

STRICTLY CONFIDENTIAL – DO NOT FORWARD

IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING. THIS ELECTRONIC MAIL (“E-MAIL”) AND ANY ATTACHMENT HERETO ARE INTENDED ONLY FOR USE BY THE ADDRESSEE NAMED HEREIN AND MAY CONTAIN LEGALLY PRIVILEGED AND/OR CONFIDENTIAL INFORMATION. IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS E-MAIL, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR COPYING OF THE INFORMATION CONTAINED IN THIS E-MAIL, AND ANY ATTACHMENTS THERETO, ARE STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS E-MAIL IN ERROR, PLEASE IMMEDIATELY NOTIFY US BY REPLY E-MAIL AND PERMANENTLY DELETE ALL COPIES OF THIS E-MAIL INCLUDING ALL ATTACHMENTS AND DESTROY ALL PRINTOUTS OF IT. BY OPENING AND ACCEPTING THIS ELECTRONIC TRANSMISSION CONTAINING THE INFORMATION MEMORANDUM, THE RECIPIENT AGREES TO BE BOUND BY ALL THE TERMS AND CONDITIONS BELOW. IF YOU DO NOT AGREE TO ANY OF THE TERMS AND CONDITIONS, PLEASE DELETE THIS ELECTRONIC TRANSMISSION IMMEDIATELY.

ATTACHED IS AN ELECTRONIC COPY OF THE INFORMATION MEMORANDUM DATED 27 JULY 2020 (“INFORMATION MEMORANDUM”), IN RELATION TO GAS MALAYSIA DISTRIBUTION SDN BHD (REGISTRATION NO. 201701042571 (1256744-A)) (“ISSUER”)'S PROPOSED ISSUANCE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF (I) ISLAMIC MEDIUM TERM NOTES PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES PROGRAMME OF RM1 BILLION IN NOMINAL VALUE (“IMTN PROGRAMME”) AND (II) ISLAMIC COMMERCIAL PAPERS PURSUANT TO AN ISLAMIC COMMERCIAL PAPERS ISSUANCE PROGRAMME OF UP TO RM1 BILLION IN NOMINAL VALUE (“ICP PROGRAMME”). THE IMTN PROGRAMME AND ICP PROGRAMME (COLLECTIVELY, THE “SUKUK MURABAHAH PROGRAMMES”) SHALL BE CONCURRENTLY ESTABLISHED AND SHALL HAVE A COMBINED ISSUANCE LIMIT OF UP TO RM1 BILLION IN NOMINAL VALUE UNDER THE SHARIAH PRINCIPLE OF MURABAHAH (VIA A TAWARRUQ ARRANGEMENT)

THE INFORMATION MEMORANDUM IS STRICTLY CONFIDENTIAL AND DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR OR PURCHASE OF THE ISLAMIC MEDIUM TERMS NOTES (“IMTN”) TO BE ISSUED PURSUANT TO THE IMTN PROGRAMME AND THE ISLAMIC COMMERCIAL PAPERS (“ICP”) TO BE ISSUED PURSUANT TO THE ICP PROGRAMME OR ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OF THE IMTN OR ICP (COLLECTIVELY, THE “SUKUK MURABAHAH”) TO ANY PERSON OR TO THE PUBLIC GENERALLY OTHER THAN TO THE INTENDED RECIPIENT. ANY DISTRIBUTION OF THE INFORMATION MEMORANDUM WITHOUT THE PRIOR CONSENT OF THE ISSUER, RHB INVESTMENT BANK BERHAD (REGISTRATION NO. 197401002639 (19663-P)) AS THE PRINCIPAL ADVISER AND LEAD ARRANGER OF THE SUKUK MURABAHAH (“PA/LA”), RHB INVESTMENT BANK BERHAD (REGISTRATION NO. 197401002639 (19663-P)) AND SUCH OTHER FINANCIAL INSTITUTIONS AS MAY BE APPOINTED BY THE ISSUER AS THE JOINT LEAD MANAGERS (“JOINT LEAD MANAGERS”) IS UNAUTHORISED. THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION FROM THE ISSUER, THE PA/LA, THE JOINT LEAD MANAGERS AND ITS/THEIR RESPECTIVE AGENTS IS PROHIBITED FROM DISCLOSING THE INFORMATION MEMORANDUM, ALTERING THE CONTENTS OF THE INFORMATION MEMORANDUM OR FORWARDING A COPY OF THE INFORMATION MEMORANDUM OR ANY PORTION THEREOF BY ELECTRONIC MAIL OR OTHERWISE TO ANY PERSON.

THE INFORMATION MEMORANDUM IS NOT A PROSPECTUS AND HAS NOT BEEN REGISTERED NOR WILL IT BE REGISTERED AS A PROSPECTUS UNDER THE CAPITAL MARKETS AND SERVICES ACT, 2007, AS AMENDED FROM TIME TO TIME (“CMSA”). A COPY OF THIS INFORMATION MEMORANDUM WILL BE DEPOSITED WITH THE SECURITIES COMMISSION MALAYSIA (“SC”), WHICH TAKES NO RESPONSIBILITY FOR ITS CONTENTS. THE SUKUK MURABAHAH MAY ONLY BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED DIRECTLY OR INDIRECTLY TO A PERSON WHO: (1) AT THE POINT OF ISSUANCE OF THE SUKUK MURABAHAH, FALLS WITHIN PART I OF SCHEDULE 6 OR SECTION 229(1)(B) OF THE CMSA AND PART I OF

SCHEDULE 7 OR SECTION 230(1)(B) OF THE CMSA, READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA AND THE CATEGORIES OF PERSONS TO WHOM THE OFFER WOULD NOT BE DEEMED TO BE AN OFFER TO THE PUBLIC AS SET OUT IN SECTION 2(6) OF THE COMPANIES ACT 2016, AS AMENDED FROM TIME TO TIME; AND (2) AFTER THE ISSUANCE OF THE SUKUK MURABAHAH, FALLS WITHIN PART I OF SCHEDULE 6 OR SECTION 229(1)(B) OF THE CMSA READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA AND THE CATEGORIES OF PERSONS TO WHOM THE OFFER WOULD NOT BE DEEMED TO BE AN OFFER TO THE PUBLIC AS SET OUT IN SECTION 2(6) OF THE COMPANIES ACT 2016, AS AMENDED FROM TIME TO TIME.

THIS TRANSMISSION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SUKUK MURABAHAH IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNDER THE LAWS OF SUCH JURISDICTION.

TRANSMISSION OVER THE INTERNET MAY BE SUBJECT TO INTERRUPTION, TRANSMISSION BLACKOUT, DELAYED TRANSMISSION DUE TO INTERNET TRAFFIC, INCORRECT DATA TRANSMISSION DUE TO THE PUBLIC NATURE OF THE INTERNET, DATA CORRUPTION, INTERCEPTION, UNAUTHORISED AMENDMENT, TAMPERING, VIRUSES OR OTHER TECHNICAL, MECHANICAL OR SYSTEMIC RISKS ASSOCIATED WITH INTERNET TRANSMISSIONS. THE ISSUER, THE PA/LA, THE JOINT LEAD MANAGERS OR ITS/THEIR RESPECTIVE AGENTS HAVE NOT ACCEPTED AND WILL NOT ACCEPT ANY RESPONSIBILITY AND/OR LIABILITY FOR ANY SUCH INTERRUPTION, TRANSMISSION BLACKOUT, DELAYED TRANSMISSION, INCORRECT DATA TRANSMISSION, CORRUPTION, INTERCEPTION, AMENDMENT, TAMPERING OR VIRUSES OR ANY CONSEQUENCES THEREOF WHICH MAY RESULT IN A DIFFERENCE BETWEEN THE INFORMATION MEMORANDUM DISTRIBUTED TO YOU IN ELECTRONIC FORMAT AND THE HARD COPY VERSION AVAILABLE TO YOU ON REQUEST FROM US.

THE FOREGOING IS IN ADDITION TO AND WITHOUT PREJUDICE TO ALL OTHER DISCLAIMERS AND AGREEMENTS WHICH A RECIPIENT OF THE INFORMATION MEMORANDUM SHALL BE DEEMED TO HAVE AGREED TO OR BE BOUND BY AS PROVIDED IN THE INFORMATION MEMORANDUM.

STRICTLY PRIVATE AND CONFIDENTIAL



**GAS MALAYSIA
DISTRIBUTION**

A Member of Gas Malaysia Berhad

GAS MALAYSIA DISTRIBUTION SDN BHD

(Registration No. 201701042571 (1256744-A))

INFORMATION MEMORANDUM

IN RELATION TO THE PROPOSED ISSUANCE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF (I) ISLAMIC MEDIUM TERM NOTES PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES PROGRAMME OF RM1 BILLION IN NOMINAL VALUE ("IMTN PROGRAMME") AND (II) ISLAMIC COMMERCIAL PAPERS PURSUANT TO AN ISLAMIC COMMERCIAL PAPERS ISSUANCE PROGRAMME OF UP TO RM1 BILLION IN NOMINAL VALUE ("ICP PROGRAMME"). THE IMTN PROGRAMME AND ICP PROGRAMME (COLLECTIVELY, THE "SUKUK MURABAHAH PROGRAMMES") SHALL BE CONCURRENTLY ESTABLISHED AND SHALL HAVE A COMBINED ISSUANCE LIMIT OF UP TO RM1 BILLION IN NOMINAL VALUE UNDER THE SHARIAH PRINCIPLE OF MURABAHAH (VIA A TAWARRUQ ARRANGEMENT)

Principal Adviser / Lead Arranger / Joint Lead Manager



**RHB Investment Bank Berhad
(Registration No. 197401002639 (19663-P))**

This Information Memorandum is dated 27 July 2020

IMPORTANT NOTICE

Responsibility Statements

This information memorandum ("**Information Memorandum**") has been approved by the directors of Gas Malaysia Distribution Sdn Bhd (Registration No. 201701042571 (1256744-A)) ("**GMD**" or the "**Issuer**"). The Issuer accepts full responsibility for the accuracy of the information contained in this Information Memorandum. The Issuer, after having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to the Issuer, Gas Malaysia Berhad (Registration No. 199201008906 (240409-T)) ("**GMB**" or the "**Guarantor**") and the subsidiaries of the Guarantor which is material in relation to the proposed issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase of (i) islamic medium term notes pursuant to an islamic medium term notes programme of RM1 billion in nominal value ("**IMTN Programme**") and (ii) islamic commercial papers pursuant to an islamic commercial papers issuance programme of up to RM1 billion in nominal value ("**ICP Programme**"). the IMTN Programme and ICP Programme (collectively, the "**Sukuk Murabahah Programmes**") shall be concurrently established and shall have a combined issuance limit of up to RM1 billion in nominal value under the Shariah principle of Murabahah (via a Tawarruq arrangement).

The information contained in this Information Memorandum is true and not misleading and there is no omission of a fact in relation to its contents which is material and all reasonable enquiries have been made by the Issuer and after making such enquiries, it has reasonable grounds to believe and do believe as at the date of this Information Memorandum that all information herein is true and not misleading and there is no material omission. No representation or warranty, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the Issuer and the Guarantor or any statement made in this Information Memorandum.

