balanced effective oversight with appropriate empowerment and accountability of the Management.

The LOA sets out the following key matters reserved for the Board’s deliberation and decision to ensure the direction and control of the Group’s business are in its hands:-

- Group’s strategic and annual business plans including annual budget;
- Financial performance and reporting;
- Declaration of interim dividends and recommendation of final dividends;
- Capital expenditure and acquisition and disposal of business beyond the authority limit of the CEO;
- Group funding and corporate proposals;
- Board’s and Board Committee’s performance;
- Succession plan and remuneration; and
- Terms of references and policies and procedures of the Group and its revision.

Board’s Roles and Responsibilities

The Board is responsible for the governance and conduct of the Group’s strategic plans, including its implementation, and is accountable for the performance of the Company and the Group. In discharging its duties, the Board is guided by its Charter which outlines high level duties and responsibilities of the Board.

The Board assumes, amongst others, the following roles and responsibilities for effective discharge of its functions as set out in its Board Charter:

- Reviewing and adopting strategic plans for the Group

The Board has a significant role in reviewing the strategic direction and approving the Group’s corporate strategic initiatives. Under the Annual Budget presented yearly, the Board deliberates on the key assumptions developed by the Management and provide guidance for Management to move forward.

- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed

The day-to-day management of the Group is delegated to the CEO within the prescribed limits of authority as approved by the Board. This formal structure of delegation is further cascaded by the CEO to the Senior Management team within the Group. The CEO and the Senior Management team are accountable to the Board for the authority that is delegated and for the performance of the Group.

The Management circulates Monthly Progress Report to the Board Members on monthly basis. The Board assesses the performance of the Management through performance of the financial results, customers' feedback and sales revenue of the Group.

- Identifying principal risks and ensuring the implementation of appropriate control systems to manage these risks

The Board is assisted by the Risk & Compliance Committee ("RCC") in overseeing the establishment, implementation and effectiveness of the risk management system.

- Succession planning

The Board through its Nomination & Remuneration Committee ("NRC") annually evaluates the performance of the CEO and ensures that the CEO has a succession planning for potential candidates embedded in his Key Performance Indicators.

- Developing and implementing an investor relations program or shareholders' communications policy for the Company

The Company maintains its commitment in disseminating an accurate, consistent, transparent and timely information to its stakeholders. Details of the investor relations activities are provided in the Investor Relations section of this Annual Report.

- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.

- Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting.

- Ensuring that the Company's and the Group's financial statements are true and fair and conform with the accounting standards.

- Monitoring and reviewing policies and procedures relating to occupational health and safety and compliance with relevant laws and regulations.

- Ensuring that the Group adheres to high standards of ethics and corporate behaviour.

Ethical Standards through the Code of Conduct

The Company's Code of Ethics for Directors and Code of Conduct and Discipline for Employees (hereinafter collectively referred to as "Code of Conduct") continue to govern the standards of ethics and good conduct expected from Directors and employees. This Code of Conduct is based on the principles of sincerity, integrity, responsibility and corporate social responsibility.

It is formulated to enhance the standards of corporate governance and corporate behaviour with the intention of achieving the following objectives:

- To establish a standard of ethical behaviour for Directors, Senior Management and employees of the Group based on trustworthiness and values that can be accepted, are held or upheld by any one person; and
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering the Group.

All employees are briefed and provided with a copy of the Code of Conduct and Discipline for Employees on the commencement of their employment under new employee induction program. Meanwhile the Board of Directors is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia, which was provided upon their appointment.

The Code of Ethics are also available on the Company's website at www.gasmalaysia.com.

The Company does not adopt whistleblowing policy. Any complaint or feedback can be channelled online via www.gasmalaysia.com or by calling the Customer Care Hotline at 1-300-88-4276.

CORPORATE GOVERNANCE STATEMENT

Group's Strategies for Sustainability

The Group is committed to become a good corporate citizen for the nation. It understands that the realities of the stakeholder expectations have changed and they have become more aware of the impact of the Group's business on them. Gas Malaysia has, in its approximately 25 years of operation, made commendable contributions towards sustainable development. Utilisation of resources in a manner that generates economic growth for the Group, creates social benefits but minimises the impact on the environment.

Guided by Bursa Securities Sustainability reporting, details of the Group's approach in addressing the three core sustainability pillars namely, Economic, Environmental and Social are narrated in the Sustainability Statement as set out on pages 64 to 83 of this Annual Report.

As part of its compliance with the conditions under its Gas Utility Licence ("GUL"), the Company submits monthly and quarterly reports to the Suruhanjaya Tenaga ("ST"), outlining issues relating to operating and maintaining the gas distribution systems and customer service. Under the terms of the GUL, various Codes and Statements of Performance have been submitted to the ST and are updated and modified on a continuous basis in line with market changes and international best practices.

The Group's commitment to health, safety, environment and quality is shared by all employees throughout Gas Malaysia and it has been embedded into their work environment. This is clearly evident through the achievements of MS ISO 9001:2008, MS ISO 14001:2004 and OHSAS 18001:2007 certifications for its health, safety, environment and quality management systems. The Group's Health, Safety, Environment & Quality ("HSEQ") Policy is available in the Group's website (www.gasmalaysia.com). The Group had recorded 2,005,500 hours of Zero-Lost Working Days as of 16 March 2017.

Board Members' Supply and Access to Information

The Board has unrestricted access to all information to allow them to discharge their duties effectively and efficiently, through the following means:

- All Directors are furnished with the meeting agenda and other documents on matters requiring their consideration at least five working days prior to and in advance of each meeting. The documents are comprehensive and include qualitative and quantitative information to enable the Board members to make an informed decision and to deal with matters arising from such meetings;
- Senior Management may be invited to attend the Board and Board Committees' meetings to present or further explain on matters being tabled at the respective meeting;
- Certain reports, such as those relating to the Group's financial results (including quarterly results) are circulated and presented to the Audit Committee ("AC") for their review and recommendation to the Board for approval thereafter;
- Directors have ready and unrestricted access to the advice and services of the Company Secretaries on procedural and regulatory requirements i.e. they will be regularly updated on the new statutory and regulatory requirements concerning their duties and responsibilities as and when necessary; and
- If required, the Directors may obtain independent professional advice at the Company's expense in furtherance of their duties, after consultation with the Chairman and other Board members.

Company Secretaries

The key roles of the Company Secretaries are to provide unhindered advice and services to the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure statutory and regulatory compliance. They are suitably qualified, competent and capable of carrying out the duties required of the role.

The Company Secretaries constantly keep themselves abreast of relevant updates on statutory and regulatory requirements through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

Board Charter

The Board has adopted a Board Charter which sets out the roles and responsibilities of the Board and Committees, and the right, process and procedures of the Board. It is drafted in accordance with the Principles and Recommendations of MCCG 2012, fundamental requirements of provisions in the Companies Act 2016, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), Articles of Association of the Company and other applicable rules and regulations. The last revision to the Board Charter was done in July 2013.

The Board Charter is available on the Company's website at www.gasmalaysia.com.

2. STRENGTHEN COMPOSITION

(Principle 2 of the MCCG 2012)

Board Committees

The Board has delegated specific responsibilities to the respective Board Committees namely, the AC, NRC and RCC, all of which have their own terms of reference to govern their respective scopes and responsibilities. The terms of reference shall be periodically reviewed, as and when necessary, and the Board appoints the Chairman and members of the said respective committees.

These Board Committees assist the Board in making informed decisions through in-depth discussions on issues pertaining to the respective Committees' terms of reference. Subsequently, the Committees report the deliberations to the Board and the ultimate responsibility for the final decision on all matters lies with the Board.

Based on the annual assessment conducted on the Board and its Committees for the financial year under review, the Board unanimously resolved that each of its committees has effectively discharged its duties and functions as guided by its respective Terms of Reference.

Nomination & Remuneration Committee

The NRC consists entirely of Non-Executive Directors as per the requirement of Paragraph 15.08A(1) of the MMLR, with a majority being Independent Directors and is chaired by the Board's Chairman.

The NRC's functions are as follows:

Nomination Function

- i) To consider and recommend to the Board suitable persons for appointment as Board Members and CEO/Executive Director of Gas Malaysia, its Committees and its Subsidiaries;
- ii) To annually review the performance of the Board Members, its Committees and Boards of Subsidiaries as well as the required mix of skills and experience and other qualities of the Board Members, including core competencies which Non-Executive Directors should bring to the Board;

- iii) To annually assess the size and effectiveness of the Board as a whole, its Committees, the contribution of each individual Director, including Independent Non-Executive Directors, as well as the CEO;
- iv) To consider and recommend a policy regarding the period of service of Gas Malaysia's Executive and Non-Executive Directors and its Subsidiaries;
- v) To consider and recommend any other measures to upgrade the effectiveness of Gas Malaysia Board, its Committees and Boards of Subsidiaries;
- vi) To consider and recommend solution on issues of conflict of interest affecting Gas Malaysia's Directors and Boards of Subsidiaries;
- vii) To recommend the appointment of Nominees of Gas Malaysia to the Boards of Subsidiaries. The Chairman of Gas Malaysia is given the mandate to finalise and recommend Nominee Directors of the Company to the respective Board of Subsidiaries;
- viii) To review and recommend to the Board the succession plan of Gas Malaysia Group;
- ix) To carry out such other assignments as may be delegated by Gas Malaysia Board;
- x) Review and recommend plan for succession of Chairman of the Board and CEO as well as certain other senior management positions in the Gas Malaysia Group; and
- xi) Review the performance of the CEO and Senior Management.

Remuneration Function

- i) Review and recommend the general remuneration policy of Gas Malaysia. The level of remuneration should be aligned with the business strategy and long term objectives of the Company, complexity of the Company's activities, and reflects the experience and level of responsibilities undertaken by the Directors and senior management;

CORPORATE GOVERNANCE STATEMENT

- ii) Review and recommend the appointment and promotion of Senior Management of Gas Malaysia. Senior Management would comprise executive at Grade 17 (i.e. General Manager) and above within the Gas Malaysia Group, determine their salaries and recommend salary revisions and improvements as are considered necessary together with fringe benefits, perquisites and bonus programmes;
 - iii) Review annually the compensation of directors;
 - iv) Recommend suitable short and long term incentive plans including the setting of appropriate performance targets as well as a programme for management development; and
 - v) Carry out such other assignments as may be delegated by the Board.
- iii) Assessed the performance of the Board and independence of each of the existing Independent Directors;
 - iv) Reviewed and recommended to the Board on matters regarding Key Performance Indicators of CEO; and
 - v) Recommended to the Board regarding annual increment and performance bonus for employees.

Criteria for Recruitment and Annual Assessment of Directors

For the assessment and selection of Directors, the NRC shall consider the following factors of the prospective Directors:

- a) Character, experience, skills, knowledge, expertise and competence;
- b) Professionalism;
- c) Commitment (including time commitment), contribution and performance;
- d) Integrity;
- e) In the case of candidates for the position of independent non-executive directors, the NRC will evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors; and
- f) Boardroom diversity.

The Board assisted by NRC undertakes an annual assessment on the effectiveness of the Board as a whole, its Committees, the contribution of each individual director, including Independent Directors, as well as the required mix of skills, experience and other qualities of the Board members, including core competencies which non-executive directors should bring to the Board.

The assessment is conducted through questionnaires circulated to the Board covering various aspects pertaining to board effectiveness such as Board composition and structure, principal responsibilities of the Board, Board process, Board governance and CEO performance and succession planning. Additional questionnaires on Independent Director were given to all Independent Directors. Outcomes of the evaluations are generated based on the Directors' feedbacks on the questionnaires. Upon assessment made, the NRC will consider and recommend measures to upgrade the effectiveness of the Board and its Committees. All assessments and evaluations carried out by the NRC in the discharge of all its function are properly documented.

The NRC met once during the course of the financial year ended 31 December 2016. The NRC Members and the details of attendance of each individual member in respect of meeting held during the financial year ended 31 December 2016, are as follows:-

Name of Members	Number of NRC meetings attended/ held
Datuk Haji Hasni bin Harun (Chairman)	1/1
Datuk Syed Abu Bakar bin S Mohsin Almohdzar	1/1
Datuk Puteh Rukiah binti Abd. Majid	1/1

During the financial year under review, the NRC carried out, among others, the following activities:

- i) Reviewed and assessed the size, required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole, the Board Committees and the contribution of each individual Director;
- ii) Reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Articles of Association;

Based on the assessment conducted for the financial year under review, the Board opined that the existing structure of the Board is highly effective due to the following:-

- a) Gas Malaysia has a well-balanced Board whereby it currently comprises of eight members all of whom are Non-Executive Directors, and four are Independent Directors. The Independent Directors make up half of the Board, as recommended by MCCG 2012, while their number exceeds the minimum as prescribed by the MMLR of Bursa Securities;
- b) the Board is of the right size and comprises of individuals who have diverse skills, knowledge, experience and expertise that combines to provide different perspectives and effective board dynamics. Thus, it enables effective and constructive deliberations whereby any decision made is founded on detailed and balance considerations;
- c) the Board understands their role and responsibilities and is committed in discharging their fiduciary duties; and
- d) the Board has sound knowledge and understanding of the Group's business and challenges as well as the industry in which the Group operates and able to chart strategic direction of the Group.

In conclusion, the Board is satisfied of its existing number and composition and of the view that, with the current mix of skills, knowledge, experience and strength, the Board as a whole is able to discharge its duties effectively.

Boardroom Diversity

The Board is committed to provide fair and equal opportunities and nurturing diversity within the Group and acknowledges the importance of boardroom diversity in terms of age, gender, nationality and ethnicity. The Board also believes that the appointments of the existing Directors were guided by their skills, experience, competency, commitment and knowledge while taking into consideration gender diversity.

As of the date of this Annual Report, no formal policy formalising its approach to boardroom diversity has been set. In this regard, the Board, through the NRC will continue to consider candidates of different gender, ethnic and age with the appropriate skills, experience and characteristics, as part of its selection exercise. Currently the Board has one female Independent Non-Executive Director on Board namely Datuk Puteh Rukiah binti Abd. Majid.

The evaluation of the suitability of candidates is solely based on candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including where appropriate, the ability of the candidates to act as Independent Non-Executive Directors as the case may be.

The Articles of Association of the Company provide that one third of the Board members are required to retire at every Annual General Meeting ("AGM") and be subjected to re-election by shareholders. A newly appointed Director shall hold office until the next AGM and shall be subjected to re-election by the shareholders. The Articles of Association provide that all Directors shall retire once every three years.

Remuneration Policies and Procedures

The level of remuneration should be aligned with the business strategy and long term objectives of the Group, complexity of the Group's activities, and reflects the experience and level of responsibilities undertaken by the Directors and Senior Management.

The Board with the assistance of NRC, reviews the overall remuneration policy of the Non-Executive Directors and Senior Management. The Company has established its Directors' Remuneration Policy in March 2013 which sets out the criteria to be used in recommending the remuneration package of Directors, CEO and Senior Management.

The details of each Director's remuneration for the financial year ended 31 December 2016 are as follows:-

	Executive Director (RM)	Non-Executive Director (RM)
Directors' Fees	-	885,000.00
Committee's Fees	-	289,133.00
Meeting Allowances	-	210,500.00
Other Allowances & Benefits in Kind	-	235,000.00
Total	-	1,619,633.00

CORPORATE GOVERNANCE STATEMENT

The remuneration paid to the directors within bands of RM50,000 is as follows:

RM	Executive	Non-Executive
0 – 50,000	-	1*
50,001 – 100,000	-	1
100,001 – 150,000	-	1
150,001 – 200,000	-	6
200,001 – 350,000	-	-
350,001 – 400,000	-	1
Total	0	10

* *Alternate Director*

3. REINFORCE INDEPENDENCE (Principle 3 of the MCCG 2012)

Annual Assessment of Independent Directors

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Non-Executive Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interests of all stakeholders in the Group.

The assessment on the independence of the Directors based on the provisions of the MMLR covers a series of objective tests and is carried out before the appointment of the Independent Directors. Further, the Board with assistance from NRC will undertake to carry out annual assessment of the independence of its Independent Directors and focus beyond the Independent Directors' background, economic and family relationships and consider whether the Independent Directors can continue to bring independent and objective judgment to board deliberations.

The evaluation of level of independence of the Independent Non-Executive Directors of the Company was conducted by the NRC in addition to the Directors' self-evaluation. The Board is satisfied with the level of independence of the Independent Non-Executive Directors of the Company.

The Board in its Charter provided that the tenure of an Independent Director shall not exceed a cumulative term of nine years. The Board may, in exceptional cases and subject to the assessment of the NRC on an annual basis, recommend for an Independent Director who has served a consecutive or cumulative term of nine years to remain as an Independent Director subject to shareholders' approval. As of the date of this Annual Report, none of the Independent Directors of the Company has reached or exceeded a cumulative term of nine years.

Separation of Positions of the Chairman and the CEO

Gas Malaysia recognises the importance of having clear separation and division of roles and responsibility between the Chairman and the CEO. This is to ensure that no person has unfettered powers of decision making. The division of their roles and responsibilities is reflected clearly in the Board's Charter.

The Chairman is presently a Non-Independent Non-Executive Director. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, and assumes the formal role as the leader of the Board and chairs all Board Meetings and Shareholders' Meeting. He also leads the Board in Management Oversight. The specific responsibilities of the Chairman, amongst others are as follows:

- i) maintaining regular dialogue with the CEO over significant operational matters and consulting with the remainder of the Board promptly over any matters that gives him cause for major concern;
- ii) functioning as a facilitator at meetings of the Board to ensure that no member dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming; and
- iii) ensuring that all Directors are enabled and encouraged to participate in its meeting/activities.

The CEO is the Head of Management and is primarily responsible for the performance of the Group. The CEO is responsible for the day-to-day running of the business including organisational effectiveness, implementation of Board policies, decision making on operational matters and strategies and clarifies matters relating to the Group's business to the Board. In managing the business affairs, the CEO is assisted by the Management Committee, which meets twice a month.

Composition of the Board

The Board currently has eight Directors, comprising one Non-Independent Non-Executive Chairman, three Non-Independent Non-Executive Directors and four Independent Non-Executive Directors. The composition of the Board complies with Paragraph 15.02(1) of the MMLR and the Independent Directors provide an effective check and balance in the functioning of the Board.

The current Board composition fairly reflects the interests of its shareholders to provide the effective leadership, strategic direction and necessary governance to the Group at optimum level. The Company's Articles of Association allows a minimum of two and maximum of thirteen Directors.

A brief profile of each Director is presented on pages 40 to 49 of this Annual Report.

The Code recommends that the Board must comprise a majority of Independent Directors if the Chairman is not an Independent Director. The Non-Executive Chairman of the Board, Datuk Haji Hasni bin Harun, although not an Independent Director, provides strong leadership and objective judgement with regard to ensuring the adequacy and effectiveness of the Board's governance process and therefore the Board unanimously concurred that the chairmanship of the Company remains with a Non-Independent Non-Executive Director.

The Board is of the view that the separation of the offices of the Chairman and the CEO together with the Independent Directors, provide further safeguards that there is a balance of power and authority on the Board to ensure independent judgement in the best interests of the Company and effective stewardship of the Company in terms of strategies and business performance. The Board also opines that the current size and composition of the Board is at its optimum level and is functioning effectively.

4. FOSTER COMMITMENT

(Principle 4 of the MCCG 2012)

Time Commitment

The Board meets at least four times a year, at quarterly intervals which are scheduled at the onset of the financial calendar year to help facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when decisions on urgent matters are required between scheduled meetings. Upon consultation with the Chairman and the CEO, the notices and agenda of meetings together with the board papers are normally given at least five working days prior to meetings. Normally, Board Committee meetings are held at least one day before the Board meetings, to allow sufficient time to properly deliberate on matters.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings. The Directors, upon acceptance of their appointment, must commit sufficient time to carry out their duties and declare to the Board details of all other directorships indicating broadly the time spent on such commitments. The Directors shall also notify the Chairman before accepting any new directorship in other listed companies.

To date, all Directors of Gas Malaysia have complied with the MMLR of not holding more than five directorships in listed companies.

CORPORATE GOVERNANCE STATEMENT

During the financial year ended 31 December 2016, the Board met seven (7) times and the details of Directors' attendance are as follows:-

No.	Name of Director	Attendance
1.	Datuk Haji Hasni bin Harun Non-Independent Non-Executive Chairman	7/7
2.	Dato' Sri Che Khalib bin Mohamad Noh Non-Independent Non-Executive Director	6/7
3.	Shigeru Muraki Non-Independent Non-Executive Director	6/7
	Hisashi Nakamura Alternate Director to Shigeru Muraki	N/A
	Yasushi Sakakibara Alternate Director to Shigeru Muraki (resigned on 11 May 2016)	N/A
	Satoshi Honjo Alternate Director to Shigeru Muraki (appointed on 11 May 2016)	1/1
4.	Yusa' bin Hassan Non-Independent Non-Executive Director	7/7
	Aida Aziza binti Mohd Jamaludin Alternate Director to Yusa' bin Hassan	N/A
5.	Datuk Puteh Rukiah binti Abd. Majid Independent Non-Executive Director	7/7
6.	Datuk Syed Abu Bakar bin S Mohsin Almohdzar Independent Non-Executive Director	7/7
7.	Tan Lye Chong Independent Non-Executive Director	7/7
8.	Datuk Ooi Teik Huat Independent Non-Executive Director	7/7
9.	Shazali bin Dato' Haji Shahrani Non-Independent Non-Executive Director (resigned on 14 June 2016)	3/3
	Dato' Rosthman bin Ibrahim Alternate Director to Shazali bin Dato' Haji Shahrani (resigned on 14 June 2016)	N/A

All Directors have complied with the minimum 50% requirement on attendance at Board meetings as provided for in the MMLR. Each Director attended more than 80% of the Board meetings held during the financial year ended 31 December 2016 and this demonstrates that each Director has devoted sufficient time and commitment in carrying his/her responsibilities.

Directors' Training

The Board acknowledges the importance of continuing education and the need to enhance knowledge and expertise to keep abreast of latest developments in the industry and meet the challenges in a dynamic and complex business environment. This will also enable Directors to have more meaningful deliberations.

All Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities. On regular basis, the Board will be updated on trainings organised by among others, Bursa Securities, Federation of Public Listed Companies Bhd, Minority Shareholder Watchdog Group, Malaysian Directors Academy and Malaysian Institute of Accountants. The Directors will indicate their interest to be enrolled into the training where they considered useful and relevant in contributing to the effective discharge of their duties.

During the financial year under review, all Directors attended at least one training/seminar/workshop, either as a speaker or participant, organised internally by the Company or externally, as follows:

Directors	Title of Training	Date
Datuk Haji Hasni bin Harun (Chairman)	• Decoding Transaction & RPT Rules	5 December 2016
Dato' Sri Che Khalib bin Mohamad Noh	• Speaker for : 2016 Fraud & Cybersecurity Conference – Combating Fraud & Cybercrime: Your Defence Strategy?, The Institute of Internal Auditors Malaysia	1 August 2016
Shigeru Muraki	• Panel Speaker and Moderator at the World Energy Congress, Istanbul	11 to 12 October 2016
Yusa' bin Hassan	• Corporate Governance Disclosure Workshop : The Interplay between CG, Non-Financial Information (NFI) and Investment Decisions Programme	28 September 2016
Datuk Puteh Rukiah binti Abd Majid	• Ministry of Finance Executive Talk – “ The Role of Audit Committee To Ensure Good Corporate Governance”	8 March 2016
	• Future of Auditor Reporting - “The Game Changer For Boardroom”	9 March 2016
	• 8th Annual Corporate Governance Summit 2016	21 & 22 March 2016
	• Independent Directors Programme: The Essence of Independence	28 March 2016
	• Sustainability Engagement Series for Directors/Chief Executive Officer	31 March 2016
	• Audit Committee Seminar for the Public and Private Sectors 2016	16 & 17 May 2016
	• Related Party Transactions – Their Implications to The Board Of Directors, Audit Committee & Management.	25 October 2016
	• Decoding Transaction & RPT Rules	5 December 2016
Datuk Syed Abu Bakar bin S Mohsin Almohdzar	• 12th World Islamic Economic Forum	2 August 2016 to 4 August 2016
	• Decoding Transaction & RPT Rules	5 December 2016

CORPORATE GOVERNANCE STATEMENT

Directors	Title of Training	Date
Datuk Ooi Teik Huat	• How To Build or Burn Trust in an Organisation - A conversation with Andrew Fastor, PricewaterhouseCoopers Malaysia	6 June 2016
	• Competition Law Talk	23 August 2016
	• Financial Outlook 2017	5 September 2016
	• 2016 National Conference of the Institute of the Internal Auditors Malaysia – Audit Committee Leadership Track	11 October 2016
	• Companies Act 2016 and Its Implication to Director	7 November 2016
Tan Lye Chong	• Audit Committee Conference 2016	29 March 2016
	• Transitioning Existing Businesses in Compliance with the Companies Bill 2015	26 May 2016
	• Audit Committee Workshop C : Related Party Transactions and Conflict of Interest Situations	15 June 2016
	• Audit Committee Workshop D : Oversight of the Internal Audit (IA) Function	15 June 2016
	• Audit Committee Workshop G : Enterprise Risk Management (ERM)	27 July 2016
	• Competition Law Talk for MMC Directors and Senior Management	23 August 2016
	• Focus Group to solicit feedback on the Annual General Meetings (“AGM”) Guide for Listed Issuers	29 August 2016
	• Decoding Transaction & RPT Rules	5 December 2016
	• COMPANIES ACT 2016 - Key Insights and Implication for Directors/Shareholders	20 December 2016

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (Principle 5 of the MCCG 2012)

Compliance with Applicable Financial Reporting Standards

The Board upholds integrity in financial reporting by ensuring that shareholders, investors and regulatory authorities are provided with reliable information on the Group's financial position, financial performance and future prospects, in the Annual Audited Financial Statements and quarterly financial reports.

The AC is entrusted with the responsibility of assisting the Board in dealing with matters relating to the Company's internal and external audit functions, financial statements and internal accounting and control systems, matters that may significantly impact the financial condition or affairs of the business and to ensure that the financial statements of the Group comply with the applicable financial reporting standards in Malaysia. The AC also reviews the integrity and reliability of the quarterly financial statements and audited financial statements prior to recommending to the Board.

The AC comprises three members, all of whom are Non-Executive and Independent Directors. The composition of the AC, including its roles and responsibilities and the works carried out are as indicated on pages 109 to 112 under AC Report of this Annual Report.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the External Auditors through AC.

The AC members have met with the External Auditors without the presence of Management during the financial year to discuss issues arising from any audit exercises or other matters, which the External Auditors may wish to raise. The External Auditors have also given a written assurance to the AC to confirm that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The AC is also responsible for reviewing, assessing and monitoring the performances, suitability and independence of External Auditors.

The External Auditors Assessment was carried out by the AC members via an assessment form entitled "External Auditors Performance and Independence Checklist for year ended 2016" which was adopted from Corporate Governance Guide (second edition) issued by Bursa Malaysia Berhad. Based on the External Auditors Assessment results for the financial year under review, the AC and the Board are satisfied with the quality of service, adequacy of resources provided, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at AGM based on the following justifications:

- a) The External Auditors adhered to the requirements and the provisions in accordance to the By-Laws on Professional Independence of the Malaysian Institute of Accountants;
- b) The Quarterly Review Reports and Audited Financial Statements were presented and submitted to the AC in timely manner;
- c) Audit activities were carried out effectively according to the audit plan;
- d) The External Auditors has reviewed the quarterly financial statements and audited the statutory financial statements satisfactorily; and
- e) The External Auditors is a reputable international audit firm which has adequate human resources with the necessary skills, knowledge, technical ability and appropriate experience to perform the audit.

CORPORATE GOVERNANCE STATEMENT

6. RECOGNISE AND MANAGE RISKS

(Principle 6 of the MCCG 2012)

Sound Framework to Manage Risk

The Board understands the importance of identifying and dealing with relevant risks in the business decision making process, and has established the RCC which comprises three members where the Chairman is a Non-Executive Director.

The composition of the RCC is as follows:

- 1) **Shigeru Muraki**
(Chairman, Non-Independent Non-Executive Director)
- 2) **Yusa' bin Hassan**
(Member, Non-Independent Non-Executive Director)
- 3) **Datuk Syed Abu Bakar bin S Mohsin Almohdzar**
(Member, Independent Non-Executive Director)
(appointed on 14 June 2016)
- 4) **Shazali bin Dato' Haji Shahrani**
(Member, Non-Independent Non-Executive Director)
(resigned on 14 June 2016)

The RCC meets at least twice a year, and is responsible:

- i) To provide regular and timely reporting and update the Board on key risk management;
- ii) To ensure the effective implementation of risk treatment policy and procedures;
- iii) To ensure that a short and long term risk management strategy, framework and methodology have been implemented and consistently applied by the Group;
- iv) To review management's assessment of risks at least annually and to provide an update to the Board in this regard; and
- v) To ensure full compliance with all applicable laws and regulations in its day to day businesses and operations.

During the financial year ended 31 December 2016, two RCC meetings were held and the attendance is as follows:

Name of No. Committee Members	Number of meetings attended/ held
1. Shigeru Muraki	2/2
2. Yusa' bin Hassan	2/2
3. Datuk Syed Abu Bakar bin S Mohsin Almohdzar	0/1*
4. Shazali bin Dato' Haji Shahrani	1/1**

* Number of meetings held subsequent to Datuk Syed Abu Bakar's appointment.

** Number of meetings held prior to Shazali bin Dato' Haji Shahrani's resignation.

There is an on-going review process by the Board to ensure the adequacy and integrity of the internal control system as guided under the Risk & Compliance Management Policies and Procedures Framework which was introduced in February 2013. The said framework provides guidance and reference in identifying, evaluating and developing processes and techniques for managing risks and compliance within the Group.

The key features of the risk and compliance management framework are set out in the Statement on Risk Management and Internal Control of the Group as set out on pages 102 to 107 of this Annual Report.

The RCC also oversees the risk of Occupational Injury and Health Illness of personnel and damage to environment to ensure compliance with HSEQ Policy.

Internal Audit Function

The Board and the AC are assisted by the in-house Internal Audit Department which is led by the Head, Internal Audit who reports functionally to the AC, and administratively to the CEO. In addition, the internal audit function is supported by the Head of MMC Corporation Berhad's Group Internal Audit.

The Internal Auditors had carried out their internal audit functions according to the standards set by recognised professional bodies. Internal Auditors will also conduct regular reviews and appraisal of the effectiveness of the governance, risk management and internal control processes within the Group.

The key activities covered by the internal audit function during the financial year under review are provided in the AC Report of the Group as set out on page 112 of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

(Principle 7 of the MCGG 2012)

Corporate Disclosure Policies & Procedures

The Company has established an internal Corporate Disclosure Policies & Procedures to facilitate disclosure of accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decision by investors. This information is directed to a diverse audience of stakeholders.

In formulating this policy, the Company has taken into account the recommendations prescribed by the Code and its disclosure obligations contained in the MMLR of Bursa Malaysia. The Corporate Disclosure Policies & Procedures of the Company was last revised in November 2016.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website has a dedicated section which provides investors with detailed information on the Group's business, commitments and latest developments.

To ensure comprehensive, accurate and timely disclosures, the Company has put in place the following initiatives in the Company's website (www.gasmalaysia.com):

- maintaining an investor relations platform;
- updating all announcements made to Bursa Malaysia;
- updating the latest news, highlights and press releases of Gas Malaysia;
- providing an online enquiries/feedback feature for investors;
- providing corporate information to the current shareholders, potential investors and stakeholders; and
- uploading the Annual Report of Gas Malaysia.

Internally, the Company has identified persons authorised and responsible for approving, verifying and disclosing material information to shareholders to ensure compliance with the MMLR.

The Company aims to ensure that the shareholders and investors are kept informed of all major corporate developments, financial performance and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Malaysia, which is in line with Bursa Malaysia's objectives of ensuring transparency and good corporate governance practices and through dialogue with analysts and the media.

The Management communicates with the institutional shareholders regularly. Minority shareholders may communicate with the Company through the Company's website (www.gasmalaysia.com).

8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

(Principle 8 of the MCGG 2012)

Annual General Meeting

The AGM is the principal forum for dialogue between the Company and its shareholders and investors. At the AGM, the Board briefs the shareholders on the status of the Group's business and operations.

The Board had taken active step to encourage the shareholders' participation by serving the Notice of AGM at least 21 days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed.

At the AGM, shareholders are given the opportunity to raise questions on the Group's activities and prospects as well as to communicate their expectations and concerns to the Company before putting the resolutions to vote. Gas Malaysia shall start to conduct its AGM by poll voting instead of voting by show of hands at this forthcoming AGM to comply with Paragraph 8.29A of the MMLR.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price sensitive information.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA SECURITIES IN RELATION TO APPLICATION OF PRINCIPLES AND RECOMMENDATIONS OF MCGG 2012 PURSUANT TO PARAGRAPH 15.25 OF THE MMLR

The Board has reviewed, deliberated and approved this Corporate Governance Statement and is pleased to report to its shareholders that to the best of its knowledge, the Company has complied with and shall remain committed to continuously adopt the best practices laid down in the MCGG 2012.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 16 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Gas Malaysia Berhad (“Gas Malaysia”) and its Group of Companies’ (“Group”) are operating in a dynamic and challenging corporate environment. This situation is acknowledged by the Board of Directors (“Board”). Therefore, the Board upholds their responsibility of ensuring an effective as well as efficient administration of risk and compliance management along with internal control systems throughout the Group. In order to achieve this objective, the Management is in charge of administering the Board’s policies and procedures. Constant monitoring of risks and internal controls within the Group’s activities by the Board and Management will ensure numerous benefits for stakeholders. To begin with, the Group’s various assets are safeguarded from any hazard. Additionally, it will make certain that relevant laws and regulations are adhered and complied to. All these will add a paramount value among the shareholders’ as their investments are secured.

The Risk & Compliance Committee (“RCC”) in its meeting on 10 August 2016 had reviewed and accepted the business risk presented by both of the Group joint venture entity namely, Gas Malaysia Energy Advance Sdn Bhd (“GMEA”) and Gas Malaysia IEV Sdn Bhd (“GMIEV”). The management will continuously monitor the Group joint venture entity risk and will be presented to the RCC during its half-yearly meeting.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM DESCRIPTION

As a means to assure that the objectives are fulfilled, the Board is assisted by the Management, internal auditors and external auditors. Together, we strive to identify and estimate the potential risks while at the same time, perform monitoring role and continuously improve the internal control system within the Group. All the controls are strategised to provide a practical and realistic assurance instead of the absolute affirmation against the risk of occurrence of material errors, fraud or losses. The description of related key elements of the Group’s risk management, internal control and business continuity practices are as follows:

A) RISK MANAGEMENT

1) GROUP’S RISK AND COMPLIANCE MANAGEMENT POLICIES AND PROCEDURES FRAMEWORK

The Board has devised its own risk and compliance management policies and procedures framework with the purpose of managing risks and compliance in the Group. It shall act as a guiding manual and reference in identifying, evaluating, monitoring and developing processes and techniques for managing risk.

Constant supervision and reassessment are practiced to ensure that the systems of internal control remain effective at all time. In addition to that, it is also designed to minimise the impact of risks rather than totally eradicating the opportunities that come with inherent risks. Such prevention may disrupt the Group from achieving its objectives and goals.

For efficiency, the Management formulated continual processes for identifying, evaluating and managing any major risks faced by the Group. The Management remains vigilant of any situations which may affect the well-being of the Group, its employees, assets, profits as well as its stakeholders.