Important Notice and General Statement of Disclaimer

The Issuer has issued this Information Memorandum, which is being provided on a confidential basis to potential investors, who fall within the categories as described under the Selling Restrictions as defined herein, for the sole purpose of assisting the said potential investors to decide whether to subscribe or purchase the IMTN and the ICP to be issued pursuant to the Sukuk Murabahah Programmes. This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

The IMTN Programme and the ICP Programme have been assigned preliminary rating of AAA_{IS}/ MARC-1_{IS} by Malaysian Rating Corporation Berhad ("**MARC**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

RHB Investment Bank Berhad ("**Principal Adviser**", "**Lead Arranger**", "**Facility Agent**" and "**Joint Lead Manager**") has been mandated by the Issuer to act as the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager, in connection with the proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of the IMTN and ICP (collectively, the "**Sukuk Murabahah**"). None of the information or data contained in this Information Memorandum has been independently verified by the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager. Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum. The Principal Adviser, the Lead Arranger, the Facility Agent or

the Joint Lead Manager have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Murabahah Programmes and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

It is to be noted that although the Issuer has sought the advice of RHB Islamic Bank Berhad ("**Shariah Adviser**") with regards to the conformity of the Sukuk Murabahah and the structure and mechanism as described in the principal terms and conditions of the Sukuk Murabahah Programmes set out in Sections 2 and 3 of this Information Memorandum with Shariah principles, no representation, warranty or undertaking, express or implied, is given by the Issuer as to Shariah permissibility of the structure or the issue and trading of the Sukuk Murabahah and the Issuer, the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager and the Shariah Adviser shall not be liable for any consequences of such reliance and/or assumption of any such compliance. Each recipient should perform and is deemed to have consulted its own professional advisers and obtained independent Shariah advice on the Shariah permissibility of the structure or the issue and trading of the Sukuk Murabahah. Any non-compliance with Shariah principles may have legal consequences.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager, or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue, offer for subscription or purchase of, or an invitation to subscribe or purchase the Sukuk Murabahah, or any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Information Memorandum in or from certain Foreign Jurisdictions may be restricted or prohibited by law. Each recipient is required by the Issuer, and the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer, nor the Principal Adviser, nor the Lead Arranger nor the Facility Agent nor the Joint Lead Manager accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that: (a) it will keep confidential all such information and data; (b) it is lawful for the recipient to subscribe for, purchase or in any other way to receive the Sukuk Murabahah under all jurisdictions to which the recipient is subject; (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk Murabahah; (d) the Issuer, the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager and all other parties involved in the preparation of this Information Memorandum and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of Malaysia and of any Foreign Jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk Murabahah and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Murabahah are or shall become unlawful, unenforceable, voidable or void; (e) it has sufficient knowledge and

experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk Murabahah and is able and prepared to bear the economic and financial risks of investing in or holding the Sukuk Murabahah; (f) it is subscribing or accepting the Sukuk Murabahah for its own account; (g) it is a person, being a person to whom an offer or invitation to subscribe to the Sukuk Murabahah is made and to whom the Sukuk Murabahah is issued, who would (1) at the point of issuance of the Sukuk Murabahah fall within Part I of Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") and Part I of Schedule 7 or Section 230(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA and Section 2(6) of the Companies Act 2016, as amended from time to time ("**Companies Act**"); and (2) after the issuance of the Sukuk Murabahah fall within Part I of Schedule 6 or Section 229(1)(b) of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA and Section 2(6) of the Companies Act ("**Selling Restrictions**"); and (h) it is aware that the Sukuk Murabahah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant Selling Restrictions (as defined herein) and all applicable laws. Each recipient is solely responsible for seeking all appropriate professional advice as to the laws of Malaysia and the laws of the Foreign Jurisdiction to which the recipient is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer, issue or invitation to subscribe or purchase of the Sukuk Murabahah in relation to any recipient who does not fall within item (g) above.

This Information Memorandum is not, and should not be construed as, a recommendation by the Issuer, the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager or any other party to participate in the Sukuk Murabahah Programmes. Further, the Issuer, the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager and their respective employees or agents do not make or give or purport to make or give any representation or warranty, expressed or implied, as to the merits of the Sukuk Murabahah Programmes, or the purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer, the Guarantor or any other person mentioned in this Information Memorandum. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Guarantor, the Sukuk Murabahah Programmes and all other relevant matters, including but not limited to the information and data set out in this Information Memorandum, and each recipient should consult its own appropriate professional advisers.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk Murabahah shall in any circumstance imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Murabahah is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Principal Adviser, the Lead Arranger, the Facility Agent nor the Joint Lead Manager expressly or impliedly undertake any obligation to review the financial condition or affairs of the Issuer, the Guarantor (or its subsidiaries) during the tenure of the Sukuk Murabahah or to advise any investor in the Sukuk Murabahah of any information coming to their attention. The recipient of this Information Memorandum or the potential investors should review, inter alia, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Sukuk Murabahah.

This Information Memorandum includes certain historical information, estimates or reports thereon derived from sources prepared by the Issuer, the Guarantor and other publicly available information with respect to the Malaysian economy and certain other matters. Such information, estimates, projections or reports have been included solely for illustrative purposes. No representation or warranty is made by the Issuer, the Guarantor or its advisers as to the accuracy or completeness of any information, estimates, projections and/or reports thereon derived from such sources and from other third party sources and nothing contained herein shall be relied upon as a promise or representation by the Issuer, the Guarantor or its advisers as to the past or the future.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown, after rounding.

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical facts constitute 'forward-looking statements'. These statements include, among other things, discussion of the Issuer, the Guarantor and business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources, financial position, settlement of indebtedness, political or financial instability in Malaysia or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by any country, inflation, deflation, unanticipated turbulence in interest rates, changes in foreign exchange rate, equity prices or other rates or prices, the performance of the financial markets in Malaysia and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environment in Malaysia and regional or general changes in asset valuations. All these statements are based on estimates and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates, and no assurance is given that any of such statements or estimates will be realized. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Information Memorandum is not a representation or warranty by the Issuer, the Guarantor or any of its advisers or the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager or any other person that the plans and objectives of the Issuer or the Guarantor will be achieved.

Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is as at the LPD.

Statements of Disclaimer by the Securities Commission Malaysia ("SC")

This Information Memorandum is not a prospectus and is not intended to be a prospectus. However, a copy of this Information Memorandum will be deposited with the SC, pursuant to Sections 229(4) and 230(4) of the CMA.

The issue, offer for subscription or purchase of, or invitation to subscribe or purchase the Sukuk Murabahah in this Information Memorandum or otherwise are subject to the fulfillment of various conditions precedent including without limitation, the Shariah endorsement by the SC's Shariah Advisory Council and the lodgement of the applicable information and documents pursuant to the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework ("**LOLA Guidelines**") (effective on 15 June 2015 and revised on 28 April 2020) issued by the SC.

Following the application for the Shariah endorsement by the SC's Shariah Advisory Council, the SC has on 26 June 2020 given its letter stating that it has no objection to the structure of the Sukuk Murabahah Programmes.

The lodgement with the SC in respect of the IMTN Programme was made on 30 June 2020 and the lodgement with the SC in respect of the ICP Programme was made on 2 July 2020.

However, please note that the Shariah endorsement by the SC's Shariah Advisory Council and the lodgement with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk Murabahah. Further, the SC takes no responsibility for the contents of this Information Memorandum.

The investors should rely on their own evaluation to assess the merits and risks of investment. It is recommended that prospective investors consult their own appropriate professional advisers before purchasing or acquiring or subscribing for the securities to be

issued under the proposed issue of the Sukuk Murabahah.

SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE ISSUER AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS INFORMATION MEMORANDUM. EACH ISSUANCE OF THE SUKUK MURABAHAH WILL CARRY DIFFERENT RISKS AND PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO EVALUATE EACH ISSUANCE OF THE SUKUK MURABAHAH ON ITS OWN MERIT. PLEASE REFER TO SECTION 7 ON “INVESTMENT CONSIDERATIONS AND RISK FACTORS” FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING FOR THE SUKUK MURABAHAH UNDER THE SUKUK MURABAHAH PROGRAMMES.

Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (i) the most recently published audited annual financial statements of the Issuer (as attached as Appendix I), and the most recently published interim financial statements of the Issuer (if any);
- (ii) the most recently published annual report of the Guarantor, the latest audited annual financial statements of the Guarantor (as attached as Appendix II), and the most recently published interim financial statements of the Guarantor (if any);
- (iii) the pricing supplement for each issuance of the Sukuk Murabahah (if any);
- (iv) the announcements made by the Guarantor to Bursa Malaysia Securities Berhad; and
- (v) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Acknowledgement

The Issuer hereby acknowledge that it has authorised the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager and/or their affiliates to circulate or distribute this Information Memorandum on their behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Sukuk Murabahah to prospective investors and that no further evidence of authorisation is required.

The Issuer will provide, without charge, to each person, falling within the Selling Restrictions, to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer through the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager at its offices set out at the end of this Information Memorandum.

CONFIDENTIALITY

To the recipient of this Information Memorandum:

This Information Memorandum and its contents are strictly confidential and are made strictly on the basis that the recipient shall ensure that they will remain confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is sent to prospective investors who fall within the ambit of the Selling Restrictions specifically in reference to the Sukuk Murabahah. Any person who receives this Information Memorandum who does not fall within the ambit of the Selling Restrictions must immediately notify the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager and return the Information Memorandum to the Principal Adviser, the Lead Arranger, the Facility Agent and the Joint Lead Manager or the Issuer.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law, equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this Information Memorandum or any part of it from the recipient shall be deemed to have agreed to abide by this confidentiality undertaking.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Principal Adviser, Lead Arranger, the Facility Agent and/or Joint Lead Manager promptly upon the request of the Principal Adviser, Lead Arranger, the Facility Agent and/or Joint Lead Manager, unless the recipient provides proof of a written undertaking satisfactory to the Principal Adviser, Lead Arranger, the Facility Agent and/or Joint Lead Manager with respect to the destruction of these documents as soon as reasonably practicable after such request from the Principal Adviser, Lead Arranger, the Facility Agent and/or Joint Lead Manager.