2) REPORTING STRUCTURE

The management of risks is considered as an integral part of the Group’s management process. Accordingly, it is incorporated into the operational processes of the Group. The reporting structure can be described as follows:



NOTE 1:**RISK AND COMPLIANCE MANAGEMENT COMMITTEE**

The Risk and Compliance Management Committee (“RCMC”) is responsible to assist the RCC in carrying out the implementation of risk management in the respective Gas Malaysia and its operating companies. It is formed with a comprehensive responsibility of monitoring the risk and compliance management activities of the Group. The function includes executing appropriate risk management procedures and measurement methodologies across the Group.

The responsibilities and duties of RCMC are as follows:

- a) Responsible for the continuous development of risk management system in the Group and supervise the implementation of risk management in compliance with the Enterprise Risk Management (“ERM”) Policy and Framework.
- b) Conduct RCMC meetings on a half yearly basis.
- c) Ensure that risks identified are reviewed prior to reporting to the RCC.
- d) Decide on the status and further action on matters arising with regards to the identified risks.
- e) Identify key risks at the Group that need to be escalated to the RCC.
- f) Review and enhance the Group’s risk management structure to sustain the ERM framework and support the on-going delivery of risk management objectives.
- g) Review and enhance the Group’s Risk Assessment process.
- h) To ensure that the ERM Policy and Framework have been adopted accordingly.

The Chief Executive Officer leads the RCMC as the Chairman with all Head of Departments (“HODs”) as members. The HODs play a significant role in both managing and controlling all the identified risks and compliance issues that are related to their particular departments. In addition to that, the Management are required to assure that the risk and compliance policies as well as procedures are incorporated and go hand in hand with the business strategies and plans. All these risk and compliance related matters shall be reported to the RCMC on twice a year basis. Following that, the report shall be tabulated by the RCMC and forwarded to the RCC.

NOTE 2:**RISK AND COMPLIANCE COMMITTEE**

The RCC is responsible to assist the Board to oversee the establishment and implementation of an enterprise risk management system. The RCC is also responsible to review the effectiveness of the system annually.

The RCC consists of at least three Board members including the Chairman, who is a non-executive Director. This RCC is required to determine the Group’s level of risk. Furthermore, they are to assess and examine key business risks so that the shareholders’ investments and the Group’s assets are safeguarded.

The scope, duties and responsibilities of RCC are as follows:

- a) To review the processes for determining and communicating the Group’s risk appetite.
- b) To oversee the establishment and implementation of the risk management system of the Group of which the effectiveness of the system is reviewed annually.
- c) To review and approve the risk management framework and policies to be adopted by the Group. The framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situation and ensure relevance at any given time.
- d) To review Management’s processes for identifying, analysing, evaluating and treating risks, as well as communicating the identified risks across the Group.
- e) To review periodic reports on risk management of the Group and deliberate on key risk issues highlighted by the Risk Management Committee.
- f) To report to the Board on the key risks of the Group and the action plans to mitigate these risks.
- g) To carry out such other assignments as may be delegated by the Board.

The RCC presents its reports to the Board twice a year. This allows the Board to keep abreast and updated about the major risks within the Group. At the same time, they will be able to ensure that timely actions are taken by the Management to alleviate the risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3) RISK IDENTIFICATION PROCESS AND ANALYSIS

Risk identification starts with the coordinators in each department. The appointed personnel seek to identify risks which may in any way affect the Group's objectives. The consideration shall include economic, reputation and compliance objectives. The risks will then be measured and registered in terms of likelihood and impact of incidence. The main objective of this process is to appropriately identify, evaluate and respond to the risks identified in order to protect the Group from loss, uncertainty and loss of opportunities.

IMPACT	LIKELIHOOD				
	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
Almost Certain	High	High	Extreme	Extreme	Extreme
Likely	Moderate	High	High	Extreme	Extreme
Possible	Moderate	Moderate	High	High	Extreme
Unlikely	Low	Moderate	Moderate	High	High
Rare	Low	Low	Moderate	Moderate	High

■ Low
■ Moderate
■ High
■ Extreme

The main responsibility of risk coordinators would be to identify risks and subsequently map them to the risk register. Next, the compiled risks will be communicated to their respective HODs. Risks that are categorised as major will be forwarded to the RCMC.

4) GAS MALAYSIA RISK REGISTER ("GRR")

All risks previously detected will be recorded in the GRR. The compilation will then be reviewed by the RCMC.

After the completion of the reviewing process, the RCC will be informed about the most significant risks identified. The rating or score is determined based on the consequences, root cause and the current capability of controls the Group has to mitigate the resultant impact.

5) BUSINESS CONTINUITY MANAGEMENT PLAN ("BCMP")

Emergency Crisis Management Plan ("ECMP") and BCMP were created with the objective of achieving the Group's goal which is to minimise the effect of any incident on employees, business partners, local community and environment. It is of high priority that business functions must still be able to be performed even in an emergency situation.

ECMP and BCMP can be divided under two major elements which are Emergency Management ("EM") and Business Continuity Management ("BCM"). EM is a programme created to control the overall culmination of a physical incident within a business unit. The programme integrates both operations response to emergency as well as supporting staff functions such as law, insurance, public affairs and human resources.

On the other hand, BCMP's main function is to protect corporate assets from an actual or potential threat caused by either a catastrophic incident, a non-physical event or series of negative developments which escalate to crisis proportions. BCMP shall underline the strategies and actions to be taken during the incident. It relies on an equalised evaluation of probable impact on Group's operations, image and liability. Via systematic management, BCMP strives to handle those impacts so that the business recovery can be accelerated.

In order to ensure that sufficient resources are readily accessible, the plan undergoes constant reassessment, testing and auditing process. This continuous update and improvement is significant to make sure that it remains relevant and allow the Group to effectively and efficiently face the challenges posed by any incidents.

As the means to facilitate the above, the Group prepared:

a) Emergency Response Plan (“ERP”)

The creation of ERP is an embodiment of the Group’s commitment towards responding effectively to all emergencies that affect the Group. The plan strives to assure that immediate and effective response can be taken during emergency situations. This is achieved via the means of providing training as well as maintaining adequate resources in dealing with crisis. The main goal of ERP is to minimise the after-effect of an emergency by minimising the risk to the public and employees and at the same time, protecting property and limiting damages to the environment.

Generally, the ERP revolves around on site procedures which are to be taken by related personnel when an emergency occurs. The main priority of this measure would be the safety of the employees, the protection of the public as well as the conservation of the environment wherein the damage must be kept as minimal as possible. However, it is important to note that due to the volatile and irregular nature of emergencies, most procedures are presented as general guidelines rather than inflexible rules.

b) Computer Disaster Recovery Centre (“CDRC”)

CDRC is a coordinated process of restoring crucial systems, data and infrastructures that are required to sustain the key on-going business operations during a crisis. The Group has set up its own CDRC, where core and main servers for the Group’s IT operations are replicated outside the main operation buildings. The centre will also host the backup Operation Control Room (“OCR”) in which, it has a similar function as the main OCR located at the Head Office. All these will make it possible for the critical data to remain safely intact and uncorrupted when disaster occurs.

c) Health, Safety, Environment and Quality (“HSEQ”) Policy

The HSEQ Policy outlines the strong commitment of the Group towards the employees, business partners and the general public. Each and every practical and possible step identified will be considered and monitored by the HSEQ committee. As a result, risks of occupational injury and health illness amongst personnel and damages to the environment can be prevented and eliminated. At the same time, the quality of services will be enhanced as well.

B) KEY ELEMENTS OF INTERNAL CONTROL SYSTEM (“ICS”)

Outlined below are the other essential components of the Group’s internal control system:

1) GOVERNANCE AND CONTROL ENVIRONMENT

- Delegations of responsibilities between both the Board and the Management are clearly defined. This is done via proper documentation of authorisation procedures as well as line of accountability for right authorisation, approval and control procedures. In line with that, relevant Limits of Authority framework are prepared to ensure that correct approvals are obtained for all transactions. Significant transactions such as major tenders, acquisitions and disposals must be approved by the Board.
- The Standard Operating Procedures (“SOP”) are regularly updated parallel with the latest developments in the Group to guarantee that it will be relevant at all times. The SOP would document the internal control procedures including how specific objective can be achieved based on respective processes.
- ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and ISO/IEC 27001:2013 are accreditations obtained for operational processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2) RISK ASSESSMENT

Regular meetings will be held amongst the HODs to discuss any recent major issues affecting the Group. These meetings allow quality decisions to be made and at the same time, promoting teamwork in problem solving.

3) CONTROL ACTIVITIES

Control activities is a budgeting process wherein budgets and business plans for the allocation of five years are prepared and tabled to the Board for endorsement.

4) INFORMATION AND COMMUNICATION

The implementation of Enterprise Resource Planning System facilitates a smooth flow of information among critical business functions inside the Group. In return, it increases the quality of control and efficiency of operations.

5) MONITORING

- The Internal Audit Department has been assigned the responsibility to conduct reviews on the adequacy, efficiency and effectiveness of the internal controls of the Group. Subsequently, suggestion will be proposed to the Management should there be any room for improvements. The findings will then be reported to the Audit Committee. The committee shall act as the representative of the Board to put all the notions into consideration in regards to the efficiency and sufficiency of the Group's operations.
- Every month, the monthly performance will be analysed against the budget and compared to previous allocated timeline. The findings will next be tabled to the Management during the monthly Management Committee meeting. This is to be done prior to the data being reported to the Audit Committee and the Board, which will be held on a quarterly basis. This allows constant and timely performance monitoring. As such, any issues which impede the budget achievement goal is addressed early in an effective manner.

The Board and Management acknowledge the importance of a constant monitoring of the Group. This is due to the ever changing nature of risks faced by the Group. Hence, to ensure the process is up to date, improvement and enhancement of the internal control must be done in an on-going basis to ensure that all probable impacts of the identified risks can be alleviated.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM EFFECTIVENESS

The regular assessment by the Board to ensure the effective risk management and internal control systems of the Group is done via the following mechanisms:

- To begin with, the Board utilises numerous data and tools to measure whether the current risk management and internal control systems are still effective and relevant with the current condition. The data and tools include comparison between actual and planned performance, key financial as well as operational performance.
- Next, the Management shall keep the Board updated about the Group's performance in relation to the plans and developments of both internal and external aspects. These discussions will be held on a quarterly basis. In addition, specific transactions, projects or opportunities will be discussed with the Board when the need arises. This allows the Board to determine if there are any new risks which need to be addressed as well as highlight elements of action plans and internal controls which must be enhanced for better results.
- Afterwards, all the improvements required will be addressed appropriately. These actions were carried out based on the result of reviews by the internal auditors. The outcome of the reviews will be discussed by the Audit Committee while the follow-up monitoring task will be carried out by the Management and internal auditors.
- Ultimately, the overall risk management activities and risk registers will be presented to the Board at least twice a year. This is done to provide a complete overview of the Group's key risks and how they are being managed.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEMS

The Board agrees that the risk management and system of internal control practices as described above are effective and cover up to the date of the approval of this statement for inclusion in the annual report. For the financial year under review, the Board is satisfied that the system of internal controls and risk management processes are adequate and sound in providing reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of the Group. There was no major internal control weakness identified that may result in any material loss or uncertainty that would require disclosure in this annual report.

CONCLUSION

For the financial year under review, based on inquiries, information and assurances provided by the Chief Executive Officer and Chief Financial Officer, the Board is of the view that the Group's risk management and system of internal controls are operating adequately and effectively, in all material respects, based on the risk management framework and internal controls system adopted by the Group.

This Statement on Risk Management and Internal Control has been prepared in line with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This Statement is made in accordance with a resolution of the Board of Directors dated 16 March 2017.

REVIEW BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants, which does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act, 1965 (the "Act") requires the Directors to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Act in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements provide a true and fair view of the state of financial position of the Group and the Company as at 31 December 2016, and of the financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2016.

In preparing the financial statements, the Directors have:

- adopted suitable and appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- used the going concern basis for the preparation of the financial statements.

The Directors are responsible to ensure that the Group and the Company keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company in accordance with the Act. The Directors are also responsible for taking reasonable steps to ensure that proper internal controls are in place to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

This Statement is made in accordance with the resolution of Board of Directors dated 16 March 2017.

AUDIT COMMITTEE REPORT

The Board of Directors of the Company is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

Composition

The Audit Committee ("AC") comprises three members as follows:-

1. **Tan Lye Chong**
(Chairman, Independent Non-Executive Director)
2. **Datuk Puteh Rukiah binti Abd. Majid**
(Member, Independent Non-Executive Director);
and
3. **Datuk Ooi Teik Huat**
(Member, Independent Non-Executive Director).

As at the reporting date, the composition of the AC complied with Chapter 15.09 of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Meetings

During the financial year ended 31 December 2016, the AC held seven meetings. The meeting attendance record of the members are as follows:-

No.	Name of Members	Number of meetings attended
1.	Tan Lye Chong	7/7
2.	Datuk Puteh Rukiah binti Abd. Majid	6/7
3.	Datuk Ooi Teik Huat	7/7

The meetings were appropriately structured through the use of agendas which were distributed to members with sufficient notification.

TERMS OF REFERENCE

Purpose

The primary objectives of the AC are as follows:-

- Assist the Board in fulfilling its statutory and fiduciary responsibilities in examining and monitoring the Company and its subsidiaries' (the "Group") management of business, financial risk processes, accounting and financial reporting practices;
- Determine the adequacy and effectiveness of the administrative, operational and internal accounting controls of the Group and to ensure that the Group is operating in accordance with the prescribed procedures, code of conduct and applicable legal and regulatory requirements;
- Serve as an independent and objective party from management in the review of the financial information of the Company and the Group presented by management for the distribution to shareholders and the general public;
- Provide direction and oversight over the internal and external auditors of the Company to ensure their independence from Management; and
- Evaluate the quality of audits conducted by the internal and external auditors of the Company and the Group.

Membership

The AC of the Company shall comprise at least three members, a majority of whom shall be Independent Directors and shall all be Non-Executive Directors, and at least one member must be a member of the Malaysian Institute of Accountants, or if he is not, then he must comply with paragraph 15.09(1)(c)(ii) of the MMLR of Bursa Securities. The Chairman of the AC shall be an Independent Non-Executive Director elected by the AC amongst its members. No Alternate Director can be appointed as a member of the AC.

In the event of any vacancy which results in non-compliance with the requirements above, the Board shall within three months of the event date appoint such number of new members as may be required.

The AC shall have no executive powers.

AUDIT COMMITTEE REPORT

Authority

The AC wherever necessary and reasonable for the performance of its duties shall be in accordance with the procedures determined by the Board be granted the following:-

- Authority to investigate any matter within its terms of reference;
- Resources to perform its duties and responsibilities;
- Full and unrestricted access to any information pertaining to the Company and the Group;
- Direct communication channels to the internal auditors and external auditors and person(s) carrying out the audit function or activity;
- Be able to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary; and
- Be able to convene meetings with the external auditors without the attendance of the executive members of the Group, whenever deemed necessary.

Meetings and Minutes

Meetings shall be held at least four times a year or more frequently as circumstances dictate. Additional meetings shall be scheduled as considered necessary by the AC and the Chairman. The AC may establish any procedure from time to time to govern its meetings, keeping of minutes and its administration.

The quorum for AC meeting shall be two members present and both of whom must be Independent Non-Executive Directors.

The Committee may request other Directors, members of Management, internal auditors and external auditors, as applicable, to participate in the AC meeting, where necessary. The internal auditors or external auditors may at any time request a meeting with the AC, with or without the presence of the Management.

The AC shall meet at least twice a year with the internal auditors and external auditors without the presence of the Management of the Company.

The Company Secretary shall be the Secretary of the AC. AC meeting agendas shall be the responsibility of the Chairman with input from the AC members. The Chairman may request the Management to participate in this process. Written materials including information requested by the AC from the Management, internal auditors and external auditors shall be received together with the agenda for the meetings.

SUMMARY OF WORKS OF THE AC DURING THE FINANCIAL YEAR 2016

During the financial year ended 31 December 2016, the AC discharged its functions and carried out its duties by undertaking the following works as provided below:-

Internal Control

- Reviewed the adequacy and effectiveness of the system of internal controls based on the findings from internal and external auditors' reports presented during the AC meetings. The AC was satisfied with the internal auditors' and external auditors' recommendations and the management responses to mitigate and overcome the weaknesses highlighted. The AC will continue to monitor the implementation of any recommendations thereon.
- Reviewed the Statement on Risk Management and Internal Control, which is supported by an independent review by Messrs. PricewaterhouseCoopers ("PwC"). The AC was satisfied with the adequacy and effectiveness of the internal control systems. In connection with the SORMIC, the Chief Executive Officer and the Chief Financial Officer had given their assurance that the risk management and internal control systems of the Group for the financial year ended 31 December 2016 were operating effectively and efficiently in all material aspects.

Financial Reporting

- Reviewed the quarterly financial results for announcement to Bursa Securities before recommending the same for approval by the Board upon satisfied that, it complies with applicable approved Malaysian Financial Reporting Standards (“MFRS”) issued by the Malaysian Accounting Standards Board, MMLR and the requirements of Companies Act, 1965.
- Reviewed the annual consolidated financial statements of the Company prior to submission to the Board for its consideration and approval, upon being satisfied that, they were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved MFRS issued by the Malaysian Accounting Standards Board. The AC had reviewed the external auditors’ report to the AC on their audit of the statutory financial statements and was satisfied that all significant matters highlighted had been satisfactorily dealt with.

Annual Reporting

- The Corporate Governance Statement, Audit Committee Report, Management Discussion & Analysis and Statement on Risk Management and Internal Control for financial year ended 31 December 2016 for inclusion in the Company’s Annual Report 2016 were reviewed and recommended for Board approval by the AC on 14 March 2017. The AC had obtained assurance from the management that all the statements and reports have complied with MMLR.

Related Party Transaction and Conflict of Interest

- Reviewed all the Related Party Transactions (“RPT”)s and Recurrent Related Party Transactions (“RRPT”)s entered into by the Group in accordance with the Group’s RPT Policies & Procedures to monitor, track and identify RPTs and RRPTs so as to ensure the transactions are at all times carried out on arms-length basis, on normal commercial terms, in the best interest of the Group and are not to the detriment of minority shareholders.
- Reviewed on quarterly basis, the status update on RPTs and RRPTs, and to monitor that RRPTs transacted were within the approved shareholders’ mandate obtained. The AC ensure that any conflict of interests in the deliberation of a transaction is appropriately declared in advance.

Internal Audit

- Reviewed the internal auditors’ reports and the status of past internal audit recommendations to ensure that the Management addresses and resolves the issues highlighted.
- Reviewed and approved the Annual Internal Audit Plan including its scope, basis of assessments and risk ratings of the proposed areas of audit, and adequacy of internal audit’s staffing.
- Met with the internal auditors without the presence of the Management.

External Audit

- Reviewed the Audit Planning Memorandum with the external auditors to ensure that the audit is carried out effectively and efficiently for the Company and the Group.
- Reviewed the external auditors’ reports on the statutory audit and the quarterly interim financial information and areas of concern and recommended solutions to address the concerns to ensure that all material issues are appropriately dealt with.
- Conducted an assessment on the external auditors, Messrs. PwC, for the financial year ended 31 December 2016. The assessment is based on independence and objectivity, effectiveness and timely completion of audit, communication skills, technical competencies, and adequacy of resources. On the basis of the assessment results, the AC has recommended to the Board to re-appoint Messrs. PwC for the ensuing financial year.

In relation to audit related fee and non-audit related fee, during the financial year the amounts incurred for statutory audit was RM157,000, other audit related service was RM107,000 and non-audit related service was RM4,000. The other audit related service was in respect of review of the quarterly announcements. The AC has received confirmation from the external auditors that they are not aware of any non-audit services that had compromised their independence as external auditors of the Group. The AC, based on its review, was satisfied that the other audit related and non-audit related services did not impair the independence and objectivity of the external auditors.

- Met with the external auditors without the presence of the Management.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT

The internal audit function of the Group was carried out by the in-house Internal Audit Department (“IAD”) and is supported by the Head of MMC Corporation Berhad’s Group Internal Audit. IAD maintained at all times their impartiality, proficiency and due professional care by reporting directly to the AC, and to provide the AC and the Board with sufficient independent assurance that the system of internal controls is operating adequately and effectively.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group’s internal control systems in anticipating potential risks exposures over key business processes within the Group. The AC has full access to internal auditors and received reports on all audits performed.

During the financial year, the internal auditors had carried out audits according to the Internal Audit Plan which had been approved by the AC and the application of the International Professional Practices Framework as the basis of carrying internal audit work. Internal audits were carried out to provide assurance that the internal controls are established and operating as intended to assist in the achievement of operations objectives and adherence to applicable policies, guidelines and procedures. The audits conducted during the financial year were:

Full Audit performed on the following:

- Operations & Maintenance
- Legal & Compliance
- Health, Safety, Environment & Quality
- Sales and Customers’ Management
- Incentive Based Regulation
- Management of GST, Billings and Bank Reconciliation
- Facilities Administration
- Procurement & Contracts
- Related Party Transactions

Follow Up Audit performed on the following:

- Business Development
- Stakeholders’ Management
- Management & Engineering Audit
- Staff Benefits, Claims and Advances
- Procurement & Contracts

The resulting reports from the internal audits after incorporating the management response, were reviewed by the AC and subsequently forwarded to the Management for the necessary corrective actions. The Management is responsible for ensuring that corrective actions are taken within the required time frame and all outstanding items are reported to the AC. The internal auditors will follow up on the status of implementation of the corrective actions by the management and report to the AC on a quarterly basis.

The total cost for the internal audit function for the financial year ended 31 December 2016 was RM578,257. (2015: RM455,760).

OTHER MATTERS

The AC members have attended various relevant development and training programmes which are set out in pages 97 to 98 of the Corporate Governance Statement in the Annual Report.

The AC conducted an evaluation of its own performance for the financial year ended 31 December 2016, and the evaluation results were tabled and discussed at the AC and Board meetings. The AC and the Board were satisfied and were of the view that the AC members have discharged their responsibilities, functions and duties effectively.

The Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 16 March 2017.

ADDITIONAL COMPLIANCE INFORMATION

1) UTILISATION OF PROCEED

No proceed was raised by the Company from any corporate proposal.

2) NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year by the Company's auditors amounted to RM4,000.00.

3) MATERIAL CONTRACT

There was no material contract (not being contract entered into in the ordinary course of business) entered into by the Company and/or its subsidiary companies which involve Directors' and major shareholders' interests during the financial year ended 31 December 2016.

4) CONTRACT RELATING TO LOAN

There was no contract relating to loans by the Company involving directors and major shareholders.

5) RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

At the 25th Annual General Meeting ("AGM") held on 11 May 2016, Gas Malaysia had obtained shareholders' mandate to allow the Gas Malaysia Group to enter into RRPT with related parties that are necessary for the day-to-day operations. The RRPT mandate is valid until the conclusion of the forthcoming Twenty-Sixth AGM of the Company to be held on 9 May 2017.

In accordance with Paragraph 3.1.5 of Practice Note 12 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of the RRPT conducted during the financial year ended 31 December 2016 pursuant to the said shareholders' mandate are as follows:-

Related Parties	Companies within our Group	Name of Interested Related Parties	Value of transactions for FYE 2016	Nature of transactions
PETRONAS Dagangan Berhad	Gas Malaysia (LPG) Sdn Bhd	MOF ^(a) , PETRONAS ^(b) , PGB ^(c) , Yusa' bin Hassan ^(d)	RM10,318,984	Purchase of liquefied petroleum gas from PDB.
PETRONAS Dagangan Berhad	Gas Malaysia	MOF ^(a) , PETRONAS ^(b) , PGB ^(c) , Yusa' bin Hassan ^(d)	RM1,300	Lease of land from PDB by Gas Malaysia for placement of gas district station at Lot 12911, Jalan Haji Sirat, Taman Klang Utama, Klang measuring 260 square feet. The payment is made annually.
Petroleum Nasional Berhad ("PETRONAS")	Gas Malaysia	MOF ^(a) , PGB ^(c) , Yusa' bin Hassan ^(d)	RM25,827,253	Tolling fees paid by PETRONAS to Gas Malaysia for the transportation of gas to their customers. The payment is received every fortnightly.
PETRONAS Gas Berhad ("PGB")	Gas Malaysia	MOF ^(a) , PETRONAS ^(b) , PGB ^(c) , Yusa' bin Hassan ^(d)	RM230,000	Tenancy of land from PGB by Gas Malaysia for odoriser station and right of way for a total of 30 stations and the size ranges from 50 square meters to 2,000 square meters. The payment is made annually and the tenancy agreement is automatically renewed every 3 years.

Notes:

- (a) Minister of Finance, Incorporated ("MOF") is deemed interested in Gas Malaysia through its shareholding in PETRONAS pursuant to Section 8 of the Companies Act 2016 ("Act").
- (b) PETRONAS is deemed interested in Gas Malaysia through its shareholding in PGB pursuant to Section 8 of the Act.
- (c) PGB is the major shareholder of Gas Malaysia with a direct shareholding of 14.8%.
- (d) Yusa' Bin Hassan is the Director of Gas Malaysia and Managing Director/Chief Executive Officer of PGB.

ADDITIONAL COMPLIANCE INFORMATION

WAIVER GRANTED FOR APPLICATION TO DEEM CASH CONTRIBUTIONS PAID BY GAS MALAYSIA TO PETRONAS FOR THE FOLLOWING :

- I) CONSTRUCTION OF NEW CITY GATE STATIONS AND ALL OTHER NECESSARY FACILITIES (“FACILITIES”); AND**
- II) THE UPGRADING OF EXISTING FACILITIES BY PETRONAS,**

AS AN EXEMPTED TRANSACTION PURSUANT TO PARAGRAPH 10.08(11)(G) OF THE MAIN MARKET LISTING REQUIREMENTS (“MMLR”) OF BURSA MALAYSIA SECURITIES BERHAD (“APPLICATION”)

Bursa Malaysia Berhad had on 13 April 2015 granted Gas Malaysia a waiver from complying with the requirement to procure shareholders’ approval pursuant to Paragraphs 10.08 and 10.09 of the MMLR in respect of the transaction set out below (“Waiver”) (hereinafter referred to as “the RRPT”):

- i) Cash contribution paid by Gas Malaysia to PETRONAS for the following:
 - a) Construction of new city stations and all other necessary facilities; and
 - b) The upgrading of existing facilities by PETRONAS.

As part of Bursa Malaysia’s conditions for Waiver, an Independent Advisor’s review of the transactions has been undertaken to carry out the review on the methods or procedures in determining the prices and terms of the RRPT are sufficient to ensure that the RRPT will be carried out on normal commercial terms and will not be to the detriment of the minority shareholders.

The full report of the Independent Advisor was disclosed in 2015 Annual Report.

Pursuant to Bursa Malaysia Berhad’s approval letter dated 13 April 2015, in respect of subsequent annual reports, the independent adviser’s opinion must be incorporated in the subsequent annual report unless the Audit Committee confirms and states in the subsequent annual report that:

- a) The methods or procedures for determining the prices and terms of the RRPT have not changed since the last independent adviser’s report in the annual report pertaining to the same; and
- b) The methods or procedures in (a) above are sufficient to ensure that the RRPT will be carried out on normal commercial terms and are not to the detriment of its minority shareholders.

The Audit Committee after making due enquiries and being satisfied, hereby confirms that:

- a) The methods or procedures for determining the prices and terms of the RRPT have not changed since the last independent adviser’s report in the annual report pertaining to the same; and
- b) The methods or procedures in (a) above are sufficient to ensure that the RRPT will be carried out on normal commercial terms and are not to the detriment of its minority shareholders.

The above Statement is made in accordance with the resolution of the Board of Directors dated 16 March 2017.

The details of the RRPT pursuant to Paragraph 3.1.5 of Practice Note 12 of the MMLR conducted during the financial year under review are as follows:

Related Parties	Companies within our Group	Name of Interested Related Parties	Value of transactions from 1 January 2016 to 31 December 2016	Nature of transactions
PETRONAS ^(b)	Gas Malaysia	MOF ^(a) , PGB ^(c) , Yusa' bin Hassan ^(d)	RM7,649,974	Cash contribution paid by Gas Malaysia to PETRONAS for the construction of new city gate stations and all other necessary facilities and the upgrading of existing facilities by PETRONAS.

Notes:

- (a) Ministry of Finance, Incorporated ("MOF") is deemed interested in Gas Malaysia through its shareholding in PETRONAS pursuant to Section 8 of the Companies Act 2016 ("Act").
- (b) PETRONAS is deemed interested in Gas Malaysia through its shareholding in PGB pursuant to Section 8 of the Act.
- (c) PGB is the major shareholder of Gas Malaysia with a direct shareholding of 14.8%.
- (d) Yusa' Bin Hassan is the Director of Gas Malaysia and Managing Director/Chief Executive Officer of PGB.

STATUS OF COMPLIANCE ON PLOTS OF LAND ERECTED WITH GAS MALAYSIA'S STATIONS WHICH ARE NOT DESIGNATED FOR GAS STATION USE

The Securities Commission Malaysia ("SC"), vide its letter dated 5 January 2016, decided that Gas Malaysia will no longer be required to observe the stipulated timeframe in resolving the conditions imposed by the SC, i.e. rectifying those plots of land erected with stations which are not designated for gas station use ("Affected Stations"). Instead, Gas Malaysia is required to continue to pursue the matter with the relevant authorities subject to the following:-

- Gas Malaysia is to provide an undertaking that they will resolve the non-compliances of the nine (9) outstanding Affected Stations;
- Gas Malaysia is to disclose the efforts taken by them and status of compliance of the nine (9) outstanding Affected Stations in the annual report until such time the non-compliance are resolved; and
- Maybank IB/Gas Malaysia is to update the SC when disclosure is made in the annual report.

The efforts taken by Gas Malaysia and the status of compliance of eight (8) Affected Stations are as follows:

No.	Location	Title particulars of the land	Existing use	Efforts taken and status of compliance
1.	Tampoi Industrial Estate, Johor	HS(D)10305, Lot 1000, Mukim Tebrau, Johor Bahru	District station	<p>Gas Malaysia is unable to obtain the necessary authorities' approval on the conversion of the land use category and land use condition for the use of gas station. Hence, Gas Malaysia is considering dismantling the station and delivering natural gas to the customer directly from its city gate station.</p> <p>Gas Malaysia is in the midst of evaluating the feasibility of the proposal.</p> <p>The final feasibility proposal is targeted to be completed by 2nd quarter 2017.</p>

ADDITIONAL COMPLIANCE INFORMATION

No.	Location	Title particulars of the land	Existing use	Efforts taken and status of compliance
2.	Jalan Haji Sirat, Taman Klang Utama, Klang, Selangor	HS(D) 27497, PT 12911, Mukim Kapar, District Klang, Selangor	District station	<p>Gas Malaysia decided to dismantle the station and supply natural gas to the affected customers from another district station located at a customer's premises.</p> <p>The rectification work to increase the pipeline capacity of another district station was completed on 27 November 2016.</p> <p>Gas Malaysia will carry out the actual on-site simulations to determine its actual result on site after considering and analysing other relevant factors which may affect the operations and sustainability of the district station.</p> <p>The dismantling of district station is expected to be completed by 4th quarter 2017.</p>
3.	PLO 171A, Jalan Angkasa Mas, Tebrau II Industrial area, Johor	HS(D) 281750, PTD 64065, Mukim Tebrau, Daerah Johor Bahru, Johor	District station	<p>Gas Malaysia has yet to obtain consent for the erection of gas station from the land office. Hence, Gas Malaysia has been actively seeking advice from several parties/authorities to resolve this issue.</p> <p>Upon advice from Pengarah, Pejabat Ketua Tanah dan Galian Selangor, Gas Malaysia will prepare applications to land office and other authorities to resolve this issue. However, as it is beyond Gas Malaysia's control, it is unable to ascertain when this issue will be resolved.</p>
4.	Tebrau IV, Tebrau Industrial Estate	HS(D)472167, PTD 138472, Mukim Tebrau, Tempat Kawasan Perindustrian Tebrau IV, Daerah Johor Bahru, Johor	District station	<p>Gas Malaysia has yet to obtain consent for the erection of gas station from the land office. Hence, Gas Malaysia has been actively seeking advice from several parties/authorities to resolve this issue.</p> <p>Upon advice from Pengarah, Pejabat Ketua Tanah dan Galian Selangor, Gas Malaysia will prepare applications to land office and other authorities to resolve this issue. However, as it is beyond Gas Malaysia's control, it is unable to ascertain when this issue will be resolved.</p>

No.	Location	Title particulars of the land	Existing use	Efforts taken and status of compliance
5.	Jalan Petaling, Off Jalan Tampoi (Perisind Auto)	HS(D) 29209, PTB 12374, Bandar Johor Bahru, Daerah Johor Bahru, Johor	District station	<p>Gas Malaysia has yet to obtain consent for the erection of gas station from the land office. Hence, Gas Malaysia has been actively seeking advice from several parties/authorities to resolve this issue.</p> <p>Upon advice from Pengarah, Pejabat Ketua Tanah dan Galian Selangor, Gas Malaysia will prepare applications to land office and other authorities to resolve this issue. However, as it is beyond Gas Malaysia's control, it is unable to ascertain when this issue will be resolved.</p>
6.	Lot 1202, Batu 31/2, Pantai Kundur, Tangga Batu, 76400 Melaka	GMN 556, Lot 1202, Mukim Tangga Batu, Daerah Melaka Tengah, Melaka	District station	<p>Gas Malaysia intends to relocate the station to another piece of land within Tangga Batu industrial area. Hence, Gas Malaysia sought the assistance of Perbadanan Kemajuan Negeri Melaka ("PKNM") to identify and locate a piece of land within the said industrial area and subsequently lease the land to Gas Malaysia.</p> <p>PKNM has made the necessary application to the land office and is currently pending the approval and official offer letter by the Land Office. Subsequently, PKNM will lease the land to Gas Malaysia.</p>
7.	Jalan Tun Sambathan, Kuala Lumpur	N/A	District station	<p>Gas Malaysia is unable to ascertain the land use condition of the tenanted land as the said land is in the midst of being transferred from Pesuruhjaya Tanah Persekutuan to the landlord. Hence, a title to the land stipulating the land use condition has yet to be issued.</p> <p>Gas Malaysia will continuously follow-up with the landlord on the status of the issuance of title.</p>
8.	Lot 11, Mukim Tanjung 12, Teluk Panglima Garang, Kuala Langat, Klang	N/A	District station	<p>Gas Malaysia is unable to ascertain the land use condition of the tenanted land as the said land is in the midst of being transferred from Pesuruhjaya Tanah Persekutuan to the landlord. Hence, a title to the land stipulating the land use condition has yet to be issued.</p> <p>Gas Malaysia will continuously follow up with the landlord on the status of the issuance of title.</p>



	AGO	SEP	OCT
ÚLTIMA SEMANA			
Maximo			
Minimo			

NOV

4.2

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FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in presenting their report with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the sale and distribution of natural gas to the industrial, commercial and residential sectors as well as the construction and operation of the Natural Gas Distribution System in Peninsular Malaysia. The principal activities of the subsidiaries consist of the selling of liquefied petroleum gas ("LPG") via a reticulation system, selling and transportation of Compressed Natural Gas ("CNG") and property holding.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	164,420	165,503
Attributable to:		
- Owners of the Parent	165,138	165,503
- Non-Controlling Interest	(718)	0
	164,420	165,503

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2015 are as follows:

In respect of the financial year ended 31 December 2015:

	RM'000
Final dividend paid on 16 June 2016: 4.77 sen per ordinary share, single-tier	61,247

In respect of the financial year ended 31 December 2016:

	RM'000
Interim dividend paid on 21 September 2016: 4.00 sen per ordinary share, single-tier	51,360

The Directors have declared on 15 February 2017, a second interim dividend of 4.00 sen per share on the 1,284,000,000 ordinary shares of RM0.50 each, amounting to RM51,360,000 in respect of financial year ended 31 December 2016.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

DIVIDENDS (CONTINUED)

The Directors recommend the payment of a single-tier final dividend of 4.86 sen per share on the 1,284,000,000 ordinary shares of RM0.50 each amounting to RM62,402,400 in respect of financial year ended 31 December 2016. This proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Datuk Haji Hasni bin Harun	
Dato' Sri Che Khalib bin Mohamad Noh	
Shigeru Muraki	<i>(Alternate Hisashi Nakamura)</i>
	<i>(Alternate Satoshi Honjo – Appointed on 11 May 2016)</i>
	<i>(Alternate Yasushi Sakakibara – Resigned on 11 May 2016)</i>
Yusa' bin Hassan	<i>(Alternate Aida Aziza binti Mohd Jamaludin)</i>
Datuk Puteh Rukiah binti Abd. Majid	
Datuk Syed Abu Bakar bin S Mohsin Almohdzar	
Tan Lye Chong	
Datuk Ooi Teik Huat	
Shazali bin Dato' Haji Shahrani – Resigned on 14 June 2016	<i>(Alternate Dato' Rosthman bin Ibrahim – Resigned on 14 June 2016)</i>

In accordance with Article 95(2) of the Company's Articles of Association, Dato' Sri Che Khalib bin Mohamad Noh, Yusa' bin Hassan and Shigeru Muraki shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election as Director.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the Directors' remuneration as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

SHARE CAPITAL

There were no changes in the issued and paid up capital of the Company during the financial year.