[The rest of this page has been intentionally left blank]

TABLE OF CONTENTS

| | |
|--|------------|
| IMPORTANT NOTICE | i |
| CONFIDENTIALITY..... | vi |
| DEFINITIONS AND ABBREVIATIONS | 1 |
| SECTION 1 EXECUTIVE SUMMARY | 6 |
| 1.1 Brief background of the Issuer | 6 |
| 1.2 Overview of the Sukuk Murabahah Programmes | 6 |
| 1.3 Guarantor and its summary of the key financial highlights | 7 |
| 1.4 Utilisation of proceeds | 8 |
| 1.5 Rating | 8 |
| 1.6 Status | 8 |
| SECTION 2 PRINCIPAL TERMS AND CONDITIONS OF THE IMTN PROGRAMME | 10 |
| 2.1 Details of the IMTN Programme..... | 10 |
| 2.2 Transaction diagram for the IMTN Programme | 37 |
| SECTION 3 PRINCIPAL TERMS AND CONDITIONS OF THE ICP PROGRAMME | 40 |
| 3.1 Details of the ICP Programme | 40 |
| 3.2 Transaction diagram for the ICP Programme | 65 |
| SECTION 4 BACKGROUND INFORMATION OF THE ISSUER | 68 |
| 4.1 Corporate information and brief background of the Issuer..... | 68 |
| 4.2 Share capital..... | 69 |
| 4.3 Shareholder of the Issuer..... | 69 |
| 4.4 Board of directors | 69 |
| 4.5 Key Financial Highlights | 70 |
| SECTION 5 BACKGROUND INFORMATION OF THE GUARANTOR | 72 |
| 5.1 Corporate information and brief background of the Guarantor..... | 72 |
| 5.2 Share capital..... | 74 |
| 5.3 Substantial shareholders | 74 |
| 5.4 Corporate structure of the Guarantor | 75 |
| 5.5 Group Entities | 75 |
| 5.6 Board of directors | 76 |
| 5.7 Senior management..... | 81 |
| 5.8 Overview of the GMB Group's Businesses | 86 |
| 5.9 Principal products and services of the GMB Group | 88 |
| 5.10 Other major corporate developments..... | 90 |
| 5.11 Key financial highlights of the GMB Group..... | 90 |
| 5.12 Commentary on financial performance | 92 |
| SECTION 6 BUSINESS OVERVIEW OF THE ISSUER..... | 94 |
| 6.1 Overview | 94 |
| 6.2 The gas supply industry following the Gas Supply (Amendment) Act 2016 .. | 94 |
| 6.3 Salient Terms of Key Agreements in relation to the Issuer's business | 95 |
| 6.4 Salient terms and conditions of the distribution licence held by the Issuer .. | 99 |
| 6.5 Tariff set for the distribution charges | 100 |
| SECTION 7 INVESTMENT CONSIDERATIONS AND RISK FACTORS | 102 |
| 7.1 Risk factors relating to the Issuer | 102 |
| 7.2 Risk factors relating to the Guarantor and GMB Group's businesses..... | 104 |
| 7.3 Risk relating to the Sukuk Murabahah..... | 108 |

| | | |
|--|---|-----|
| 7.4 | General considerations | 110 |
| SECTION 8 | ECONOMY AND INDUSTRY OVERVIEW | 112 |
| 8.1 | Overview and outlook of the Malaysian economy..... | 112 |
| 8.2 | Industry overview and future prospects..... | 117 |
| SECTION 9 | OTHER INFORMATION | 119 |
| 9.1 | Material litigation..... | 119 |
| 9.2 | Material contracts outside the ordinary course of business..... | 119 |
| 9.3 | Contingent liabilities | 119 |
| 9.4 | Conflict of interest | 119 |
| APPENDIX I ISSUER'S AUDITED FINANCIAL STATEMENT FYE 31 DECEMBER 2019 | | 123 |
| APPENDIX II GUARANTOR'S AUDITED FINANCIAL STATEMENT FYE 31 DECEMBER 2019 ... | | 124 |

DEFINITIONS AND ABBREVIATIONS

In this Information Memorandum, except where the context otherwise requires, the following words and expressions shall have the following meanings:

| | |
|--|---|
| “Access Arrangement” or “AA” | means the Access Arrangement approved by the Energy Commission and published on the Issuer’s website on 30 June 2020, as explained in Section 4.1 of this Information Memorandum. |
| “Asset Transfer Agreement” or “ATA” | means the Asset Transfer Agreement entered into between GMB and GMD dated 31 January 2020 (as amended by a supplemental agreement dated 7 February 2020). |
| “BioCNG” | means biogas compressed natural gas. |
| “BNM” | means Bank Negara Malaysia. |
| “Board” | means the board of directors of the Issuer. |
| “Bursa Malaysia” | means Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)). |
| “CMSA” | means the Capital Markets and Services Act 2007 of Malaysia, as may be amended from time to time. |
| “Companies Act” | means the Companies Act 2016 of Malaysia, as may be amended from time to time. |
| “EC” or “Energy Commission” | means the Energy Commission of Malaysia. |
| “Existing Sukuk Murabahah Programmes” | means the Islamic medium term notes programme of up to RM700 million in nominal value and the Islamic commercial papers issuance programme of up to RM700 million in nominal value with a combined issuance limit of up to RM700 million in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement) established by GMB pursuant to the Existing Trust Deed. |
| “Existing Trust Deed” | means the trust deed dated 30 September 2016 executed between GMB and the Sukuk Trustee in respect of the Existing Sukuk Murabahah Programmes. |
| “Final Unbundling Date” or “FUD” | means final unbundling date of 31 December 2019 being the final date as imposed by the EC for GMB to unbundle its business to comply with the TPA framework introduced pursuant to the Gas Supply (Amendment) Act 2016. |
| “FYE” | means financial year ending/ ended, as the case may be. |
| “Gas Supply Act” | means the Gas Supply Act 1993 as may be amended from time to time. |
| “Gas Supply (Amendment) Act 2016” or “GSAA” | means the amendments to the Gas Supply Act 1993 which came into effect on 16 January 2017. |

| | |
|------------------------------|--|
| “Gas Utility Licence” | the gas utility licence granted by the Energy Commission to GMB dated 1 September 1998 pursuant to the Gas Supply Act 1993. |
| “GMB” or “Guarantor” | means Gas Malaysia Berhad (Registration No. 199201008906 (240409-T)). |
| “GMB Group” | means GMB and the Group Entities. |
| “GMD” or “Issuer” | means Gas Malaysia Distribution Sdn Bhd (Registration No. 201701042571 (1256744-A)). |
| “GMES” | means Gas Malaysia Energy and Services Sdn. Bhd. (Registration No. 201701042575 (1256748-T)). |
| “GMEA” | means Gas Malaysia Energy Advance Sdn Bhd (Registration No. 201401013688 (1089772-P)). |
| “GMRS” | means Gas Malaysia Retail Services Sdn Bhd (Registration No. 199201005538 (237042-T)). |
| “GMSD” | means Gas Malaysia Synergy Drive Sdn Bhd. (Registration No. 201801044130 (1306162-X)). |
| “GMV” | means Gas Malaysia Ventures Sdn Bhd (Registration No. 201401044264 (1120446-K)). |
| “GMV 1” | means Gas Malaysia Venture 1 Sdn Bhd (Registration No. 201401025530 (1101620-T)). |
| “GMV 2” | means Gas Malaysia Venture 2 Sdn Bhd (Registration No. 201401025762 (1101852-V)). |
| “GMVP” | means Gas Malaysia Virtual Pipeline Sdn Bhd. (Registration No. (201401038196) (1114344-D)). |
| “Government” | means the Government of Malaysia. |
| “Group Entities” | means, collectively, the following companies: (a) GMD (b) GMES; (c) GMRS; (d) GMV; (e) PTSB; (f) GMV1; (g) GMV2 (h) GMVP |

| | |
|--|--|
| | <p>(i) GMEA¹;</p> <p>(j) SDGMSB²</p> <p>(k) GMSD³</p> |
| “Guideline on Licence Application” | means the Guideline on Licence Application published by the Energy Commission pursuant to Section 11 of the Gas Supply Act, as may be amended from time to time. |
| “Guidelines on Determination of Gas Distribution Facility Tariff” | means the Guidelines on Determination of Gas Distribution Facility Tariff under the Incentive Based Regulations published by the Energy Commission pursuant to Section 13 of the Gas Supply Act as may be amended from time to time. |
| “IBR” | means Incentive Based Regulation. |
| “ICP” | means the Islamic commercial papers. |
| “ICP Programme” | means the ICP issuance programme of up to RM1.0 billion in nominal value. |
| “IMTN” | means the Islamic medium term notes. |
| “IMTN Programme” | means the IMTN issuance programme of up to RM1.0 billion in nominal value. |
| “Joint Venture Company” | means each of SDGMB, GMEA and GMSD. |
| “Listing Requirements” | means Bursa Malaysia’s Main Market Listing Requirements, including any amendments that may be made from time to time. |
| “LPD” | means the latest practical date prior to the printing of this Information Memorandum, being 1 July 2020 save that in respect of the information on the shareholding and corporate information of the GMB Group, the cut-off date for such information is 18 June 2020. |
| “LNG” | means liquefied natural gas. |
| “LPG” | means liquefied petroleum gas. |
| “MARC” | means Malaysian Rating Corporation Berhad (Registration |

¹ The Guarantor and Tokyo Gas Engineering Solutions Corporation (formerly known as Energy Advance Co. Ltd), a company incorporated in Japan, hold 66% and 34% respectively of the share capital of GMEA. GMEA is classified as investment in a joint venture in the audited accounts of the Guarantor for FYE 31 December 2019.

² GMV2 and Sime Darby Energy Solutions Sdn Bhd hold 49% and 51% respectively of the share capital of SDGMSB. SDGMSB is classified as investment in a joint venture in the audited accounts of the Guarantor for the financial year ended 31 December 2019.

³ GMV1 and Sime Darby Energy Solutions Sdn Bhd hold 70% and 30% respectively of the share capital of GMSD. GMSD is classified as investment in a joint venture in the audited accounts of the Guarantor for the financial year ended 31 December 2019.

| | |
|---|---|
| | No. 199501035601 (364803-V)). |
| “MMBtu” | one million British thermal units. |
| “MMC” | means MMC Corporation Berhad (Registration No. 197601004261 (30245-H)). |
| “MMCS” | means MMC-Shapadu (Holdings) Sdn Bhd (Registration No. 199201003441 (234945-P)). |
| “MMScfd” | means million standard cubic feet per day at standard reference temperature of 60 degrees Fahrenheit and pressure of 14.73 psi. |
| “mtpa” | means metric tonnes per annum. |
| “NGDS” | means natural gas distribution system in Peninsular Malaysia. |
| “Outstanding GMB IMTN” | means the outstanding Islamic medium term notes issued by GMB under the Existing Sukuk Murabahah Programmes. |
| “PEGT” | means Petronas Energy & Gas Trading Sdn Bhd (Registration No. 201701046965 (1261141-H)). |
| “PETRONAS” | means Petroliaam Nasional Berhad (Registration No. 197401002911 (20076-K)). |
| “Petronas Gas Supply Agreement” | means the agreement for the sale and purchase of dry gas dated 23 February 2012 entered into between the Guarantor and PETRONAS as supplemented by the addendum, supplemental agreements and side letters in relation thereto up to the LPD. |
| “Principal Adviser” or “Lead Arranger” or “Joint Lead Manager” | means RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P)). |
| “Proposed Sukuk Exchange” | means the issuance of the first tranche of the IMTN under the IMTN Programme at Ringgit Malaysia One (RM1.00) nominal value with identical maturity dates, profit rates and profit payment dates to be exchanged in accordance with the Shariah principle of Hiwalah with the aggregate Outstanding GMB IMTN at par at Ringgit Malaysia One (RM1.00) nominal value. |
| “PTSB” | means Pelantar Teknik (M) Sdn Bhd (Registration No. 199301006000 (260737-M)). |
| “RM” | means Ringgit Malaysia. |
| “SAC” | means the SC’s Shariah Advisory Council. |
| “SC” | means the Securities Commission Malaysia. |
| “SDGMSB” | means Sime Darby Gas Malaysia BioCNG Sdn Bhd (Registration No. 201501039305 (1164623-X)). |
| “Shariah Adviser” | means RHB Islamic Bank Berhad (Registration No. |

| | |
|-------------------------------------|---|
| | 200501003283 (680329-V)). |
| “Sukukholders” | means the holders of the Sukuk Murabahah. |
| “Sukuk Murabahah” | means collectively, the ICP and the IMTN issued or to be issued under the Sukuk Murabahah Programmes. |
| “Sukuk Murabahah Programmes” | means collectively, the proposed sukuk murabahah programme which comprises of the IMTN Programme and the ICP Programme, concurrently established by the Issuer, with a combined issuance limit of up to RM1 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement). |
| “Sukuk Trustee” | means Malaysian Trustees Berhad (Registration No. 197501000080 (21666-V)). |
| “TPA Code” | means the Third Party Access Code for Malaysian Distribution Pipeline published by the Energy Commission pursuant to Section 37B of the Gas Supply Act, as may be amended from time to time. |
| “TPA Framework” | means the Third Party Access Framework introduced pursuant to the Gas Supply (Amendment) Act 2016 and as explained in Section 4.1. |
| “USD” | means United States Dollars. |

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

SECTION 1 EXECUTIVE SUMMARY

The following executive summary aims to provide an overview of the information contained in this Information Memorandum and is qualified in its entirety by the more detailed information appearing elsewhere in this Information Memorandum. Investors should read the entire Information Memorandum including the appendices carefully before deciding whether or not to invest in any of the Sukuk Murabahah.

Words and expressions used and defined in this Section 1 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 1.

1.1 Brief background of the Issuer

The Issuer was incorporated on 21 November 2017 as a private limited company and is a wholly owned subsidiary of the Guarantor.

The registered office of the Issuer is at No.5, Jalan Serendah 26/17, Seksyen 26, 40732 Shah Alam, Selangor Darul Ehsan, Malaysia.

The Issuer is presently engaged in developing, operating and maintaining the distribution pipeline and delivery of gas through the distribution pipeline.

Commencing from 1 January 2020, the distribution licence issued to the Issuer by the Energy Commission pursuant to Section 11B (1)(a) of the Gas Supply Act became effective and the Issuer commenced its activity to operate and maintain the distribution pipelines and delivery of gas through the distribution pipelines.

1.2 Overview of the Sukuk Murabahah Programmes

The Sukuk Murabahah are to be issued under the Shariah principle of Murabahah (via Tawarruq arrangement). The Sukuk Murabahah Programmes also involve the Shariah principle of Kafalah in respect of the guarantee provided by the Guarantor, and in respect of the first issuance of IMTN issued under the IMTN Programme for the purpose of the Proposed Sukuk Exchange, the Shariah principle of Hiwalah. The outstanding nominal value of IMTN issued under the IMTN Programme at any point in time shall not exceed RM1 billion and the outstanding nominal value of ICP issued under the ICP Programme at any point in time shall not exceed RM1 billion. However, the aggregate outstanding nominal value of the Sukuk Murabahah at any point in time shall not exceed RM1 billion.

The IMTN may be issued via private placement on a best effort basis or on a bought deal basis or on a book build basis on a best effort basis. The IMTN shall have a maturity of one (1) year to fifteen (15) years as the Issuer may select provided that the IMTN mature prior to the expiry of the IMTN Programme which is fifteen (15) years from the first issue of IMTN under the IMTN Programme.

The ICP may be issued via competitive tender by the tender panel members or private placement on a best effort basis or on a bought deal basis. The ICP shall have a maturity of not more than one (1) year provided that the maturity of each tranche of the ICP shall not exceed the tenure of the ICP Programme which is seven (7) years from the first issue of ICP under the ICP Programme.

The issuance of each tranche of the Sukuk Murabahah under the IMTN Programme and/or the ICP Programme shall be effected pursuant to Shariah principle of Murabahah (via a Tawarruq arrangement), as more particularly described and set out in Sections 2 and 3 of this Information Memorandum.

1.3 Guarantor and its summary of the key financial highlights

The Sukuk Murabahah is guaranteed by the Guarantor under the principle of Kafalah, as a continuing obligation, in favour of the Sukuk Trustee for and on behalf of the Sukukholder(s) pursuant to the Kafalah Guarantee to be executed by the Guarantor. Under the Kafalah Guarantee, the Guarantor agrees to guarantee the Issuer's payment obligation under the Sukuk Murabahah Programme (except for the payment obligation on Ta'widh and other charges in relation to the Sukuk Murabahah).

The Guarantor was established in May 1992 to sell, market and distribute natural gas as well as construct and operate the NGDS for Peninsular Malaysia. Pursuant to the coming into effect of the Gas Supply (Amendment) Act 2016, the Guarantor was required to, amongst others, unbundle its gas supply business by the Final Unbundling Date through the setting up of separate subsidiaries to undertake the distribution and shipping businesses respectively. In line with the implementation of the TPA Framework, the Guarantor undertook a reorganisation of its gas supply businesses and the reorganisation includes the transfer of assets related to gas distribution business (i.e. the NGDS and other related assets) to GMD and the gas shipping assets to GMES.

The Guarantor has been listed on the Main Market of Bursa Malaysia since 11 June 2012 and its substantial shareholders as at the LPD are:

- (a) Anglo-Oriental (Annuities) Sdn Bhd (a wholly-owned subsidiary of MMC) with 30.93% equity interest,
- (b) Tokyo Gas - Mitsui & Co Holdings Sdn Bhd with 18.50% equity interest
- (c) Petronas Gas Berhad with 14.80% equity interest; and
- (d) Lembaga Tabung Haji with 7.74% equity interest.

The following key financial data for the FYE 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 have been extracted from the audited consolidated financial statements of the Guarantor for the relevant financial years.

| Financial Position (RM'000) | 2015 (Audited) | 2016 (Audited) | 2017 (Audited) | 2018 (Audited) | 2019 (Audited) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Assets | 2,091,775 | 2,225,416 | 2,288,318** | 2,520,554 | 2,622,064 |
| Total Liabilities | 1,119,854 | 1,204,776 | 1,271,472** | 1,496,422 | 1,579,009 |
| Shareholders' Funds | 971,921 | 1,020,640 | 1,016,846** | 1,024,132 | 1,043,055 |
| Borrowing | 130,000 | 111,030 | 211,960 | 283,966 | 382,839 |
| Gross Gearing Ratio(times) | 0.13 | 0.11 | 0.21 | 0.28 | 0.37 |
| Net Gearing Ratio(times) | * | * | * | * | 0.09 |

* net cash position

| Income Statement (RM'000) | 2015 (Audited) | 2016 (Audited) | 2017 (Audited) | 2018 (Audited) | 2019 (Audited) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 3,619,769 | 4,052,969 | 5,315,324** | 6,233,243 | 6,886,453 |
| Gross Profit | 197,455 | 255,350 | 274,269** | 292,705 | 291,294 |
| Profit Before Zakat and Tax | 143,560 | 212,845 | 214,684** | 234,119 | 242,145 |
| Profit After Zakat and Tax | 106,055 | 164,420 | 160,654** | 180,392 | 190,105 |

***represent restated figure for the audited financial statement in respect of FYE 31 December 2017, following the adoption of MFRS 15 "revenue from contracts with customers".*

1.4 Utilisation of proceeds

The proceeds raised from the issuance of the Sukuk Murabahah are intended to be utilised by the Issuer to:

- (a) refinance the financing of the Issuer and the Guarantor;
- (b) to finance present and future Shariah-compliant investments of the Issuer and the Guarantor;
- (c) to finance the Shariah-compliant working capital and capital expenditure requirements of the Issuer and the Guarantor; and/or
- (d) to pay fees, expenses, costs, and all other amounts payable in relation to the Sukuk Murabahah Programmes, all of which shall be Shariah-compliant.

For the avoidance of doubt:

- (a) the utilisation of the proceeds of the Sukuk Murabahah shall at all times be for Shariah-compliant purposes; and
- (b) for the first issuance of IMTN under the IMTN Programme which will be issued to facilitate the Proposed Sukuk Exchange, no cash proceeds is however expected from the issuance and accordingly the intended utilisations as set out above are not applicable to such issuance of IMTN.

1.5 Rating

The IMTN Programme and the ICP Programme have been assigned preliminary rating of AAA_{IS}, MARC-1_{IS} by MARC.

1.6 Status

The Sukuk Murabahah shall constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured

and unsubordinated obligations of the Issuer, subject to those preferred by law and the transaction documents of the Sukuk Murabahah Programmes.

The guarantee by the Guarantor shall constitute direct, unconditional and unsecured obligations of the Guarantor and shall at all times rank pari passu in point of priority and security with all other present and future unsecured and unsubordinated obligations of the Guarantor, subject to those preferred by law and the transaction documents of the Sukuk Murabahah Programmes.

[The rest of this page has been intentionally left blank]

SECTION 2 PRINCIPAL TERMS AND CONDITIONS OF THE IMTN PROGRAMME

Words and expressions used and defined in this Section 2 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 2.

2.1 Details of the IMTN Programme

| | | | |
|----|--|---|----------------|
| 1) | Name of facility | Islamic medium term notes (" IMTN ") issuance programme of up to RM1.0 billion in nominal value (" IMTN Programme "). The IMTN Programme shall be concurrently established with an Islamic commercial paper issuance programme of up to RM1.0 billion in nominal value (" ICP Programme "), and the IMTN Programme and the ICP Programme shall have a combined issuance limit of up to RM1.0 billion in nominal value. | |
| 2) | One-time issue or programme | <input type="checkbox"/> | One-time issue |
| | | <input checked="" type="checkbox"/> | Programme |
| 3) | Shariah principle (for sukuk) | 1. Murabahah (via Tawarruq arrangement) 2. Hiwalah (Transfer of debt) 3. Kafalah (Guarantee) | |
| 4) | Facility description (for ringgit-denominated sukuk, to provide description as cleared by SC) | The IMTN will be issued based on the Shariah principle of Murabahah (via Tawarruq arrangement) based on a Commodity Murabahah structure in the following form: <u>Commodity Murabahah</u> 1. Pursuant to an agency agreement to be entered into between the Sukuk Trustee (on behalf of the investors of the IMTN (" Sukukholders ")) and the Issuer, the Sukuk Trustee shall appoint the Issuer as agent/wakeel of the Sukukholders (in such capacity, the " Purchase Agent ") to purchase and sell certain Shariah-compliant commodities, which exclude <i>ribawi</i> items in the category of medium of exchange such as currency, gold and silver (" Commodities "). 2. Pursuant to a commodity murabahah master agreement to be entered into between the Issuer as the purchaser (" Purchaser "), the Sukuk Trustee (on behalf of the Sukukholders), the Issuer as the Purchase Agent and the Facility Agent, the Purchase Agent will then appoint the Facility Agent as its agent/wakeel (in such capacity, the " Sub-Purchase Agent ") to act as the sub-agent to purchase the Commodities. The Purchase Agent will also appoint the Facility Agent as its agent/wakeel (in such capacity, the " Selling Agent ") to sell the Commodities to the Purchaser on behalf of the Purchase Agent. 3. The Purchaser shall from time to time, issue a purchase order (" Purchase Order ") to the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities. In the Purchase Order, the Purchaser will request the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities and will irrevocably and unconditionally undertake to purchase the Commodities from the | |