DIRECTORS' INTERESTS IN SHARES

Other than stated below, none of the other Directors in office at the end of the financial year have interests in the shares of the Company and of its related corporations (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company pursuant to Section 134(12)(c) of the Companies Act, 1965) other than wholly owned subsidiaries as recorded in the Register of Directors' Shareholdings:

Director with direct interest in the Company	Number of ordinary shares of RM0.50 each in the Company			
	Balance at 01.01.2016	Bought	Sold	Balance at 31.12.2016
Tan Lye Chong	50,000	0	0	50,000

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment for impaired receivables and satisfied themselves that all known bad debts had been written off and that adequate impairment had been made for impaired receivables; and
- to ensure that any current assets, other than debts, which were unlikely to realise 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:

- which would render the amounts written off for bad debts or the amount of the impairment for impaired receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- 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.

No contingent or other liability 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 affect the ability of the Group or of the Company to meet their obligations when they fall due.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 March 2017.

DATUK HAJI HASNI BIN HARUN
CHAIRMAN

TAN LYE CHONG
DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Haji Hasni bin Harun and Tan Lye Chong, the Directors of Gas Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 131 to 179 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 30 on page 180 to the financial statements have been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 March 2017.

DATUK HAJI HASNI BIN HARUN
CHAIRMAN

TAN LYE CHONG
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mohamed Sophie bin Mohamed Rashidi, the Officer primarily responsible for the financial management of Gas Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 131 to 179 and the supplementary disclosure on page 180 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtues of the provisions of the Statutory Declarations Act, 1960.

MOHAMED SOPHIE BIN MOHAMED RASHIDI

Subscribed and solemnly declared by the abovenamed Mohamed Sophie bin Mohamed Rashidi at Kuala Lumpur, Malaysia on 16 March 2017, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GAS MALAYSIABERHAD
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Gas Malaysia Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out in pages 131 to 179.

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 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

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 financial 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p>Impact of Gas Cost Pass Through (“GCPT”) mechanism</p> <p>A significant portion of the Group’s and the Company’s revenue is regulated by tariffs imposed by the Regulator, the Energy Commission (“EC”). As explained in Note 3(y)(i) to the financial statements, the EC implemented the Incentive Based Regulation (“IBR”) framework on 1 January 2016 whereby the tariffs are revised every six months using the GCPT mechanism.</p> <p>As this was the first year of implementation of the IBR Framework, we focused on this area to obtain an understanding of the Group and of the Company’s rights and obligations under the Framework and its impact on revenue recognition of the Group and of the Company.</p>	<p>Our work done were as follows:</p> <ul style="list-style-type: none">• We obtained an understanding of the rights and obligations between the Group and the Company with the customers and Government under the IBR Framework and the application of GCPT mechanism by reading supporting documentations such as the relevant meetings’ minutes, licensing conditions, applicable legislation governing the IBR Framework. In addition, we discussed with the Group’s senior management, external legal counsel and Audit Committee members to ascertain the Group’s and the Company’s legal rights and obligations with the customers and the Government that establish the basis for the recognition of revenue.• We tested the design and operating effectiveness of relevant controls over revenue recognition, focusing on controls over price changes arising from tariff revisions.• We obtained from management, the estimates on gas volume consumed and gas cost and agreed these to the submissions to the EC.• We checked the gas cost variance between the estimates used for determining tariffs and actual gas cost incurred by the Group and the Company to determine the over or under recovery of gas costs during the financial year. <p>Based on the above work performed, there were no material exceptions.</p>
<p>Accrual for gas costs</p> <p>The Group and the Company recognised gas cost accrual of RM328.9 million as at 31 December 2016 as disclosed in Note 23 to the financial statements. As there is a timing difference between the supply of gas and the receipt of the actual billing from the gas supplier as at the end of the reporting period, the unbilled gas cost is accrued based on management’s estimates made on the gas volume supplied by its gas supplier to its gas network.</p> <p>Management’s judgement used in determining the estimates is set out in Note 3(y)(i) to the financial statements.</p>	<p>We performed the following:</p> <ul style="list-style-type: none">• We tested the design and operating effectiveness of management’s key controls on the comparison between the total customers’ meter readings against the total natural gas supplied to determine the volume of gas supplied but had not been billed by the supplier as at the end of the reporting period. In addition, we tested management’s steps to address variances in gas volume above the threshold set by management, which is based on historical data for the gas losses in-transit between the supply pipeline and the pipeline connection at the customers’ premise.• We compared the data inputs used for deriving the market price by referencing these to the defined data inputs used by the formulae specified by the Gas Supply Agreement. The sources for these inputs were cross-checked to the Department of Statistics of Malaysia and Bank Negara Malaysia to assess the reasonableness of the data used by management to estimate the gas cost accrual.• We performed back-testing on the estimates used by management in prior year, and compared these to actual results. <p>Based on the above work performed, there were no material exceptions.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, Statement on Risk Management and Internal Control, Chairman's Statement, Management's Discussion and Analysis, and other sections of the 2016 Annual Report, which we have obtained prior to the date of this auditors' report, and the Sustainability Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 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.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements 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 Group's and the Company's ability 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:

- (a) 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.
- (b) 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 Group's and the Company's internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 Group's or the Company's ability 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.
- (e) 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 achieves fair presentation.
- (f) 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, related safeguards.

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 financial 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 240409-T)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 30 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

TIANG WOON MENG

(No. 2927/05/18 (J))
Chartered Accountant

Kuala Lumpur
16 March 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	4	4,052,969	3,619,769	4,025,886	3,594,520
Cost of sales	5	(3,797,619)	(3,422,314)	(3,775,406)	(3,402,493)
Gross profit		255,350	197,455	250,480	192,027
Administrative expenses	5	(52,069)	(62,299)	49,008	(59,587)
Selling and distribution expenses	5	(874)	(800)	0	0
Other operating income		1,739	2,639	1,521	2,456
Profit from operations	6	204,146	136,995	202,993	134,896
Finance costs	9	(3,110)	(6,077)	(2,680)	(5,890)
Share of results in Joint Ventures		(1,512)	(1,484)	0	0
Finance income		13,321	14,126	13,045	13,976
Profit before zakat and taxation		212,845	143,560	213,358	142,982
Zakat		(3,500)	(3,500)	(3,500)	(3,500)
Tax expense	10	(44,925)	(34,005)	(44,355)	(33,176)
Net profit for the financial year		164,420	106,055	165,503	106,306
Other comprehensive loss (net of tax):					
<i>Items that will be reclassified to profit or loss</i>					
Share of other comprehensive loss of joint venture - cash flow hedge		(3,094)	0	0	0
Total comprehensive income for the financial year		161,326	106,055	165,503	106,306
Net profit attributable to:					
- Owners of the Parent		165,138	106,162	165,503	106,306
- Non-controlling Interest		(718)	(107)	0	0
		164,420	106,055	165,503	106,306
Total comprehensive income attributable to:					
- Owners of the Parent		162,044	106,162	165,503	106,306
- Non-controlling Interest		(718)	(107)	0	0
		161,326	106,055	165,503	106,306
Earnings per ordinary share attributable to the equity holders of the Company:					
- Basic and diluted earnings per share (RM)	11	0.13	0.08		

The notes on pages 139 to 179 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,121,145	1,045,124	1,106,744	1,042,673
Investment in subsidiaries	13	0	0	13,912	13,912
Investment in joint ventures	14	26,900	25,274	33,490	27,258
Amounts due from subsidiaries	15	0	0	8,914	8,303
Prepaid lease payments	16	16,822	17,225	12,624	12,972
Deferred taxation	22	689	1,179	0	0
		1,165,556	1,088,802	1,175,684	1,105,118
CURRENT ASSETS					
Trade and other receivables	17	474,747	641,019	470,064	636,777
Cash and cash equivalents	18	585,113	361,954	566,976	346,231
		1,059,860	1,002,973	1,037,040	983,008
Total assets		2,225,416	2,091,775	2,212,724	2,088,126
EQUITY AND LIABILITIES					
Share capital	19	642,000	642,000	642,000	642,000
Cash flow hedge reserve		(3,094)	0	0	0
Retained profits	20	381,257	328,726	395,439	342,543
		1,020,163	970,726	1,037,439	984,543
Non-controlling interest		477	1,195	0	0
Total equity		1,020,640	971,921	1,037,439	984,543
NON-CURRENT LIABILITIES					
Redeemable preference share	21	0*	0*	0*	0*
Deferred taxation	22	133,286	158,291	133,286	158,291
Borrowings	24	107,990	0	100,000	0
		241,276	158,291	233,286	158,291

* Denotes RM0.50

The notes on pages 139 to 179 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CURRENT LIABILITIES					
Trade and other payables	23	915,636	826,145	896,195	809,871
Borrowings	24	3,040	130,000	1,000	130,000
Taxation		44,824	5,418	44,804	5,421
		963,500	961,563	941,999	945,292
Total liabilities		1,204,776	1,119,854	1,175,285	1,103,583
Total equity and liabilities		2,225,416	2,091,775	2,212,724	2,088,126

The notes on pages 139 to 179 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
GROUP							
At 1 January 2016		642,000	0	328,726	970,726	1,195	971,921
Net profit for the financial year		0	0	165,138	165,138	(718)	164,420
Other comprehensive loss for the financial year		0	(3,094)	0	(3,094)	0	(3,094)
Total comprehensive income for the financial year		0	(3,094)	165,138	162,044	(718)	161,326
Transactions with owners:							
Dividend: financial year ended 31 December 2016	25	0	0	(51,360)	(51,360)	0	(51,360)
Dividend: financial year ended 31 December 2015	25	0	0	(61,247)	(61,247)	0	(61,247)
Total transactions with owners		0	0	(112,607)	(112,607)	0	(112,607)
At 31 December 2016		642,000	(3,094)	381,257	1,020,163	477	1,020,640

The notes on pages 139 to 179 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	Share capital RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
GROUP							
At 1 January 2015		642,000	0	370,994	1,012,994	0	1,012,994
Net profit for the financial year		0	0	106,162	106,162	(107)	106,055
Transactions with owners:							
Dividend: financial year ended 31 December 2015	25	0	0	(44,940)	(44,940)	0	(44,940)
Dividend: financial year ended 31 December 2014	25	0	0	(103,490)	(103,490)	0	(103,490)
Total transactions with owners		0	0	(148,430)	(148,430)	0	(148,430)
Equity contribution from non-controlling interest		0	0	0	0	1,302	1,302
At 31 December 2015		642,000	0	328,726	970,726	1,195	971,921

The notes on pages 139 to 179 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital RM'000	Retained profits RM'000	Total RM'000
COMPANY				
At 1 January 2016		642,000	342,543	984,543
Net profit for the financial year		0	165,503	165,503
Transactions with owners:				
Dividend: financial year ended 31 December 2016	25	0	(51,360)	(51,360)
Dividend: financial year ended 31 December 2015	25	0	(61,247)	(61,247)
Total transactions with owners		0	(112,607)	(112,607)
At 31 December 2016		642,000	395,439	1,037,439
<hr/>				
At 1 January 2015		642,000	384,667	1,026,667
Net profit for the financial year		0	106,306	106,306
Transactions with owners:				
Dividend: financial year ended 31 December 2015	25	0	(44,940)	(44,940)
Dividend: financial year ended 31 December 2014	25	0	(103,490)	(103,490)
Total transactions with owners		0	(148,430)	(148,430)
At 31 December 2015		642,000	342,543	984,543

The notes on pages 139 to 179 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Note	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
OPERATING ACTIVITIES				
Profit before zakat and taxation	212,845	143,560	213,358	142,982
Adjustments for:				
Depreciation	57,433	53,600	57,105	53,309
Impairment of trade receivables	7,509	17,946	7,492	17,884
Write back of impairment of trade receivables	(12,526)	(11)	(12,469)	0
Gain on disposal of property, plant and equipment	(789)	(60)	(789)	(60)
Amortisation of prepaid lease payments	403	403	348	348
Share of result in joint ventures	1,512	1,484	0	0
Finance income	(13,321)	(14,126)	(13,045)	(13,976)
	253,066	202,796	252,000	200,487
Changes in working capital:				
Receivables	171,289	(350,697)	171,690	(350,201)
Payables	89,491	285,592	86,324	283,090
Cash generated from operations	513,846	137,691	510,014	133,376
Zakat paid	(3,500)	(3,500)	(3,500)	(3,500)
Income tax paid	(30,034)	(37,078)	(29,977)	(37,028)
Net cash generated from operating activities	480,312	97,113	476,537	92,848
INVESTING ACTIVITIES				
Investment in joint ventures	(6,232)	(15,211)	(6,232)	(15,211)
Proceeds from disposal of property, plant and equipment	789	60	789	60
Purchase of property, plant and equipment	(133,454)	(77,478)	(121,176)	(77,440)
Finance income	13,321	14,126	13,045	13,976
Investment in subsidiary	0	0	0	(3,907)
Repayment from subsidiary	0	0	(611)	3,433
Net cash used in investing activities	(125,576)	(78,503)	(114,185)	(79,089)

The notes on pages 139 to 179 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
FINANCING ACTIVITIES					
Dividends paid		(112,607)	(148,430)	(112,607)	(148,430)
Drawdown of loans		111,030	130,000	101,000	130,000
Repayment of Medium-Term Note ("MTN")		(130,000)	(70,000)	(130,000)	(70,000)
Equity contribution from non- controlling interest		0	1,302	0	0
Net cash used in financing activities		(131,577)	(87,128)	(141,607)	(88,430)
NET CHANGE IN CASH AND CASH EQUIVALENTS					
		223,159	(68,518)	220,745	(74,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR					
		361,954	430,472	346,231	420,902
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR					
	18	585,113	361,954	566,976	346,231

The notes on pages 139 to 179 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The principal activities of the Company consist of the sale and distribution of natural gas to the industrial, commercial and residential sectors as well as the construction and operation of the Natural Gas Distribution System in Peninsular Malaysia. The principal activities of the subsidiaries consist of the sale of liquefied petroleum gas ("LPG") via a reticulation system and property holding.

There have been no significant changes in the nature of these principal activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and the principal place of business of the Company is 5, Jalan Serendah 26/17, Seksyen 26, 40732 Shah Alam, Selangor Darul Ehsan.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 March 2017.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including profit rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, an insurance programme and adherence to Group financial risk management policies.

(a) Profit rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market profit rates. The profit rates exposure arises from the Group's and the Company's deposits and borrowings are not material to the operations of the Group and the Company.

(b) Credit risk

The Group seeks to invest cash assets safely and profitably. Credit risk arises from cash and cash equivalents and deposit with financial institutions, as well as credit exposures to customers, including outstanding receivable balances. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on customers, assessing the credit quality of the customers, taking into account its financial positions, past experience and other factors. Collection risk is minimised as there is a requirement for a 2-month financial guarantee imposed on its customers. A credit review committee meets regularly and closely monitors the trade receivables. Fixed deposits are placed only with established banks or financial institutions.

The carrying amount of all financial assets represents the maximum exposure to credit risk except for the financial guarantee extended to a subsidiary. The maximum exposure to credit risk of this financial guarantee amounts to RM8,210,000 (2015: RM6,450,000) at the end of the reporting period.

As the likelihood of this financial guarantee would be crystallised is remote, the Company has determined that the fair value of the financial guarantee extended to the subsidiary to be nil (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

Liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group and the Company's non-derivative financial liabilities into relevant maturity groupings based on remaining period at the reporting date to the maturity date. The amounts disclosed in the table are contractual undiscounted cash flow:

	Less than 3 months	Between 4 months to 1 year	More than 1 year	Total
At 31 December 2016:				
Group (RM'000)				
Trade and other payables	885,361	1,083	0	886,444
Borrowings	0	7,630	117,011	124,641
Company (RM'000)				
Trade and other payables	866,663	340	0	867,003
Financial guarantee contracts	650	7,560	0	8,210
Borrowings	0	5,187	108,300	113,487
At 31 December 2015:				
Group (RM'000)				
Trade and other payables	788,054	395	0	788,449
Borrowings	0	130,856	0	130,856
Company (RM'000)				
Trade and other payables	771,965	210	0	772,175
Financial guarantee contracts	650	5,800	0	6,450
Borrowings	0	130,856	0	130,856

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while seeking to maximise benefits to shareholders and other stakeholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders. The Group targets a dividend ratio of not less than 75% of profit after tax.

The Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (comprising 'short term and long term borrowings' as shown in the statements of financial position). Total capital is calculated as the sum of total equity and total debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital management (continued)

The gearing ratio as at 31 December 2016 and 2015 are as follows:

	Group 2016 RM'000	2015 RM'000
Total debt	111,030	130,000
Total equity	1,020,640	971,921
Total capital	1,131,670	1,101,921
Gearing ratio	10%	12%

There was no change in the Group's approach to capital management during current financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(y).

- (i) Standards, amendments to published standards and interpretations that are effective and relevant to the Group and the Company:

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 11 "Joint arrangements" - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 "Presentation of financial statements" - Disclosure initiative
- Amendments to MFRS 127 "Equity method in separate financial statements"
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- (ii) Standards early adopted by the Group and the Company

There were no standards early adopted by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- (iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective and have not been adopted by the Group and the Company

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2017. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative” introduce an additional disclosure on changes in liabilities arising from financing activities.

The Group will apply this amendment on or after 1 January 2017.

- Amendments to MFRS 112 “Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses” clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

The Group is in the process of making an assessment of the financial impact of this standard on the financial statements.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2018. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9 on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- (iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective and have not been adopted by the Group and the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2018. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below: (continued)

- MFRS 15 “Revenue from contracts with customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group is in the process of making an assessment of the financial impact of this standard on the financial statements.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- (iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective and have not been adopted by the Group and the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below: (continued)

- The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group is in the process of making an assessment of the financial impact of this standard on the financial statements.

(b) Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 to direct the relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in income statement.

Acquisition-related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Joint ventures

A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Property, plant and equipment

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit from operations.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(f) on impairment of non-financial assets.

(e) Depreciation

Freehold land is not depreciated as it has an indefinite life. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Other property, plant and equipment are depreciated on the straight-line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Motor vehicles	5 years
Office and gas equipment	3 to 5 years
Furniture and fittings	5 years
Office renovation	3 years
Pipeline and distribution systems	10 to 30 years

Residual values, useful lives and the depreciation method of property, plant and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

(f) Impairment of non-financial asset

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents held for the purpose of meeting short-term cash commitment rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, bank balances, deposit held at call with financial institutions, other short term and highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Investments

In the Company's separate financial statements, investment in subsidiaries and joint ventures are carried at cost less accumulated impairment losses.

On disposal of investments in subsidiaries and joint ventures, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in profit and loss.

The amount due from subsidiary which the Company does not expect repayment in the foreseeable future is considered as part of the Company's investment in the subsidiary.

(i) Trade and other receivables

Trade receivables are amounts due from customers for sale of gas, tolling fee and contributions receivable from customers in respect of construction of pipelines performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective profit rate method, less provision for impairment.

(j) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Dividend distribution

Distributions to holders of an equity instrument are recognised directly in equity and the corresponding liability is recognised in the period in which the dividends are approved.

(k) Trade payables

Trade payables represent liabilities to pay for natural gas and LPG that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. Otherwise, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective profit rate method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective profit rate method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(m) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and joint ventures operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Current and deferred income tax (continued)

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the parent and joint venture and it is probable that the temporary difference will not be reverse in the foreseeable future. Generally the investor and joint venture are unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the investor and joint venture the ability to control the reversal of temporary differences, a deferred tax liability is not recognised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(o) Accounting for lessee - operating lease and prepaid lease payments

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to profit or loss on the straight-line basis over the lease period. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

The up-front payment represents prepaid lease payments for lease of land and are amortised on the straight-line basis over the lease period of 20 to 99 years.

(p) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency. The Group's presentation currency is Ringgit Malaysia.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and the Company's activities as described below. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of natural gas and LPG

Revenue from sale of gas is recognised upon gas consumption by customers and is measured at the fair value of consideration received and receivable from customers during the financial year.

(ii) Tolling fee

Tolling fee represents fee received from Petroliaam Nasional Berhad for the transportation of gas to Petronas NGV Sdn. Bhd. stations and Gas District Cooling (M) Sdn. Bhd. stations.

(iii) Finance income

Finance income is recognised in profit or loss as it accrues, using the effective profit rate method of the underlying asset.

(iv) Cash contribution for pipelines construction

The Group and the Company recognises cash contribution from customers in respect of construction of pipelines as revenue when the pipelines are connected to customers.

(v) Other income

Other income includes rental income, tender related income, gain/(loss) on disposal of assets and late payment charges.

(r) Accounting for zakat

The Group and the Company recognise its obligations towards the payment of zakat on business. Zakat for the current year is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a company has been in operation for at least 12 months, i.e. for the period known as "haul".

Zakat rates enacted or substantively enacted by the end of each reporting period are used to determine the zakat expense. The rate of zakat on business as determined by zakat authority under Pusat Pungutan Zakat Majlis Agama Islam Selangor for 2016 is 2.5% of the zakat base. The zakat base of the Group is determined based on the profit after tax of eligible companies within the Group after deducting certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

(s) Contingent liabilities

The Group does not recognise a contingent liability other than those arising from business, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments

(i) Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. Otherwise, they are presented as non-current assets. The Group's and the Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statements of financial position (Notes 17 and 18).

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective profit rate method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, profit rate and dividend income are recognised in profit or loss in the period in which the changes arise.

(d) Subsequent measurement – impairment of financial assets

Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(d) Subsequent measurement – impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The Group and the Company first assess whether objective evidence of impairment exists.

The criteria that the Group and the Company use to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in profit or principal payments; or
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 1. adverse changes in the payment status of borrowers in the portfolio; and
 2. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If loans and receivables has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Group and the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(e) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(ii) Financial liability

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(iv) Financial guarantee contract

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where is a past practice that has created a constructive obligation.

(ii) Post-employment benefits

A defined contribution plan is a pension under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constitute obligations to pay further contributions if fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(v) 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 or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees, if any.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 3(t). Derivatives that qualify for hedge accounting are designated as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Critical accounting estimates and judgements

Estimates and judgements are continually being evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates, assumptions and judgements

(a) Depreciation policy

The depreciation policy of the pipelines system adopted by the Directors is on the basis that the Group and the Company will continue to obtain their supply of gas to sell and the gas supply licence will be renewed on expiry. Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(b) Accrual for unbilled gas cost

In determining the accrual for unbilled gas costs as disclosed in Note 23 to the financial statements, estimates are made by management on the gas volume supplied to its gas network. These estimates are based on past experience of the customers' consumption patterns.

(c) Revenue recognition

The Directors have applied judgement in applying the revenue recognition policy based on the Group's business model and its relationships and contracts with its customers. The judgement includes assessment of the obligation that the Group has in dealing with its customers, in which the Group is responsible for securing and expanding its customer base and bears the credit risks. The Directors have also taken into account the terms of business which the Group has with its gas suppliers where the title and ownership of the gas shall be transferred to the Group after delivery to the Group's pipeline. The Directors, having considered the above factors, are of the view that the revenue is recognised upon the sale of gas.

(d) Rights and obligations under the Incentive Based Regulation ("IBR") framework

The Energy Commission ("EC") implemented the IBR framework on 1 January 2016 whereby the tariffs are revised every six months using the Gas Cost Pass Through ("GCPT") mechanism. The GCPT mechanism is used by the EC to ensure that the Group and the Company remains financially neutral from fluctuations in gas price. Under the GCPT mechanism, tariffs are determined by estimating the gas volume consumption and its estimated cost for the next six months. As the actual gas volume consumed and gas cost are different from the estimates used in determining tariffs, this results in gas cost under or over-recovered which will be adjusted against revenue in the reporting period in which the cost differential occurred. The Directors have ascertained the extent of the Group's and the Company's rights and obligations with the customers and the Government under the IBR framework and determined its implication to revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

4. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of natural gas	3,974,463	3,564,819	3,974,431	3,564,819
Sale of LPG	27,051	25,249	0	0
Tolling fee	25,827	14,473	25,827	14,473
Cash contribution for pipelines construction	25,628	15,228	25,628	15,228
	4,052,969	3,619,769	4,025,886	3,594,520

5. EXPENSES BY NATURE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost of natural gas	3,676,426	3,316,928	3,676,426	3,316,928
Cost of LPG	18,864	18,196	0	0
Staff costs (Note 7)	53,756	51,316	50,084	48,256
Depreciation	57,433	53,600	57,105	53,309
Impairment of trade receivables	7,509	17,946	7,492	17,884
Gas licence fee	1,686	1,661	1,683	1,630
Sales commission expenses	874	800	0	0
Other expenses	34,014	24,966	31,624	24,073
	3,850,562	3,485,413	3,824,414	3,462,080

Staff costs (technical service salaries and bonuses) of the Group and of the Company amounting to RM5,654,000 (2015: RM5,941,000) incurred in construction of pipelines have been capitalised in the construction of the pipelines.

6. PROFIT FROM OPERATIONS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit from operations is arrived at after crediting:				
Gain on disposal of property, plant and equipment	789	60	789	60
Rental income	3	25	0	22
Write back of impairment of trade receivables (Note 17)	12,526	11	12,469	0
and after charging:				
Auditors' remuneration:				
- statutory audit	157	157	121	121
- other audit related services	107	107	107	107
- non-audit services	4	4	4	4
Amortisation of prepaid lease payments (Note 16)	403	403	348	348
Impairment of trade receivables (Note 17)	7,509	17,946	7,492	17,884
Rental of equipment	81	70	73	62
Rental of premises	908	727	673	604

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

7. STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, bonuses and salaries	44,098	45,717	41,514	43,053
Defined contribution plan - contributions	6,173	5,897	5,812	5,518
Other employee benefits	9,139	5,643	8,412	5,626
	59,410	57,257	55,738	54,197

8. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received by Directors of the Company during the financial year is as follows:

	Group and Company	
	2016 RM'000	2015 RM'000
Fees	885	924
Other benefits	735	734
	1,620	1,658

9. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank guarantee fee	0	30	0	30
Bank charges	206	358	0	171
Medium Term Note profit rate	2,674	5,689	2,674	5,689
Commercial paper profit rate	6	0	6	0
Term loan	224	0	0	0
	3,110	6,077	2,680	5,890

10. TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
- current financial year	69,433	34,989	69,360	34,861
- under accrual in prior financial year	7	1,597	0	1,654
	69,440	36,586	69,360	36,515
Deferred taxation (Note 22)	(24,515)	(2,581)	(25,005)	(3,339)
	44,925	34,005	44,355	33,176

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation and after zakat	209,345	140,060	209,858	139,482
Tax calculated at the Malaysian income tax rate of 24% (2015: 25%)	50,243	35,015	50,366	34,871
Tax effects of:				
Income not subject to tax	(7,695)	(5,592)	(7,695)	(5,592)
Expenses not deductible for tax	2,007	1,283	1,684	912
Share of result in a joint venture	363	371	0	0
Origination and reversal of temporary differences	0	1,331	0	1,331
(Over)/under accrual in prior financial year	7	1,597	0	1,654
Tax expense	44,925	34,005	44,355	33,176

11. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share are calculated by dividing the net profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016 RM'000	2015 RM'000
Net profit for the financial year attributable to equity holder of the Company (RM'000)	165,138	106,162
Weighted average number of ordinary shares ('000)	1,284,000	1,284,000
Basic earnings per share (RM)	0.13	0.08
Diluted earnings per share (RM)	0.13	0.08

The Group has no dilutive potential ordinary shares and therefore the diluted EPS is the same as the basic EPS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Office and gas equipment RM'000	Furniture and fittings RM'000	Office renovation RM'000	Pipeline and distribution system RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2016	9,894	19,531	9,415	52,310	2,031	12,533	1,457,030	89,751	1,652,495
Additions	0	0	716	821	0	0	18,747	113,170	133,454
Disposals	0	0	(2,501)	0	0	(1,890)	0	0	(4,391)
Reclassifications	0	0	0	0	0	0	69,284	(69,284)	0
At 31 December 2016	9,894	19,531	7,630	53,131	2,031	10,643	1,545,061	133,637	1,781,558
Accumulated depreciation									
At 1 January 2016	0	6,869	5,485	47,079	1,908	12,493	533,537	0	607,371
Charge for the financial year	0	447	1,014	2,036	89	32	53,815	0	57,433
Disposals	0	0	(2,501)	0	0	(1,890)	0	0	(4,391)
At 31 December 2016	0	7,316	3,998	49,115	1,997	10,635	587,352	0	660,413
Net book value									
At 31 December 2016	9,894	12,215	3,632	4,016	34	8	957,709	133,637	1,121,145

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Office and gas equipment RM'000	Furniture and fittings RM'000	Office renovation RM'000	Pipeline and distribution system RM'000	Capital work-in- progress RM'000	Total RM'000
Cost									
At 1 January 2015	9,894	19,531	6,168	50,613	2,007	12,518	1,372,232	102,247	1,575,210
Additions	0	0	3,440	1,669	24	15	11,585	60,745	77,478
Disposals	0	0	(193)	0	0	0	0	0	(193)
Reclassifications	0	0	0	28	0	0	73,213	(73,241)	0
At 31 December 2015	9,894	19,531	9,415	52,310	2,031	12,533	1,457,030	89,751	1,652,495
Accumulated depreciation									
At 1 January 2015	0	6,422	5,114	44,392	1,816	12,365	483,855	0	553,964
Charge for the financial year	0	447	564	2,687	92	128	49,682	0	53,600
Disposals	0	0	(193)	0	0	0	0	0	(193)
At 31 December 2015	0	6,869	5,485	47,079	1,908	12,493	533,537	0	607,371
Net book value									
At 31 December 2015	9,894	12,662	3,930	5,231	123	40	923,493	89,751	1,045,124

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Office and gas equipment RM'000	Furniture and fittings RM'000	Office renovation RM'000	Pipeline and distribution system RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2016	9,894	19,531	9,303	50,530	1,896	12,197	1,452,743	89,751	1,645,845
Additions	0	0	716	818	0	0	8,124	111,518	121,176
Disposals	0	0	(2,501)	0	0	(1,890)	0	0	(4,391)
Reclassifications	0	0	0	0	0	0	69,284	(69,284)	0
At 31 December 2016	9,894	19,531	7,518	51,348	1,896	10,307	1,530,151	131,985	1,762,630
Accumulated depreciation									
At 1 January 2016	0	6,869	5,373	45,329	1,773	12,157	531,671	0	603,172
Charge for the financial year	0	447	1,014	2,027	89	32	53,496	0	57,105
Disposals	0	0	(2,501)	0	0	(1,890)	0	0	(4,391)
At 31 December 2016	0	7,316	3,886	47,356	1,862	10,299	585,167	0	655,886
Net book value									
At 31 December 2016	9,894	12,215*	3,632	3,992	34	8	944,984	131,985	1,106,744

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Office and gas equipment RM'000	Furniture and fittings RM'000	Office renovation RM'000	Pipeline and distribution system RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2015	9,894	19,531	6,056	48,871	1,872	12,182	1,367,945	102,247	1,568,598
Additions	0	0	3,440	1,631	24	15	11,585	60,745	77,440
Disposals	0	0	(193)	0	0	0	0	0	(193)
Reclassifications	0	0	0	28	0	0	73,213	(73,241)	0
At 31 December 2015	9,894	19,531	9,303	50,530	1,896	12,197	1,452,743	89,751	1,645,845
Accumulated depreciation									
At 1 January 2015	0	6,422	5,002	42,650	1,681	12,029	482,272	0	550,056
Charge for the financial year	0	447	564	2,679	92	128	49,399	0	53,309
Disposals	0	0	(193)	0	0	0	0	0	(193)
At 31 December 2015	0	6,869	5,373	45,329	1,773	12,157	531,671	0	603,172
Net book value									
At 31 December 2015	9,894	12,662*	3,930	5,201	123	40	921,072	89,751	1,042,673

* Includes a leasehold building with a net book value of RM6,284,182 (2015: RM6,482,122) which resides on leasehold land owned by a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	13,912	13,912

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Group's effective interest	
			2016 %	2015 %
Gas Malaysia (LPG) Sdn. Bhd.	Selling of liquefied petroleum gas via a reticulation system	Malaysia	100	100
Pelantar Teknik (M) Sdn. Bhd.	Property holding	Malaysia	100	100
Gas Malaysia IEV Sdn. Bhd.	Virtual pipeline	Malaysia	75	75
Gas Malaysia Ventures Sdn. Bhd.	Investment holding	Malaysia	100	100
Gas Malaysia Venture 1 Sdn. Bhd.	Investment holding company for Combined, Heat and Power system	Malaysia	100	100
Gas Malaysia Venture 2 Sdn. Bhd.	Investment holding company for Virtual Pipeline related business	Malaysia	100	100

14. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	32,990	26,758	33,490	27,258
Share of post-acquisition reserves	(6,090)	(1,484)	0	0
	26,900	25,274	33,490	27,258

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint venture are as follows:

Name of company	Principal activities	Country of incorporation	Group's effective interest	
			2016 %	2015 %
Gas Malaysia Energy Advance Sdn. Bhd. ("GMEA")	Combined Heat and Power	Malaysia	66	66
Sime Darby Gas Malaysia BioCNG Sdn. Bhd. ("SDGMB")	Sale and supply of bio-compressed natural gas	Malaysia	49	0

On 30 June 2016, the Company subscribed 5,741,999 ordinary shares of RM1 each in GMEA, an existing joint venture of the Company. There is no change in the percentage of ownership in GMEA after the subscription of additional shares.

The Company had also, on 6 June 2016, subscribed to 490,000 ordinary shares of RM1 each in SDGMB.

The Group has applied the equity method of accounting for these joint ventures. The joint ventures are unquoted companies and therefore there is no quoted market price available for their shares.

The following table summarises the financial information of the Group's joint ventures, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures:

	SDGMB		GMEA	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Summarised statement of financial position</u>				
As at 31 December				
Non-current assets	507	0	191,598	72,807
Non-current liabilities	0	0	(144,380)	(55,000)
Current assets	618	0	17,536	25,401
Current liabilities	(142)	0	(24,728)	(4,915)
Net current assets/(liabilities)	476	0	(7,192)	20,486
Net assets	983	0	40,026	38,293
Included in the statement of financial position are:				
Deposits, cash and bank balances	582	0	6,083	22,625
Current financial liabilities (excluding trade and other payables and provisions)	0	0	13,852	0
Non-current financial liabilities (excluding trade and other payables and provisions)	0	0	144,380	62,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN JOINT VENTURES (CONTINUED)

	SDGMB		GMEA	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Summarised income statement</u>				
Year ended 31 December				
Revenue	136	0	11,155	0
Cost of sales (excluding depreciation)	(137)	0	(11,155)	0
Administrative expenses	(3)	0	(4,834)	(3,079)
Depreciation	(22)	0	(27)	(21)
Interest expense	0	0	(14)	0
Interest income	12	0	456	851
Other income	0	0	2,160	0
Taxation	(3)	0	(21)	0
Loss after taxation	(17)	0	(2,280)	(2,249)
Other comprehensive loss	0	0	(4,687)	0
Total comprehensive loss	(17)	0	(6,967)	(2,249)

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies applied between the Group and the joint ventures.

	SDGMB		GMEA	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Reconciliation of net assets to carrying amount</u>				
As at 31 December				
Group's share of net assets/ Carrying amount in the statement of financial position	482	0	26,418	25,274
<u>Group's share of result</u>				
Year ended 31 December				
Group's share of loss for the financial year	(8)	0	(4,598)	(1,484)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Amounts due from subsidiaries: Non-current	8,914	8,303

Included in the amounts due from subsidiaries are the followings:

The amount due from Gas Malaysia (LPG) Sdn. Bhd. of RM2,174,000 (2015: RM2,678,000) is unsecured, profit rate free and the non-current portion is based on the expected period of repayment by the subsidiary.

The amount due from Pelantar Teknik (M) Sdn. Bhd. of RM5,477,000 (2015: RM5,472,000) is unsecured, profit rate free and does not have a fixed term of repayments. Repayment is, however, not expected within the next twelve months as it is the intention of the Company to treat this amount as a long term source of funding to the subsidiary.

The amount due from Gas Malaysia IEV Sdn. Bhd. of RM1,255,000 (2015: RM153,000) is unsecured, profit rate free and the non-current portion is based on the expected period of repayment by the subsidiary.

16. PREPAID LEASE PAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of reporting period	17,225	17,628	12,972	13,320
Amortisation for the financial year	(403)	(403)	(348)	(348)
At end of reporting period	16,822	17,225	12,624	12,972

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	475,049	407,098	471,646	403,749
Impairment loss on trade receivables	(13,242)	(18,269)	(13,225)	(18,207)
Other receivables, deposits and prepayments	461,807 12,940	388,829 252,190	458,421 11,643	385,542 251,235
	474,747	641,019	470,064	636,777

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in trade and other receivables in the current financial year was RM2,890,000 (2015:RM3,605,000) being the amount due from the joint venture Company GMEA.

Included in other receivables in the prior financial year was RM236,127,000, being the differences between the market prices and the regulated prices on the gas supplied arising from its contractual obligations to its gas supplier, for which the Government has confirmed its support to the Company under the Gas Cost Pass Through ("GCPT") mechanism.

As at 31 December 2016, trade receivables of RM43,128,000 (2015: RM64,173,000) for the Group and of RM42,397,000 (2015: RM63,528,000) for the Company were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The aging analysis of these trade receivables (excluding other receivables, deposits and prepayments) are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	418,679	324,656	416,024	322,014
Past due but not impaired:				
Up to 2 months (overdue)	42,486	59,741	41,859	59,174
Over 2 months (overdue)	642	4,432	538	4,354
Impaired	13,242	18,269	13,225	18,207
	475,049	407,098	471,646	403,749

As at 31 December 2016, trade receivables amounting to RM13,242,000 (2015: RM18,269,000) for the Group and RM13,225,000 (2015: RM18,207,000) for the Company were impaired and provided for. The individually impaired receivables mainly related to customers which have defaulted in payment.

Trade receivables that are neither past due nor impaired mainly relate to industrial users, which are nationally dispersed and covers a spectrum of industries with a variety of end markets and have high credit worthiness. As described in Note 2(b), the Group requires the customers to pledge a bank guarantee or place a cash deposit as collateral. Due to these factors, the Group's historical experience shows that the impairment loss on trade receivables has been adequate.

Movements on the impairment loss on trade receivables are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of reporting period	18,269	359	18,207	326
Impairment of trade receivables	7,509	17,946	7,492	17,884
Write back of impairment of trade receivables	(12,526)	(11)	(12,469)	0
Trade receivables written-off	(10)	(25)	(5)	(3)
At end of reporting period	13,242	18,269	13,225	18,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with:				
Licensed banks	295,582	95,158	285,582	94,421
Other financial institutions	274,124	258,230	274,124	244,201
	569,706	353,388	559,706	338,622
Cash and bank balances	15,407	8,566	7,270	7,609
	585,113	361,954	566,976	346,231

The weighted average profit rates per annum of deposits placed with licensed banks and other financial institutions that were effective as at the end of the reporting period are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
	per annum	per annum	per annum	per annum
Deposits placed with:				
Licensed banks	4.00	4.66	4.00	4.66
Other financial institutions	4.03	4.82	4.03	4.85

Deposits placed with licensed banks and other financial institutions of the Group and the Company have an average maturity period of 28 days (2015: 20 days). Bank balances are deposits held at call with licensed banks.

19. SHARE CAPITAL

	Group and Company	
	2016 RM'000	2015 RM'000
Authorised:		
1,999,999,900 (2015: 1,999,999,900) ordinary shares of RM0.50 each	1,000,000	1,000,000
100 (2015: 100) preference shares of RM0.50 each	0*	0*
	1,000,000	1,000,000
Issued and fully paid:		
1,284,000,000 (2015: 1,284,000,000) ordinary shares of RM0.50 each	642,000	642,000
	642,000	642,000

* Denotes RM50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

20. RETAINED PROFITS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

21. REDEEMABLE PREFERENCE SHARE

On 23 April 2012, the Company issued one Special Rights Redeemable Preference Share ("RPS") at an issue price of RM0.50 to Petroliam Nasional Berhad ("Special Shareholder" or "PETRONAS") which adopted the special rights attached to the RPS via amendments to the Memorandum and Articles of Association of the Company ("Articles").

Salient points of the RPS stated in the Articles are:

- (a) The holder of the RPS or any holder acting on behalf of the Special Shareholder shall have the same rights as ordinary shareholders with regard to receiving notices of general meetings, reports and audited financial statements of the Company but shall carry no right to vote nor any other rights at any such meeting save and except where the right to vote is expressly provided in the Articles and/or the Bursa Malaysia Securities Berhad Listing Requirements ("the Listing Requirements");
- (b) The Special Shareholder shall have the right to vote at any meeting convened in each of the following circumstances as provided for under the Listing Requirements:
 - (i) when the dividend or part of the dividend on the share is in arrears for more than six (6) months, if applicable;
 - (ii) on a proposal to reduce the Company's share capital;
 - (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (iv) on a proposal that affects rights attached to the RPS;
 - (v) on a proposal to wind-up the Company; and
 - (vi) during the winding-up of the Company.

A resolution in writing signed by or on behalf of the Special Shareholder, for this purpose, be treated as a resolution duly passed by the Special Shareholder in respect of the matters stated above;

- (c) The Special Shareholder shall have no right to appoint or nominate any Directors;
- (d) The RPS shall confer no right to dividend;
- (e) The RPS is not transferable and is to be held by PETRONAS. Notwithstanding this, the RPS may be transferred to an entity wholly owned by the Government of Malaysia;
- (f) The Special Shareholder may, subject to the requirement of the Companies Act, 1965, require the Company to redeem the RPS at par at any time by serving written notice upon the Company and delivering the relevant share certificate;
- (g) In a distribution of capital in a winding-up of the Company, the Special Shareholder shall be entitled to repayment of the capital paid-up on the RPS in priority to any other shareholders. Save as otherwise provided in the Articles, the RPS shall confer no other rights to participate in the capital or profits of the Company;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

21. REDEEMABLE PREFERENCE SHARES (CONTINUED)

Salient points of the RPS stated in the Articles are: (continued)

- (h) In the Articles, the provisions relating to the general meetings, votes of shareholders, notices of meeting and the appointment of proxy(ies) shall, unless expressly provided to the contrary, apply mutatis mutandis, in respect of the Special Shareholder where applicable; and
- (i) Each of the following matters may only be effected with the consent in writing of the Special Shareholder:
 - (i) The amendment, or removal, or alteration of the effect of all or any of the following Articles:
 - (a) The definitions of RPS and Special Shareholder; and
 - (b) The rights of the RPS and Special Shareholder;
 - (ii) The voluntary winding-up, liquidation or dissolution of the Company;
 - (iii) The creation of a new category of shares in the Company;
 - (iv) Any proposal to reduce the share capital of the Company;
 - (v) A sale or disposal of the Company's assets where any of the percentage ratios of such transaction is 25% or more, such percentage ratios are to be calculated in accordance with the definition of "percentage ratios" as defined in the Listing Requirement;
 - (vi) Any acquisition of assets by the Company where any of the percentage ratios of such transaction is 25% or more, such percentage ratios are to be calculated in accordance with the definition of "present ratios" as defined in the Listing Requirements;
 - (vii) The change in nature of business and principal activities of the Company; and
 - (viii) The suspension of the whole of the Company's operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets:				
- Deferred tax assets to be recovered within 12 months	(17)	(36)	0	0
- Deferred tax assets to be recovered after more than 12 months	(672)	(1,143)	0	0
Total deferred tax assets	(689)	(1,179)	0	0
Deferred tax liabilities:				
- Deferred tax liabilities to be utilised within 12 months	25,368	1,058	25,368	1,058
- Deferred tax liabilities to be utilised after more than 12 months	107,918	157,233	107,918	157,233
Total deferred tax liabilities	133,286	158,291	133,286	158,291
Deferred tax liabilities (net)	132,597	157,112	133,286	158,291
At beginning of reporting period	157,112	159,693	158,291	161,630
Charged/(credited) to profit or loss (Note 10):				
- Unutilised tax losses	1,018	848	0	0
- Property, plant and equipment	(2,869)	929	(2,342)	1,017
- Provisions	(22,664)	(4,358)	(22,663)	(4,356)
	(24,515)	(2,581)	(25,005)	(3,339)
At end of reporting period	132,597	157,112	133,286	158,291
Subject to income tax:				
Deferred tax assets (before offsetting)				
- Unutilised tax losses	698	1,716	0	0
- Provisions	30,460	7,797	30,443	7,781
Offsetting	31,158	9,513	30,443	7,781
	(30,469)	(8,334)	(30,443)	(7,781)
Deferred tax assets (after offsetting)	689	1,179	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax liabilities (before offsetting)				
- Property, plant and equipment	163,755	166,625	163,729	166,072
Offsetting	(30,469)	(8,334)	(30,443)	(7,781)
Deferred tax liabilities (after offsetting)	133,286	158,291	133,286	158,291

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	669,885	724,738	665,455	720,668
Other payables	108,036	10,672	105,216	8,213
Customers' deposits	79,413	67,947	69,331	58,202
Accruals	58,302	22,788	56,193	22,788
	915,636	826,145	896,195	809,871

Included in the trade payables of the Group and of the Company at the end of the reporting period is an amount of RM328,879,000 (2015: RM288,726,000) in respect of the accruals due to the Group's gas supplier, which is a related party, for the purchase of natural gas.

Included in other payables is an amount of RM97,534,000, representing an accrual for over-recovery of gas cost arising from the variance between the actual market price and the forecast market price which was used for determining the current tariffs. This accrual is based on the Government's undertaking to the Company that it remains financially neutral from the resultant gas price fluctuations following the GCPT mechanism which was implemented on 1 January 2016. See Note 3(y)(i) for the rights and obligations of the Company under the IBR framework.

Included in customers' deposits of the Group and the Company is deferred revenue relating to capital contribution for pipelines construction amounting to RM29,191,215 (2015: RM37,696,275).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current (unsecured):				
Al-Murabahah MTN	0	130,000	0	130,000
Islamic Commercial Papers	1,000	0	1,000	0
Term Loan	2,040	0	0	0
	3,040	130,000	1,000	130,000
Non-current (unsecured):				
Islamic Medium Term Notes	100,000	0	100,000	0
Term Loan	7,990	0	0	0
	107,990	0	100,000	0
	111,030	130,000	101,000	130,000

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Analysis of repayment schedule:				
- not later than 1 year	3,040	130,000	1,000	130,000
- later than 1 year but not later than 5 years	2,040	0	0	0
- later than 5 years	105,950	0	100,000	0
	111,030	130,000	101,000	130,000

On 29 April 2016, the Company completed the repayment of RM130.0 million in nominal value of MTN pursuant to the MTN programme under the Shariah Principle of Al-Murabahah.

With the execution of the transaction documents on 30 September 2016, the Company has established an Islamic Commercial Papers ("ICPs") Programme ("ICP Programme") and an Islamic Medium Term Notes ("IMTNs") Programme ("IMTN Programme") with a combined aggregate limit of up to RM700 million in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement) (collectively, the "Sukuk Murabahah Programmes").

The ICP Programme and the IMTN Programme shall have a tenure of seven (7) years and ten (10) years respectively from the date of the first issue under the respective programmes. The ICPs and IMTNs are unsecured and will not be listed on Bursa Securities or on any other stock exchange.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. BORROWINGS (CONTINUED)

The proceeds raised from the issuance of the Sukuk Murabahah shall be utilised to:

- (i) repay/refinance the borrowings/financing of the Group;
- (ii) to finance present and future Shariah-compliant investments;
- (iii) to finance the Company's Shariah-compliant working capital and capital expenditure requirements; and/or
- (iv) to pay fees, expenses, costs, and all other amounts payable in relation to the Sukuk Murabahah Programmes, all of which shall be Shariah-compliant.

Subsequently on 1 November 2016, the Company issued ICPs and IMTNs as follows:

Sukuk Murabahah	Nominal Value	Tenure
ICPs	RM1.0 million	Nine (9) months
IMTNs	RM100.0 million	Three (3) years

25. DIVIDENDS

Company	Per share		Total amount	
	2016 sen	2015 sen	2016 RM'000	2015 RM'000
Dividends paid during the financial year:				
1) Interim dividend per ordinary share, single-tier – in respect of financial year ended 2016/15	4.00	3.50	51,360	44,940
2) Second interim dividend per ordinary share, single-tier – in respect of financial year ended 2015/14	0.00	4.00	0	51,360
3) Final dividend per ordinary share, single-tier – in respect of financial year ended 2015/14	4.77	4.06	61,247	52,130
	8.77	11.56	112,607	148,430
Dividends declared/proposed subsequent to year end:				
1) Second interim dividend per ordinary share, single-tier – in respect of financial year ended 2016/15	4.00	-	51,360*	-
2) Final dividend per ordinary share, single-tier – in respect of financial year ended 2016/15	4.86	4.77	62,402*	61,247

At the forthcoming Annual General Meeting, the final single-tier dividend in respect of the financial year ended 31 December 2016 will be proposed for shareholders' approval.

* The above second interim dividend declared and proposed final dividend, upon approval by the shareholders, subsequent to year-end will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

26. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
In respect of purchase of property, plant and equipment:				
Authorised by the Board:				
- Not contracted for	38,944	86,245	38,944	86,245
- Contracted but not provided for in the financial statements	103,850	66,522	103,850	51,222

27. SIGNIFICANT RELATED PARTIES DISCLOSURES

The following transactions were carried out with related parties in addition to related parties disclosures mentioned elsewhere in the financial statements:

Related parties with which the Group and the Company transacted with and their relationship with the Group and the Company are as follows:

Related parties	Relationship	Country of incorporation
Petronas Dagangan Berhad ("PDB")	A related party to Petronas Gas Berhad ("PGB"), a shareholder with significant influence over the Group	Malaysia
Central Sugar Refinery Sdn. Bhd. ("CSR")	A subsidiary of Tradewinds (Malaysia) Berhad, a related company to MMC Corporation Berhad ("MMC"), an indirect substantial shareholder	Malaysia
Petroleum Nasional Berhad ("PETRONAS")*	Holding company of PGB, a shareholder with significant influence over the Group	Malaysia
Gula Padang Terap Sdn. Bhd. ("GPT")	A subsidiary of Tradewinds (Malaysia) Berhad, a related company to MMC	Malaysia
Honda Malaysia Sdn. Bhd. ("Honda")	An associate of DRB-HICOM Berhad, a related company to MMC	Malaysia
Senai Airport City Sdn. Bhd. ("SACSB") (formerly known as Enigma Harmoni Sdn. Bhd.)	A wholly owned subsidiary of Senai Airport Terminal Services Sdn. Bhd., a subsidiary of MMC	Malaysia
Edaran Otomobil Nasional Berhad ("EON")	A subsidiary of DRB-HICOM Berhad, a related company to MMC	Malaysia

* PETRONAS owns 1 RPS in the Company. The rights of this RPS state that any variation to the matters within the Articles shall be effective only with written consent of the holder of the RPS as disclosed in Note 21.

PETRONAS is wholly owned by Government of Malaysia. Therefore, by virtue of PGB being a subsidiary of PETRONAS, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group and the Company.