| | | |
|--|--|---|
| | | <p>Sukukholders via the Selling Agent at a price (“Deferred Sale Price”) equivalent to the aggregate of (i) the Purchase Price (as defined herein) and (ii) a mark-up (profit margin), payable on a deferred payment basis.</p> <p>4. Upon receiving the Purchase Order from the Purchaser, the Sub-Purchase Agent will purchase on a spot basis, the Commodities, from commodity vendor(s) in the Bursa Suq Al-Sila’ commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the IMTN, through a Commodity Trading Participant (“CTP”), at a purchase price which shall be an amount equivalent to the proceeds from the issuance of the IMTN (“Purchase Price”). The Purchase Price of the Commodities shall be in line with the asset pricing requirement stipulated under the guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and effective on 15 June 2015, and revised on 28 April 2020, as may be amended and/or substituted from time to time (“LOLA Guidelines”).</p> <p>5a. The Issuer shall concurrently with step 4 above, issue the IMTN to the Sukukholders whereby the proceeds thereof shall be used to pay the Purchase Price of the Commodities. The IMTN shall evidence the Sukukholders’ ownership of the Commodities and all rights thereto (including all rights against the Purchaser under the Purchase Order). Once the Commodities are sold to the Purchaser, the IMTN shall represent the Sukukholders’ entitlement to receive the Deferred Sale Price.</p> <p>5b. The proceeds of the IMTN from the Sukukholders will be payable to the Purchase Agent and shall be used to pay the Purchase Price of the Commodities. The Purchase Price shall be payable to such commodity vendor(s) in the Bursa Suq Al-Sila’ commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser.</p> <p>6. Thereafter, the Selling Agent (on behalf of the Purchase Agent as wakeel to the Sukukholders) shall sell the Commodities to the Purchaser at the Deferred Sale Price.</p> <p>7a. Upon completion of such purchase, the Purchaser shall instruct the Selling Agent to sell, on a spot basis, the Commodities to the Bursa Malaysia Islamic Services Sdn. Bhd. and/or the commodity purchaser(s) in other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the IMTN, through a CTP, for a cash consideration for an amount equivalent to the Purchase Price.</p> <p>7b. The price equivalent to the Purchase Price shall be payable to the Purchaser for the sale of the Commodities.</p> <p>8. The IMTN may be issued with or without periodic profit</p> |
|--|--|---|

| | | |
|--|--|--|
| | | <p>payments. During the tenure of the IMTN, the Purchaser, as part of its obligation to pay the Deferred Sale Price, shall make periodic payments (in relation to the IMTN with periodic profit payment) or a lump sum payment (in relation to the IMTN without periodic profit payment) of the Deferred Sale Price to the Sukukholders. Each such payment shall pro tanto reduce the obligation of the Purchaser to pay the Deferred Sale Price payable for the purchase of the Commodities from the Selling Agent (on behalf of the Purchase Agent as wakeel of the Sukukholders).</p> <p>(i) On the maturity date of the relevant IMTN; or (ii) upon the declaration of an Event of Default (as defined herein); or (iii) upon early redemption of the relevant IMTN, whichever is earlier, all amounts then outstanding on the Deferred Sale Price (subject to Ibra' (as defined herein), where applicable) shall be paid by the Purchaser (as part of its obligation to pay the Deferred Sale Price) to the Sukukholders as final settlement of the same, whereupon the relevant IMTN shall be cancelled.</p> <p>9. Gas Malaysia Berhad ("GMB" or the "Guarantor") shall provide a Corporate Guarantee under the principle of Kafalah, as a continuing obligation, in favour of the Sukuk Trustee for and on behalf of the Sukukholder(s) under which GMB shall agree to guarantee the Issuer's payment obligation under the IMTN (except payment obligation on Ta'widh (compensation) (as described in the section entitled "Ta'widh").</p> <p><u>Hiwalah</u></p> <p>For the first issuance of IMTN, the IMTN will be issued to facilitate the Proposed Sukuk Exchange (as defined herein) in accordance with the Shariah principle of Hiwalah. The "Proposed Sukuk Exchange" means the Sukuk exchange entailing IMTN to be issued by the Issuer at par in exchange with the outstanding GMB IMTN (as defined below) on the basis of one Ringgit (RM1.00) nominal value of IMTN with one Ringgit (RM1.00) nominal value of GMB IMTN with the identical maturity date, profit rate and profit payment dates.</p> <p>The Proposed Sukuk Exchange will be documented by way of a hiwalah agreement ("Hiwalah Agreement") which is to be entered into between GMB, the Issuer, the sukuk trustee for the existing GMB sukuk Murabahah programmes (on behalf of the GMB Sukukholders) and the Sukuk Trustee for the Sukuk Murabahah Programmes.</p> <p>1. Under the existing Islamic medium term notes issued by GMB ("GMB IMTN") under its Islamic medium term notes programme of up to RM700.0 million ("GMB IMTN Programme"), GMB has the obligations to pay the deferred sale price under the GMB IMTN which shall be equivalent to the purchase price of the GMB IMTN and a mark-up (profit) payable on deferred payment basis ("GMB Deferred Sale Price") to the sukukholders of the GMB IMTN ("GMB Sukukholders"), arising from the</p> |
|--|--|--|

| | | | | |
|----|---|---|--------------------------------------|--------------------|
| | | <p>previous Commodity Murabahah transactions. Pursuant to the Proposed Sukuk Exchange, GMB (as the "Transferor") shall transfer its obligations in respect of the GMB Deferred Sale Price to the Issuer as part of an asset transfer exercise within the GMB Group. The asset transfer exercise entails amongst others, the transfer of GMB's assets as well as the liability, including the existing outstanding GMB IMTN. The transfer of the assets is in relation to the transfer of GMB's gas distribution business to the Issuer which is as a result of the amendment to the Gas Supply Act 1993 and the new licensing regime introduced thereunder.</p> <p>2. The Transferor, the Issuer (the "Transferee"), the sukuk trustee for the GMB sukuk Murabahah programmes (on behalf of the GMB Sukukholders) and the Sukuk Trustee for the GMD Sukuk Murabahah Programmes (on behalf of the GMD Sukukholders) will enter into a hiwalah agreement. Pursuant to the Hiwalah Agreement, the Transferor will make an offer to transfer the Transferor's outstanding obligations under the GMB Deferred Sale Price ("Outstanding Deferred Sale Price") to the Transferee and the Transferee will accept the said obligations under the Shariah principle of Hiwalah and to be agreed by the sukuk trustee for the GMB sukuk Murabahah programmes (on behalf of the GMB Sukukholders). For the avoidance of doubt, this shall not be deemed as a redemption under the GMB IMTN but upon the implementation of the Proposed Sukuk Exchange, all liabilities of GMB under the outstanding GMB IMTN shall be extinguished and cancelled.</p> <p>3. Subsequently, the Transferee (as the Issuer) shall issue the IMTN to the GMB Sukukholders which represent the Outstanding Deferred Sale Price that have been transferred. Upon the transfer of the Outstanding GMB Deferred Sale Price to the Transferee, the Transferor will be free from all its obligations under the outstanding GMB IMTN and the GMB Sukukholders will then have the rights and claims against the new debtor i.e. the Issuer. The global certificate for the GMB IMTN will be exchanged with the global certificate for the IMTN.</p> <p>4. During the tenure of the IMTN, the Issuer shall make periodic payments to the Sukuk Trustee (acting for the Sukukholders) to meet its obligations under the IMTN to the Sukukholders. Each such payment shall pro tanto reduce the Issuer's obligations under the IMTN. On the date of maturity of the IMTN, all amounts then outstanding under the IMTN shall be paid by the Issuer to the Sukuk Trustee, whereupon the IMTN shall be redeemed in full.</p> | | |
| 5) | Currency | Ringgit Malaysia. | | |
| 6) | Expected facility/ programme size (for programme, to state the option to upsize) | <input checked="" type="checkbox"/> | Up to | RM1,000,000,000.00 |
| | | <input checked="" type="checkbox"/> | Combined limit with ICP Programme | RM1,000,000,000.00 |
| | | <input type="checkbox"/> | Sub-limit of | |

| | | | | | | | | | | |
|----------|---|---|---------|---|----------|----------------------------------|--------|----------------------------------|---|---------------------------------------|
| | | <p>Option to upsize:</p> <table border="1"> <tr> <td></td><td>No.</td></tr> <tr> <td>x</td><td>Yes.</td></tr> </table> <p>Additional Notes: The Issuer shall have the option to upsize the limit of IMTN Programme at any time provided that:</p> <p>(i) the relevant requirements under the LOLA Guidelines in relation to such upsizing has been complied with (which include, the Issuer to ensure that any exercise to upsize the IMTN Programme limit does not unfairly discriminate or is otherwise prejudicial to existing Sukukholders);</p> <p>(ii) all relevant regulatory approvals have been obtained (if applicable); and</p> <p>(iii) there is no adverse impact on the rating of the IMTN Programme.</p> <p>For avoidance of doubt, the Sukukholders shall be deemed to have consented to such upsizing of the limit of the IMTN Programme (via the Trust Deed) from time to time. Accordingly, no consent will be required from the Sukukholders, the Lead Arranger, the Sukuk Trustee, the Facility Agent or any other party under the IMTN Programme for the Issuer to exercise the option to increase the limit of the IMTN Programme from time to time.</p> | | No. | x | Yes. | | | | |
| | No. | | | | | | | | | |
| x | Yes. | | | | | | | | | |
| 7) | Tenure of facility/ programme | <p><u>Tenure of facility/programme</u></p> <table border="1"> <tr> <td>Year(s)</td><td>15</td></tr> <tr> <td>Month(s)</td><td>0</td></tr> <tr> <td>Day(s)</td><td>0</td></tr> </table> | Year(s) | 15 | Month(s) | 0 | Day(s) | 0 | | |
| Year(s) | 15 | | | | | | | | | |
| Month(s) | 0 | | | | | | | | | |
| Day(s) | 0 | | | | | | | | | |
| 8) | Availability period of debt or sukuk programme | The IMTN may be issued at any time during the period from completion of documentation and compliance of all conditions precedent and other applicable conditions to the satisfaction of the Lead Arranger, unless waived by the Lead Arranger, and ending on the expiry date of the IMTN Programme. | | | | | | | | |
| 9) | Clearing and settlement platform | Payments Network Malaysia Sdn Bhd (" PayNet "). | | | | | | | | |
| 10) | Mode of issue | <table border="1"> <tr> <td>x</td><td>Private/direct placement</td></tr> <tr> <td>x</td><td>Bought deal</td></tr> <tr> <td>x</td><td>Book building</td></tr> <tr> <td></td><td>Tender</td></tr> </table> | x | Private/direct placement | x | Bought deal | x | Book building | | Tender |
| x | Private/direct placement | | | | | | | | | |
| x | Bought deal | | | | | | | | | |
| x | Book building | | | | | | | | | |
| | Tender | | | | | | | | | |
| 11) | Selling restrictions | <p>At Issuance:</p> <table border="1"> <tr> <td></td><td>Exclusively to persons outside Malaysia</td></tr> <tr> <td>x</td><td>Part I of Schedule 6 of the CMSA</td></tr> <tr> <td>x</td><td>Part I of Schedule 7 of the CMSA</td></tr> <tr> <td>x</td><td>Read together with Schedule 9 of CMSA</td></tr> </table> | | Exclusively to persons outside Malaysia | x | Part I of Schedule 6 of the CMSA | x | Part I of Schedule 7 of the CMSA | x | Read together with Schedule 9 of CMSA |
| | Exclusively to persons outside Malaysia | | | | | | | | | |
| x | Part I of Schedule 6 of the CMSA | | | | | | | | | |
| x | Part I of Schedule 7 of the CMSA | | | | | | | | | |
| x | Read together with Schedule 9 of CMSA | | | | | | | | | |

| | | |
|-----|---|---|
| | | <input type="checkbox"/> Schedule 8 of CMSA <input checked="" type="checkbox"/> Section 2(6) of the Companies Act. <input type="checkbox"/> Other (Please specify) |
| | | After Issuance: <input type="checkbox"/> Exclusively to persons outside Malaysia <input checked="" type="checkbox"/> Part I of Schedule 6 of the CMSA <input checked="" type="checkbox"/> Read together with Schedule 9 of CMSA <input type="checkbox"/> Schedule 8 of CMSA <input checked="" type="checkbox"/> Section 2(6) of the Companies Act <input type="checkbox"/> Other (Please specify) |
| | | Additional Notes: Selling Restrictions at issuance: The IMTN may only be offered or sold, transferred or otherwise disposed of, directly or indirectly to a person to whom an offer or invitation to subscribe to the IMTN would fall within Part 1 of Schedule 6 and Part 1 of Schedule 7 of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, and Section 2(6) of the Companies Act 2016, as amended or replaced from time to time (" Companies Act 2016 "). Selling Restrictions thereafter: The IMTN may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Sukuk Murabahah would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, and Section 2(6) of the Companies Act 2016. |
| 12) | Tradability and transferability | <input type="checkbox"/> Non-tradable and non-transferable. <input checked="" type="checkbox"/> Tradable and transferable <input type="checkbox"/> RM1,000,000,000. <input type="checkbox"/> Restricted transferability (Please state). |
| 13) | Details of security/collateral pledged, if applicable | <input checked="" type="checkbox"/> Unsecured. <input type="checkbox"/> Secured/combination of unsecured and secured, details as follows: |
| 14) | Details of guarantee, if applicable | <input type="checkbox"/> Not guaranteed. <input type="checkbox"/> Guaranteed, details as follows: <input checked="" type="checkbox"/> GMB shall issue an irrevocable and unconditional corporate guarantee (" Corporate Guarantee ") under the principle of Kafalah in favour of the Sukuk Trustee (for and on behalf of the Sukukholders) to guarantee the Issuer's payment obligation under the IMTN (except the payment obligation on Ta'widh (compensation) and other charges in relation to the IMTN). |
| 15) | Convertibility of issuance and details of the convertibility, if | <input checked="" type="checkbox"/> Non-convertible. <input type="checkbox"/> Convertible, details as follows: |

| | | | | | | |
|-----|---|---|---|----------------------|---|--|
| | applicable | | | | | |
| 16) | Exchangeability of issuance and details of the exchangeability, if applicable | <table><tr><td>x</td><td>Non-exchangeable.</td></tr><tr><td></td><td>Exchangeable, details as follows:</td></tr></table> | x | Non-exchangeable. | | Exchangeable, details as follows: |
| x | Non-exchangeable. | | | | | |
| | Exchangeable, details as follows: | | | | | |
| 17) | Call option and details, if applicable | <table><tr><td>x</td><td>No call option.</td></tr><tr><td></td><td>Call option, details as follows:</td></tr></table> | x | No call option. | | Call option, details as follows: |
| x | No call option. | | | | | |
| | Call option, details as follows: | | | | | |
| 18) | Put option and details, if applicable | <table><tr><td>x</td><td>No put option.</td></tr><tr><td></td><td>Put option, details as follows:</td></tr></table> | x | No put option. | | Put option, details as follows: |
| x | No put option. | | | | | |
| | Put option, details as follows: | | | | | |
| 19) | Details of covenants | <p>Positive covenants:</p> <table><tr><td></td><td>No positive covenant</td></tr><tr><td>x</td><td>Positive covenant, details as follows:</td></tr></table> <p>To include but not limited to the following:</p> <p>(i) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (as defined below) (where applicable) shall, maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will, as soon as reasonably practicable, obtain any further authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable the GMB Group (as defined below) to carry on their respective businesses or to enable the Issuer and/or the Guarantor to enter into or perform their respective obligations under the Transaction Documents or to ensure the legality, validity, enforceability, admissibility in evidence of the obligations of the Issuer and/or the Guarantor, or the rights of the Sukukholders, the Sukuk Trustee, the Lead Arranger under the Transaction Documents and the Issuer and the Guarantor shall comply with the same;</p> <p>(ii) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, comply with all conditions of the licences issued under the Gas Supply Act 1993 (as may be amended or re-enacted);</p> <p>(iii) The Issuer and the Guarantor shall at all times on written demand, execute and cause and procure the execution of all such further documents and do all such further acts reasonably necessary at any time or times to give effect to the terms and conditions in the Transaction Documents;</p> <p>(iv) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, exercise reasonable diligence in carrying out their businesses and affairs in a proper and efficient manner;</p> | | No positive covenant | x | Positive covenant, details as follows: |
| | No positive covenant | | | | | |
| x | Positive covenant, details as follows: | | | | | |

| | | |
|--|--|---|
| | | <p>(v) The Issuer and the Guarantor shall keep proper books and accounts at all times and provide the Sukuk Trustee and any person appointed by the Sukuk Trustee access to such books and accounts to the extent permitted by law, regulations, rules and orders;</p> <p>(vi) The Issuer and the Guarantor shall promptly perform and carry out all its obligations under all the Transaction Documents (including but not limited to redeem the IMTN on the relevant maturity date(s) or any other date on which the IMTN are due and payable) and the Issuer shall immediately notify the Facility Agent and the Sukuk Trustee in the event that the Issuer or the Guarantor is unable to fulfil or comply with any of the provisions of the Transaction Documents;</p> <p>(vii) The Issuer and the Guarantor shall prepare its audited financial statements on a basis consistently applied in accordance with the approved accounting standards in Malaysia and those audited financial statements shall give a true and fair view of the results of the financial position and operations of the Issuer and the Guarantor for the period to which the audited financial statements are made up and are audited and certified by qualified auditors appointed by the Issuer and the Guarantor respectively;</p> <p>(viii) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, maintain such takaful/insurances in respect of their respective assets and business against all risks which a prudent company carrying a similar business to that of the Issuer, the Guarantor and the GMB Group would normally insure;</p> <p>(ix) The Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia at all times;</p> <p>(x) The Issuer shall procure that the Paying Agent shall notify the Sukuk Trustee, through the Facility Agent, if the Paying Agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents and the terms and conditions of the IMTN;</p> <p>(xi) The Issuer shall ensure that the terms in the Trust Deed do not contain any matter which is inconsistent with the provisions of the Information Memorandum;</p> <p>(xii) The Issuer and the Guarantor shall file all relevant tax returns and pay all taxes promptly upon the same becoming due except to the extent that the taxes are being contested in good faith and by appropriate means and an adequate reserve has been set aside with respect thereto;</p> <p>(xiii) The Issuer shall ensure that all shareholders' advances and/or other forms of equity contribution shall be subordinated to the IMTN Programme;</p> <p>(xiv) The Issuer and the Guarantor shall comply with all</p> |
|--|--|---|

| | | | | | |
|---|---|--|----------------------|---|--|
| | <p>applicable provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued or published by the SC and other regulatory agencies from time to time in respect of the IMTN Programme;</p> <p>(xv) The Issuer shall be, whether directly or indirectly, an effective wholly-owned subsidiary of GMB at all time; and</p> <p>(xvi) Such other covenants as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>Negative covenants:</p> <table><tr><td></td><td>No negative covenant</td></tr><tr><td>x</td><td>Negative covenant, details as follows:</td></tr></table> <p>Unless otherwise consented to in writing by the Sukuk Trustee if directed to do so by a special resolution of the Sukukholders:</p> <p>(i) the Issuer and the Guarantor shall not permit any amendment, supplement or variation to their respective Constitution or other constitutional documents in a manner which may be materially prejudicial to the interests of the Sukukholders;</p> <p>(ii) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, assignment by way of security or other security interest of any kind or any agreement to create any of the foregoing (collectively "Security Interest") over all or any part of its assets, save and except for:</p> <p>(a) Security Interest created pursuant to the Issuer's existing secured credit facilities as disclosed prior to the date of the Trust Deed; or</p> <p>(b) liens arising in the ordinary course of business of the Issuer by operation of law and/or Security Interest arising in pursuance of agreements executed in the ordinary course of its business and/or arising under any guarantee issued by the Issuer and for any right of set-off arising under any guarantee or set-off agreement issued and/or executed by the Issuer, or</p> <p>(c) assignment of the rights and benefits of construction and/or operation contracts/arrangements undertaken by the Issuer, pursuant to borrowings by the Issuer for purposes of securing working capital and trade/guarantee facilities specifically for the financing of such construction and/or operation contracts/arrangements; or</p> <p>(d) such Security Interest created over equity and/or equity linked and/or debt securities of the relevant subsidiaries and/or associate companies of the Issuer (which are undertaking the project and/or acquisition) in favour of any financiers providing the financing for such project and/or acquisition to such</p> | | No negative covenant | x | Negative covenant, details as follows: |
| | No negative covenant | | | | |
| x | Negative covenant, details as follows: | | | | |

| | | |
|--|--|--|
| | | <p>relevant subsidiaries and/or associate companies of the Issuer; or</p> <p>(e) any Security Interest created over the Issuer's cash deposits, at any time to secure short term bank guarantee facilities and/or credit support facilities for the benefit of the Issuer;</p> <p>(iii) the Issuer and the Guarantor shall not dispose any of its assets, (i) the book value of which is more than 10% of the Issuer's net assets (as reflected in the Issuer's latest semi-annually unaudited financial statements) and the Guarantor's consolidated net assets (as reflected in the Guarantor's latest quarterly unaudited financial statements), on an aggregate basis per annum, where applicable, and (ii) where such disposal will have a Material Adverse Effect (as defined herein), save and except for:</p> <p>(a) the asset disposal is solely for purposes of facilitating Shariah concepts used in Islamic financing facilities granted to the Issuer or its subsidiaries and associates;</p> <p>(b) disposal in the ordinary course of business and on ordinary commercial terms and on the basis of arm's length transaction; or</p> <p>(c) disposal within the GMB Group;</p> <p>(iv) the Issuer and the Guarantor shall not reduce or in any way whatsoever alter (except by way of an increase), its authorised or paid-up share capital, whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares;</p> <p>(v) the Issuer shall not declare or pay any dividends or make any distribution, whether income or capital in nature to its shareholders if an Event of Default has occurred and is continuing or if following such payment, distribution or declaration, an Event of Default would occur;</p> <p>(vi) the Issuer shall not lend any money or advance to any person other than: (a) to the Issuer's directors, officers or employees as part of their terms of employment, (b) to contract counterparties pursuant to contracts entered into in the ordinary course of business, (c) to its subsidiaries, associated companies and joint ventures which the Issuer and the Guarantor is a party to and (d) to GMB;</p> <p>(vii) the Issuer and the Guarantor shall not substantially change its principal activities or operations in such a manner which will result or potentially result in a Material Adverse Effect;</p> <p>(viii) the Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, not cancel, surrender, abandon or otherwise amend related licenses or grants in any way which has a Material Adverse Effect unless imposed by any applicable legislation or authorities;</p> |
|--|--|--|