The Group and the Company have transactions that are not significant with other Government-related entities in respect of the provision of sales of natural gas as well as LPG in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

27. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(a) Sales and purchases of goods and services

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gas sales to:				
CSR***	75,301	52,905	75,301	52,905
GPT***	29,870	16,757	29,870	16,757
Cash contribution for pipeline construction received from:				
SACSB**	0	4,408	0	4,408
Honda**	0	4,424	0	4,424
Purchase of LPG from PDB**	10,319	11,948	0	0
Purchase of natural gas from PETRONAS****	3,676,426	3,316,928	3,676,426	3,316,928
Tolling fee income earned from PETRONAS**	25,827	14,473	25,827	14,473
Cash contribution for Citygate construction paid to PETRONAS**	6,182	10,857	6,182	10,857
Provision for repair and purchase of motor vehicle from EON**	89	1,631	89	1,631

The significant outstanding balances with a related party is disclosed in Note 23.

** The transactions have been entered into the normal course of business and have been established under negotiated terms agreed by both parties.

*** The transactions have been entered into based on regulated prices in Peninsular Malaysia which are set by Energy Commission of Malaysia.

**** The Transactions have been entered into based on regulated and market prices.

(b) Key management compensation

	Group and Company	
	2016 RM'000	2015 RM'000
Salaries and bonuses	8,671	9,651
Directors' fees	885	924
Defined contribution plan - contributions	965	1,240
Other benefits	744	741
	11,265	12,556

Key management compensation includes remuneration of Directors and senior management of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of all financial assets and liabilities of the Group and the Company at the end of the reporting period approximated their fair values.

29. SEGMENT REPORTING

The chief operating decision-maker, which consists of members of the Management Committee consider that its business consists of two operating segments. The reportable operating segment (which is an aggregation of the two operating segments) as these segments primarily derives its revenue from sales of natural gas as well as contribution from liquefied petroleum gas and tolling fee for transportation of gas. The Board assess the performance of the operating segment based on a measure of earnings before finance income, zakat, taxation, depreciation and amortisation.

Group	Natural Gas & LPG RM'000	Others RM'000	Elimination RM'000	Total RM'000
31 December 2016				
<u>Revenue:</u>				
Total segment revenue - external	4,052,969	0	0	4,052,969
Inter-segment revenue	0	140	(140)	0
	4,052,969	140	(140)	4,052,969
<u>Results:</u>				
Profit/(loss) before zakat and taxation	214,491	(1,646)	0	212,845
Finance income	(13,321)	0	0	(13,321)
Depreciation and amortisation	57,781	55	0	57,836
Earnings before finance income, zakat, taxation, depreciation and amortisation (segment results)	258,951	(1,591)	0	257,360
<u>Other information:</u>				
Segment assets	2,193,628	4,199	0	2,197,827
Investment in Joint Ventures	0	26,900	0	26,900
Deferred taxation	689	0	0	689
Total assets				2,225,416
Segment liabilities	(1,026,653)	(13)	0	(1,026,666)
Taxation	(44,823)	(1)	0	(44,824)
Deferred taxation	(133,286)	0	0	(133,286)
Total liabilities				(1,204,776)
<u>Other disclosure:</u>				
Capital expenditure	133,454	0	0	133,454
Depreciation	57,433	0	0	57,433
Amortisation of prepaid lease payments	348	55	0	403
Impairment of trade receivables	7,509	0	0	7,509
Write back of impairment of trade receivables	(12,526)	0	0	(12,526)
Share of results in Joint Ventures	0	1,512	0	1,512
Interest expense	3,110	0	0	3,110

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

29. SEGMENT REPORTING (CONTINUED)

Group	Natural Gas & LPG RM'000	Others RM'000	Elimination RM'000	Total RM'000
31 December 2015				
<u>Revenue:</u>				
Total segment revenue - external	3,619,769	0	0	3,619,769
Inter-segment revenue	0	140	(140)	0
	<u>3,619,769</u>	<u>140</u>	<u>(140)</u>	<u>3,619,769</u>
<u>Results:</u>				
Profit/(loss) before zakat and taxation	145,180	(1,620)	0	143,560
Finance income	(14,126)	0	0	(14,126)
Depreciation and amortisation	53,948	55	0	54,003
Earnings before finance income, zakat, taxation, depreciation and amortisation (segment results)	<u>185,002</u>	<u>(1,565)</u>	<u>0</u>	<u>183,437</u>
<u>Other information:</u>				
Segment assets	2,061,069	4,253	0	2,065,322
Investment in Joint Ventures	0	25,274	0	25,274
Deferred taxation	1,179	0	0	1,179
Total assets				<u>2,091,775</u>
Segment liabilities	(956,134)	(11)	0	(956,145)
Taxation	(5,417)	(1)	0	(5,418)
Deferred taxation	(158,291)	0	0	(158,291)
Total liabilities				<u>(1,119,854)</u>
<u>Other disclosure:</u>				
Capital expenditure	77,478	0	0	77,478
Depreciation	53,600	0	0	53,600
Amortisation of prepaid lease payments	348	55	0	403
Impairment of trade receivables	17,946	0	0	17,946
Write back of impairment of trade receivables	(11)	0	0	(11)
Share of results in Joint Ventures	0	1,484	0	1,484
Interest expense	6,077	0	0	6,077

There are no revenue derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue during the current financial year (2015: nil).

The Group operations are conducted within Peninsular Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of retained profits or accumulated losses into realised and unrealised on Group and on Company basis, in the annual audited financial statements. The retained profits as at reporting date are analysed as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of the Company and its subsidiary companies:				
- Realised	517,350	487,822	528,725	500,834
- Unrealised	(132,597)	(157,112)	(133,286)	(158,291)
Total accumulated losses from joint ventures:				
- Realised	(3,496)	(1,984)	0	0
	381,257	328,726	395,439	342,543

The determination of realised and unrealised profits is compiled based on Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for purposes of complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities and should not be applied for other purposes.

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2017

Share Capital	: RM642,000,000.50 divided into 1,284,000,000 ordinary shares and 1 redeemable preference share
Voting Rights	: (i) One vote for every ordinary share (on a poll) (ii) No voting right for redeemable preference share save as circumstances as provided in the Articles of Association of the Company
No. of Shareholders	: 5,757

SUBSTANTIAL SHAREHOLDERS (AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS)

	No. of Shares Held			
	Direct	%	Indirect	%
Anglo - Oriental (Annuities) Sdn Bhd	397,179,040	30.93	-	-
Tokyo Gas - Mitsui & Co. Holdings Sdn Bhd	237,546,000	18.50	-	-
PETRONAS Gas Berhad	190,010,000	14.80	-	-
Lembaga Tabung Haji	97,017,100	7.56	-	-
MMC Corporation Berhad ⁽¹⁾	-	-	397,179,040	30.93
Tokyo Gas International Holdings B.V. ⁽²⁾	-	-	237,546,000	18.50
Mitsui & Co. (Asia Pacific) Pte Ltd ⁽²⁾	-	-	237,546,000	18.50
Petroliam Nasional Berhad ⁽³⁾	-	-	190,010,000	14.80
Minister of Finance (Incorporated) ⁽⁴⁾	-	-	190,010,000	14.80

Notes:

- (1) Deemed interest through its shareholding in Anglo - Oriental (Annuities) Sdn Bhd
(2) Deemed interest through its shareholding in Tokyo Gas - Mitsui & Co. Holdings Sdn Bhd
(3) Deemed interest through its shareholding in PETRONAS Gas Berhad
(4) Deemed interest through its shareholding in Petroliam Nasional Berhad

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares Held
Less than 100 shares	118	2.05	1,616	0.00
100 to 1,000	1,300	22.58	1,068,375	0.08
1,001 to 10,000	3,207	55.71	13,777,986	1.07
10,001 to 100,000	950	16.50	25,255,207	1.97
100,001 to less than 5% of issued shares	178	3.09	322,144,676	25.09
5% and above of issued shares	4	0.07	921,752,140	71.79
TOTAL	5,757	100.00	1,284,000,000	100.00

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2017 (CONTINUED)

DIRECTORS' SHAREHOLDING (AS PER REGISTER OF DIRECTORS' SHAREHOLDING)

Name of Directors	No. of Shares Held			
	Direct	%	Indirect	%
Datuk Haji Hasni bin Harun	-	-	-	-
Dato' Sri Che Khalib bin Mohamad Noh	-	-	-	-
Shigeru Muraki	-	-	-	-
Hisashi Nakamura (Alternate Director to Shigeru Muraki)	-	-	-	-
Satoshi Honjo (Alternate Director to Shigeru Muraki)	-	-	-	-
Yusa' bin Hassan	-	-	-	-
Aida Aziza binti Mohd Jamaludin (Alternate Director to Yusa' bin Hassan)	-	-	-	-
Tan Lye Chong	50,000	0.00*	-	-
Datuk Puteh Rukiah binti Abd. Majid	-	-	-	-
Datuk Syed Abu Bakar bin S Mohsin Almohdzar	-	-	-	-
Datuk Ooi Teik Huat	-	-	-	-
Ahmad Hashimi bin Abdul Manap (Chief Executive Officer)	21,500	0.00*	-	-

* Less than 0.01%

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name	No. of Shares Held	% of Shares Held
1	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Anglo - Oriental (Annuities) Sdn Bhd	397,179,040	30.93
2	Tokyo Gas - Mitsui & Co. Holdings Sdn Bhd	237,546,000	18.50
3	PETRONAS Gas Berhad	190,010,000	14.80
4	Lembaga Tabung Haji	96,000,000	7.48
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	37,386,200	2.91
6	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	35,878,800	2.79
7	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shapadu Corporation Sdn Bhd	35,450,778	2.76
8	AmanahRaya Trustees Berhad AS 1Malaysia	17,114,300	1.33
9	AmanahRaya Trustees Berhad Public Islamic Select Treasures Fund	16,070,700	1.25

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2017 (CONTINUED)

TOP THIRTY SECURITIES ACCOUNT HOLDERS (CONTINUED)

(Without aggregating the securities from different securities accounts belonging to the same Depositor) (continued)

No.	Name	No. of Shares Held	% of Shares Held
10	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd.	14,648,700	1.14
11	Kumpulan Wang Persaraan (Diperbadankan)	12,315,600	0.96
12	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	10,869,000	0.85
13	AmanahRaya Trustees Berhad Amanah Saham Nasional	8,142,500	0.63
14	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for CIMB Islamic DALI Equity Theme Fund	7,437,900	0.58
15	AmanahRaya Trustees Berhad Public Islamic Equity Fund	5,175,000	0.40
16	AmanahRaya Trustees Berhad Public Dividend Select Fund	4,835,100	0.38
17	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 14)	4,080,200	0.32
18	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	3,989,900	0.31
19	Kenanga Capital Sdn Bhd Pledged Securities Account for Shapadu Corporation Sdn Bhd	3,404,256	0.27
20	Koperasi Permodalan Felda Malaysia Berhad	3,246,000	0.25
21	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	3,105,000	0.24
22	CIMB Commerce Trustee Berhad Public Focus Select Fund	3,059,600	0.24
23	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Invesco Asean Equity Fund	3,000,000	0.23
24	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)	2,970,300	0.23
25	AmanahRaya Trustees Berhad Public Islamic Optimal Growth Fund	2,968,300	0.23
26	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	2,790,700	0.22
27	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	2,703,600	0.21
28	Maybank Nominees (Tempatan) Sdn Bhd Bank Kerjasama Rakyat (M) Berhad (412803)	2,536,500	0.20
29	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Al-Ilham	2,469,300	0.19
30	Shapadu Corporation Sdn Bhd	2,450,981	0.19
TOTAL		141,688,334,255	91.83

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

No.	Location	Description/ Existing use	Tenure	Area (Acres)	Net book value as at 31 December 2016 (RM'000)	Age of building (years)	Year of acquisition
1	No. Hakmilik: 89023, Lot 52547 PT No.: 15752 Headquarters No. 5 Jalan Serendah 26/17 Seksyen 26 40000 Shah Alam Selangor Darul Ehsan	Headquarters, warehouse and regulating station	Leasehold expiring in 2094	5.273	6,464	21	1994
2	No. Hakmilik: 33555, Lot No.: 41387 No. 30, Jalan 4/12B Seksyen 4 43650 Bandar Baru Bangi Selangor Darul Ehsan	Office	Leasehold expiring in 2097	0.044	274	17	2000
3	No Hakmilik :13007 Lot No.: 813 No.1, 1A & 1B Jalan Bola Jaring 13/15 Seksyen 13 Shah Alam Selangor Darul Ehsan	Office	Leasehold expiring in 2100	0.08	1,838	22	2009
4	No. Hakmilik : 26774 Lot No. 85 No. 20 Jalan Gurney 54100 Kuala Lumpur	Office	Freehold	0.017767	4,122	10	2011
5	No Hakmilik: 7115 Lot No.: 8938 Eastern Regional Office Mukim Sungai Karang Kuantan Pahang Darul Makmur	Office and warehouse	Leasehold expiring in 2064	2.9999	2,054	21	1995

LIST OF PROPERTIES

(CONTINUED)

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

No.	Location	Description/ Existing use	Tenure	Area (Acres)	Net book value as at 31 December 2016 (RM'000)	Age of building (years)	Year of acquisition
6	HS(D) 359331 PTD 3527 Mukim Sungai Tiram Daerah Johor Bahru Johor Darul Takzim	Vacant land	Leasehold expiring in 2063	27.8225	9,331	-	2003
7	No. Hakmilik : 3272 Lot No.: 6462 No. Hakmilik : 6545 Lot No.: 5810 No. Hakmilik : 6546 Lot No : 6461 HS(D) 34458 PT No.: 4101 No. Hakmilik : 5928 Lot No : 5809 HS(D) 34510 PT No.: 1654 Prai Industrial Park Pulau Pinang	District station land	Leasehold expiring in 2061	0.0375 0.565 0.115 0.0375 0.0375 0.07825	227	-	2000
8	HS(D) 221664 PTD 115555 PLO 343 Jalan Emas Tiga 81700 Pasir Gudang Johor Darul Takzim	Office	Leasehold expiring in 2055	3.0352	1,210	17	1993
9	HS(D) 108992 LOT No.: 4228 No. 34 Jalan Bunga Raya 6 Pusat Perniagaan Senawang 70400 Seremban Negeri Sembilan	Office	Freehold	0.0378	160	20	1995
10	HS(M) 1457 PT 2957 Mukim 06 Seberang Perai Tengah Pulau Pinang	Vacant land	Freehold	3.02	7,732	-	2012

ADMINISTRATIVE DETAILS

Administrative details for the 26th Annual General Meeting of Gas Malaysia Berhad

Date : 9 May 2017

Time : 3.00 p.m.

Venue : Mahkota II, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia

PARKING

- Parking for visitors is available at the parking bays of the Hotel. Parking fee will be borne by Gas Malaysia Berhad. Visitors are to exchange their entry tickets with exit tickets at the designated counter outside Mahkota II.

REGISTRATION

- Registration will start at 1.00 p.m. and registration counters will remain open until the conclusion of the 26th AGM or such time as may be determined by the Chairman of the meeting.
- Please read the signage placed around the Hotel to ascertain where you should register for the meeting and join the queue accordingly.
- Please produce your original Identity Card ("IC") during the registration for verification and ensure that you collect your IC thereafter.
- After the verification and registration, you will be given an identification tag. No person will be allowed to enter Mahkota II without the identification tag.

REFRESHMENTS

- Light refreshment will be served outside Mahkota II before the commencement of the 26th AGM.

GENERAL MEETING RECORD OF DEPOSITORS

- For the purpose of determining members who shall be entitled to attend the 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 2 May 2017. Only depositors whose names appear on the Record of Depositors as at 2 May 2017 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on their behalf.

FORM OF PROXY

26TH ANNUAL GENERAL MEETING



A Member of MMC Group

Number of Ordinary Share(s) held	
CDS Account No.	

I/We, _____ NRIC No./Passport No./Company No. _
(FULL NAME OF SHAREHOLDER IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a member/members of GAS MALAYSIA BERHAD, hereby appoint:

Name/NRIC No.	No. of Shares	Percentage (%)	
Proxy 1	_____		or failing him/her
Proxy 2	_____		or failing him/her

*the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company, to be held at Mahkota II, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Tuesday, 9 May 2017 at 3.00 p.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of the Annual General Meeting:

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote. If you do not do so, the proxy may vote or abstain from voting at his/her discretion.)

AGENDA

1	To receive the Audited Financial Statements and the Reports of the Directors and Auditors		For	Against
Ordinary Business				
2	Declaration of Dividend	Ordinary Resolution 1		
3	Re-election of Director – Dato' Sri Che Khalib bin Mohamad Noh	Ordinary Resolution 2		
4	Re-election of Director – Encik Shigeru Muraki	Ordinary Resolution 3		
5	Re-election of Director – Encik Yusa' bin Hassan	Ordinary Resolution 4		
6	Payment of Directors' Fees for Financial Year Ended 31 December 2016	Ordinary Resolution 5		
7	Payment of Directors' Fees and any benefits payable to the Directors from 1 January 2017 to the next AGM	Ordinary Resolution 6		
8	Re-appointment of Auditors	Ordinary Resolution 7		
Special Business				
9	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for the Company and/or its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties	Ordinary Resolution 8		

* Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.

Dated this _____ day of _____ 2017

Signature of Member and/or Common Seal

Contact No. _

NOTES :

- In respect of deposited securities, only members whose names appear on the Record of Depositors on 2 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- A member of the Company shall be entitled to appoint another person as his/her proxy to attend, participate, speak and vote at the meeting in his stead. A proxy need not be a member of the Company.
- A member shall not be entitled to appoint more than two proxies. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. Where there are two or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or signed by an officer or attorney so authorised.
- The instrument appointing a proxy or corporate representative or the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia no later than Monday, 8 May 2017 at 3.00 p.m.

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Gas Malaysia Berhad
Annual General Meeting
9 May 2017

STAMP
HERE

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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