| | | | | | |
|---|--|--|-----------------------|---|---|
| | <p>(ix) the Issuer and the Guarantor shall not enter into any amalgamation, demerger, reconstruction or winding up of the Issuer or the Guarantor or any of their subsidiaries in such a manner which will result or potentially result in a Material Adverse Effect;</p> <p>(x) the Issuer shall not enter into any agreement or transaction, whether directly or indirectly, with interested persons (including a director of the Issuer, a substantial shareholder of the Issuer or persons connected with a director or a substantial shareholder of the Issuer and the chief executive officer of the Issuer), unless:</p> <p>(a) such transaction is on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and</p> <p>(b) in respect of a transaction involving an aggregate payment or value equal to or greater than 25% of the Issuer's consolidated net assets based on its latest annual audited financial statements, the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms; provided that the Issuer shall certify to the Sukuk Trustee:</p> <p>i. that the transaction complies with item (a) above;</p> <p>ii. that the Issuer has received the certification referred to in item (b) above (where applicable); and</p> <p>iii. the transaction has been approved by the majority of the Issuer's board of directors or shareholders in a general meeting, as the case may require;</p> <p>(xi) the Issuer shall not change the utilisation of proceeds from the IMTN Programme where the Transaction Documents set out a specific purpose for which proceeds are to be utilised; and</p> <p>(xii) such other covenants as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>Financial covenants:</p> <table><tr><td></td><td>No financial covenant</td></tr><tr><td>x</td><td>Financial covenant, details as follows:</td></tr></table> <p>Throughout the tenure of the IMTN Programme, the Issuer shall ensure that the Consolidated Gearing Ratio shall not be greater than 2.0x times.</p> <p>The “Consolidated Gearing Ratio” shall mean the ratio of indebtedness of GMB Group represented by:</p> <p>(i) all amounts outstanding under the IMTN Programme and ICP Programme;</p> <p>(ii) all other indebtedness for borrowed monies or under</p> | | No financial covenant | x | Financial covenant, details as follows: |
| | No financial covenant | | | | |
| x | Financial covenant, details as follows: | | | | |

| | | | | | |
|---|---|--|-------------------------|---|---|
| | <p>financing arrangements (be it actual or obligations under guarantees issued by any company within the GMB Group in favour of third parties), hire purchase obligations, finance lease obligations, net exposure determined on a marked to market basis under any derivative instrument</p> <p>less</p> <p>deposits, cash and bank balances as reported in the GMB Group's audited consolidated financial statements, to GMB Group's total equity, including the amounts paid up on the issued share capital of GMB; the amounts standing to the credit of the capital and revenue reserves of GMB including retained earnings; and shareholders' advances which are subordinated to IMTN Programme.</p> <p>For the avoidance of doubt, the indebtedness of the GMB Group as defined above shall exclude those amounts owing to trade and other creditors and payables and arising from the ordinary course of business, the inter-company unsecured and subordinated borrowings or advances subordinated to IMTN Programme and the ICP Programme.</p> <p>The Consolidated Gearing Ratio shall be calculated for each financial year during the tenure of the IMTN Programme based on the GMB's latest audited consolidated financial statements and the Issuer shall provide to the Sukuk Trustee a yearly compliance certificate duly signed by any one (1) director and an authorised officer of GMB.</p> <p>For the avoidance of doubt, any double counting shall be disregarded.</p> <p>"GMB Group" means GMB and all its subsidiaries.</p> <p>Information covenants:</p> <table><tr><td></td><td>No information covenant</td></tr><tr><td>x</td><td>Information covenant, details as follows:</td></tr></table> <p>To include but are not limited to the following:-</p> <p>(i) the Issuer shall provide to the Sukuk Trustee on an annual basis, a certificate signed by any two (2) authorized signatories of the Issuer confirming that it has observed, complied with and performed all its covenants and obligations under the Transaction Documents and the terms and conditions of the IMTN and that there did not exist or had not existed, from the date the IMTN were first issued or the date of the previous certificate, as the case may be, any Event of Default, and if such is not the case, to specify the same;</p> <p>(ii) the Issuer shall deliver to the Sukuk Trustee the following:</p> <p>(a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each of its financial years) copies</p> | | No information covenant | x | Information covenant, details as follows: |
| | No information covenant | | | | |
| x | Information covenant, details as follows: | | | | |

| | | |
|--|--|---|
| | | <p>of its annual financial statements for that year, which shall contain the consolidated income statements and balance sheets of the Issuer and the Guarantor and which are audited and certified without any qualification by external auditors appointed by the Issuer and the Guarantor respectively;</p> <p>(b) as soon as they become available (and in any event within ninety (90) days after the end of each of the Issuer's and the Guarantor's half year financial period in accordance with the reporting format as required by Bursa Securities, where applicable) copies of the Issuer's and the Guarantor's unaudited half yearly financial statements for that period (as announced to Bursa Securities which shall contain the consolidated income statements and balance sheets of the Issuer and the Guarantor, where applicable);</p> <p>(c) promptly, to the extent permitted by applicable laws, regulations, rules and orders, such additional financial or other information as the Sukuk Trustee may from time to time reasonably request, and also, such information as the Sukuk Trustee may require in order for the Sukuk Trustee to discharge its duties and obligations as Sukuk Trustee under the Transaction Documents;</p> <p>(d) promptly, to the extent permitted by applicable laws, regulations, rules and orders, all notices or other documents received by the Issuer and the Guarantor from any of their shareholders or its creditors and a copy of all documents dispatched by the Issuer and the Guarantor to their respective shareholders (or any class of them) in their capacity as shareholders or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors;</p> <p>(iii) the Issuer shall permit the accounts, reports, notices, statements or circulars as provided by any of them to the Sukuk Trustee to be circulated by the Sukuk Trustee at its discretion, to the Sukukholders, the qualified investors of the IMTN as well as the Credit Rating Agency;</p> <p>(iv) the Issuer will give to the Sukuk Trustee any information which the Sukuk Trustee may require in order to discharge its duties and obligations as trustee under the Trust Deed relating to the Issuer's affairs to the extent permitted by law;</p> <p>(v) the Issuer shall notify the Sukuk Trustee in writing immediately in the event that the Issuer becomes aware of:-</p> <p>(a) any Event of Default or any potential event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfillment of the relevant requirement as contemplated under the relevant Transaction Documents would constitute an Event of Default;</p> <p>(b) the happening of any event that has caused or</p> |
|--|--|---|

| | | | | | | |
|-----|---|---|---|-----------------------|--|-----------------------------------|
| | | <p>could cause, one or more of the following:-</p> <p>(1) any amount secured or payable under the IMTN to become immediately payable;</p> <p>(2) the IMTN to become immediately enforceable; and</p> <p>(3) any other right or remedy under the terms, provisions or covenants of the IMTN or the Trust Deed to become immediately enforceable;</p> <p>(c) any circumstance that has occurred that would materially prejudice the Issuer and/or the Guarantor;</p> <p>(d) any substantial change in the nature of the business of the Issuer and/or the Guarantor;</p> <p>(e) any change in withholding tax position;</p> <p>(f) any change in the utilization of the proceeds from the IMTN from that set out in the Transaction Documents which set out a specific purpose for which the proceeds are to be utilised;</p> <p>(g) any litigation or other proceedings of any nature whatsoever being initiated against the Issuer and/or the Guarantor before any court or tribunal or administrative agency which would have a Material Adverse Effect;</p> <p>(h) any change in its board of directors; and</p> <p>(i) any other matter that may materially prejudice the interests of the Sukukholders; and</p> <p>(vi) such other covenants as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>"Material Adverse Effect" shall mean in relation to any event, the occurrence of which may have or will likely have a material adverse effect on (i) the financial condition of the GMB Group; or (ii) the business operations of the GMB Group such that in turn may or will likely to adversely affect the ability of the Issuer to perform any of its obligations under the Transaction Documents; or (iii) the ability of the Issuer and/or the Guarantor to perform any of their obligations under the Transaction Documents.</p> | | | | |
| 20) | <p>Details of designated accounts, if applicable, including:</p> <p>a) names of account;</p> <p>b) parties responsible for opening the account;</p> <p>c) parties responsible for maintaining/operating the account;</p> <p>d) signatories to the account;</p> | <table><tr><td>x</td><td>No Designated account</td></tr><tr><td></td><td>Designated account(s) as follows:</td></tr></table> | x | No Designated account | | Designated account(s) as follows: |
| x | No Designated account | | | | | |
| | Designated account(s) as follows: | | | | | |

| | | | | | | | | | | | | | | |
|-------------------------------------|--|--------------------------|------------|---|-------------------|--|---|------------------------------|--------------|--------------------------|-------------------------------------|---------------|-------------------|--|
| | <div>e) sources and utilisation of funds;</div> <div>f) diagram illustrating the flow of monies and conditions for disbursements.</div> | | | | | | | | | | | | | |
| 21) | <div>Details of credit rating, if applicable</div> <div><table><tr><td></td><td>Not rated.</td></tr><tr><td>x</td><td>Rated as follows:</td></tr><tr><td></td><td>Combination of rated and unrated as follow:</td></tr></table><table><tr><td>Name of Credit Rating Agency</td><td>Amount rated</td><td>Indicative credit rating</td></tr><tr><td>Malaysian Rating Corporation Berhad</td><td>RM1.0 billion</td><td>AAA_{IS}</td></tr></table></div> | | Not rated. | x | Rated as follows: | | Combination of rated and unrated as follow: | Name of Credit Rating Agency | Amount rated | Indicative credit rating | Malaysian Rating Corporation Berhad | RM1.0 billion | AAA _{IS} | |
| | Not rated. | | | | | | | | | | | | | |
| x | Rated as follows: | | | | | | | | | | | | | |
| | Combination of rated and unrated as follow: | | | | | | | | | | | | | |
| Name of Credit Rating Agency | Amount rated | Indicative credit rating | | | | | | | | | | | | |
| Malaysian Rating Corporation Berhad | RM1.0 billion | AAA _{IS} | | | | | | | | | | | | |
| 22) | <div>Conditions precedent</div> <div>Customary condition precedent for programmes of such nature which shall include but not be limited to the following and shall be in the form and substance acceptable to the Lead Arranger:</div> <div>Main Documentation:</div> <div><div>(i) The Transaction Documents have been duly executed and endorsed as exempted from stamp duty and, where applicable, presented for registration.</div><div>The Issuer:</div><div><div>(i) Certified true copies of the Certificate of Incorporation and the Constitution of the Issuer together with the latest Return of Allotment of Shares (Form 24), Notice of Situation of Registered Office and Office Hours and Particulars of Changes (Form 44) / Notification(s) of Change in the Registered Address, and Return Giving Particulars In Register of Directors, Managers and Secretaries and Changes of Particulars (Form 49) and Notification(s) of Change in the Register of Directors, Managers and Secretaries of the Issuer.</div><div>(ii) Certified true extract of the board of directors resolution of the Issuer approving, amongst others, the establishment of the IMTN Programme, authorising the issuance of the IMTN and the execution of the Transaction Documents.</div><div>(iii) A list of the authorised signatories and their respective specimen signatures of each of the Issuer’s authorised signatories.</div><div>(iv) A report of the relevant company search of the Issuer.</div><div>(v) A report of the relevant winding-up search conducted at the Department of Insolvency Malaysia which revealed that no winding-up order has been made against the</div></div></div> | | | | | | | | | | | | | |

| | | |
|--|--|--|
| | | <p>Issuer.</p> <p>The Guarantor:</p> <ul style="list-style-type: none"> (i) Certified true copies of the Certificate of Incorporation and the Constitution of the Guarantor together with the latest Return of Allotment of Shares (Form 24), Notice of Situation of Registered Office and Office Hours and Particulars of Changes (Form 44) / Notification(s) of Change in the Registered Address, and Return Giving Particulars In Register of Directors, Managers and Secretaries and Changes of Particulars (Form 49) and Notification(s) of Change in the Register of Directors, Managers and Secretaries of the Guarantor. (ii) Certified true extract of the board of directors resolution of the Guarantor approving, amongst others, the providing of the Corporate Guarantee and authorising the execution of the relevant Transaction Documents. (iii) A list of the authorised signatories and their respective specimen signatures of each of the Guarantor's authorised signatories. (iv) A report of the relevant company search of the Guarantor. (v) A report of the relevant winding-up search conducted at the Department of Insolvency Malaysia which revealed that no winding-up order has been made against the Guarantor. <p>General:</p> <ul style="list-style-type: none"> (i) Evidence that the lodgment kit in respect of the IMTN Programme has been lodged to the SC. (ii) All necessary approvals and consents required (including but not limited to the existing lenders/financiers of the Issuer) for the implementation of the IMTN Programme (if required) and the execution of the Transaction Documents have been obtained and the Issuer is in compliance with all conditions of such approvals and consents. (iii) Evidence of confirmation from the Shariah Adviser that the structure and mechanism together with the Transaction Documents of the IMTN Programme is in compliance with Shariah principles. (iv) The IMTN Programme has obtained a rating of AAA from the Credit Rating Agency. (v) Evidence that arrangements have been made for the payment of all transaction fees, costs and expenses in connection with the establishment of the IMTN Programme. (vi) The Lead Arranger has received from the Solicitors a satisfactory legal opinion addressed to the Lead Arranger, advising with respect to, amongst others, the legality, |
|--|--|--|

| | | |
|-----|---------------------------------------|---|
| | | <p>validity and enforceability of the Transaction Documents and a confirmation addressed to the Lead Arranger that all the conditions precedent have been fulfilled or otherwise waived by the Lead Arranger as the case may be.</p> <p>(vii) Evidence that the Sukuk Trustees' Reimbursement Account has been established and the deposit of RM30,000.00 has been made.</p> <p>(viii) Such other conditions precedent as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p><u>Condition Precedent for the First Issuance of IMTN</u></p> <p>If the first issuance of IMTN is to be used for the Proposed Sukuk Exchange, documentary evidence that the GMB Sukukholders have approved the Proposed Sukuk Exchange.</p> <p><u>Conditions Precedent for Each Issuance of IMTN</u></p> <p>(a) Written confirmation from the authorised signatories that:</p> <ul style="list-style-type: none"> (i) all representations and warranties still remain true and correct in all material respects having regards to the prevailing circumstances. (ii) no Event of Default has occurred and is continuing and shall occur if the relevant issuance is made. (iii) all the covenants are complied with. <p>(b) Such other conditions precedent as advised by the Solicitors and to be agreed with the Issuer.</p> |
| 23) | Representations and warranties | <p>Representations and warranties usual and customary to the Issuer for a transaction of this nature, including but not limited to the following:</p> <ul style="list-style-type: none"> (i) each of the Issuer and the Guarantor is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property; (ii) the Issuer's and the Guarantor's Constitution incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise the Issuer and the Guarantor respectively to execute and deliver the Transaction Documents in accordance with their terms; (iii) all necessary authorizations, permits, licences and consents required under the Transaction Documents have been obtained, renewed and fulfilled and remain in full force and effect, if failure to obtain or effect any of such authorisations, permits, licences and consents would |

| | | |
|--|--|---|
| | | <p>impair or prejudice the Issuer's ability to comply with the Transaction Documents;</p> <p>(iv) the Transaction Documents will, when executed and/ or issued and/or stamped, as the case may be, constitute legal, valid and binding obligations of the Issuer and the Guarantor, where applicable, enforceable in accordance with their respective terms and that there is no law or regulation or any order or decree of any governmental authority, agency or court to which the Issuer or the Guarantor, where applicable, is subject which would be in conflict with or prevent the Issuer or the Guarantor, where applicable, from executing, delivering and performing the transactions contemplated in each of the Transaction Documents;</p> <p>(v) neither the execution and delivery of the Transaction Documents, nor the performance of any of the transactions contemplated in the Transaction Documents:</p> <p>(a) contravenes or constitutes a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound whereby such default would have a Material Adverse Effect;</p> <p>(b) causes any limitation on the Issuer or the Guarantor or the powers of any of their board of directors, whether imposed by or contained in the Constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation or judgment binding on the Issuer (as applicable), to be exceeded; or</p> <p>(c) causes the creation or imposition of any Security Interest or restrictions of any nature on any of the Issuer's or the Guarantor's assets save as permitted under the Transaction Documents;</p> <p>(vi) no authorisation, approval, consent, permit, license, exemption, registration, recording, filing, or notarisation of the Transaction Documents and no payment of any duty or tax which has not been duly and unconditionally obtained, made or taken is necessary to ensure the validity or enforceability of the liabilities and obligations of the Issuer and the Guarantor or the rights of the Lead Arranger, the Facility Agent and the Sukuk Trustee under the Transaction Documents in accordance with their terms save and except for the registration of the power of attorney clause contained in the Trust Deed with the High Court of Malaya;</p> <p>(vii) the Issuer's and the Guarantor's audited financial statements are prepared in accordance with approved accounting standards and they give a true and fair view of the Issuer's financial position and results of operations for the period to which the audited financial statements are made and are audited and certified by qualified auditors appointed by the Issuer and the Guarantor respectively;</p> <p>(viii) no tax liabilities of any kind are outstanding in payments</p> |
|--|--|---|

| | | |
|-----|---|--|
| | | <p>(save and except for taxes, which are disputed in good faith) and all computations and payments that should be or should have been made to the taxation authority or other relevant authorities have been made within the requisite periods and are up-to-date, correct and made on a proper basis with the taxation authority and other relevant authorities;</p> <p>(ix) no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims which would have a Material Adverse Effect, is presently in progress or pending against the Issuer or the Guarantor or any of their assets;</p> <p>(x) the Issuer and the Guarantor are not aware of and have no reason to believe any event has occurred which constitutes, or which with the giving of notice and/or lapse of time and/or a relevant determination would likely to constitute, a contravention of, or default under, any agreement or instrument by which the Issuer or the Guarantor or any of their assets are bound or affected, being a contravention or default which might have a Material Adverse Effect;</p> <p>(xi) after due and careful inquiry, the Issuer has disclosed to the Sukuk Trustee, the Joint Lead Managers and/or the Facility Agent all information relating to the Issuer and its business material in the context of the IMTN Programme and the Transaction Documents;</p> <p>(xii) no Event of Default has occurred and is continuing or would occur as a result of the issuance of the IMTN; and</p> <p>(xiii) any other representations and warranties as advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> |
| 24) | Events of default or enforcement events, where applicable, including recourse available to investors | <p>Events of Default usual and customary for a transaction of this nature, including but not limited to the following:</p> <p>(i) the Issuer fails to pay any amount due from it under any of the Transaction Documents on the due date or, if so payable, on demand;</p> <p>(ii) any representation or warranty made or given by the Issuer or the Guarantor under the Transaction Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the IMTN and/or any of the Transaction Documents is or proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given or if repeated at any time with reference to the facts and circumstances subsisting at such time, would not be accurate or would be misleading which would have a Material Adverse Effect and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy the failure within a period of thirty (30) days after the Issuer or the Guarantor became aware or</p> |

| | | |
|--|--|--|
| | | <p>having been notified in writing by the Sukuk Trustee of the failure, whichever is earlier;</p> <p>(iii) the Issuer or the Guarantor fails to observe or perform its obligations under any of the Transaction Documents or the IMTN or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in sub-paragraph (i) above, and such failure to observe or perform would have a Material Adverse Effect and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy the failure within a period of thirty (30) days after the Issuer or the Guarantor became aware or having been notified in writing by the Sukuk Trustee of the failure, whichever is earlier;</p> <p>(iv) there has been a breach by the Issuer or the Guarantor of any obligation under Issuer's or the Guarantor existing contractual obligations which would have a Material Adverse Effect and in the case of a breach which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy the breach within a period of thirty (30) days after the Issuer or the Guarantor became aware or having been notified in writing by the Sukuk Trustee of the breach, whichever is earlier;</p> <p>(v) where any indebtedness for borrowed moneys or guarantee of the Issuer or the Guarantor exceeding RM10.0 million becomes due and payable prior to its stated maturity or is not discharged at maturity or where the security created for such indebtedness for borrowed moneys becomes immediately enforceable;</p> <p>(vi) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the business, property or assets of the Issuer or the Guarantor, or distress, legal process, sequestration or any form of execution or process is levied or enforced or sued out against the Issuer or the Guarantor which has a Material Adverse Effect and is not discharged within thirty (30) days after being levied, enforced or sued out, or any Security Interest which may for the time being affect the whole or substantial part of the assets of the Issuer or the Guarantor become enforceable which has a Material Adverse Effect and which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy it within thirty (30) days after the same become enforceable;</p> <p>(vii) any judgment in an amount exceeding RM10.0 million, which would have a Material Adverse Effect is not appealed, stayed or complied with within 45 days, or a creditor attaches or any other process is levied or enforced against any material part of the undertakings, assets, rights or revenues of the Issuer or the Guarantor which would have a Material Adverse Effect and is not discharged, withdrawn or set aside within forty-five (45) days;</p> |
|--|--|--|

| | | |
|--|--|---|
| | | <p>(viii) the Issuer or any company of the GMB Group fails to obtain, renew, maintain or comply in any material respect with all governmental approvals, licenses, permits and franchises which are necessary for the performance by the Issuer of its obligations under the Transaction Documents and such failure continues for thirty (30) days or more after written notice is delivered to the Issuer;</p> <p>(ix) any step is taken for the winding up, dissolution or liquidation of the Issuer or the Guarantor or any of its Material Subsidiaries (as defined herein) or a resolution is passed for the winding up of the Issuer or the Guarantor or any of its Material Subsidiaries or a petition for winding up is presented against the Issuer or the Guarantor or any of its Material Subsidiaries and the Issuer or the Guarantor has not taken any action in good faith to oppose or set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer or the Guarantor or any of its Material Subsidiaries;</p> <p>"Material Subsidiaries" means at any time, any subsidiary, both present and the future, of the Issuer or the Guarantor, as the case may be, which contributes at least five per cent (5%) of the profit after-tax of the GMB Group based on the latest audited and consolidated annual financial statements of the GMB Group at that time.</p> <p>(x) the Issuer or the Guarantor convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any substantial part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any substantial part of its indebtedness or any assignment is made for the benefit of its creditors (other than for the purposes of and followed by a reconstruction which has been approved in writing by the Sukuk Trustee, unless during or following such reconstruction the Issuer or the Guarantor becomes or is declared to be insolvent) or where a scheme of arrangement under Section 366 of the Companies Act 2016 ("Companies Act") has been instituted against the Issuer or the Guarantor;</p> <p>(xi) any creditor of the Issuer or the Guarantor exercises a contractual right to take over the financial management of the Issuer or the Guarantor and such event would have a Material Adverse Effect;</p> <p>(xii) (a) the Issuer or the Guarantor is deemed unable to pay any of its debts under Section 465(1)(e) of the Companies Act; or (b) the Issuer or the Guarantor becomes unable to pay any of its debts as they fall due; or (c) the Issuer or the Guarantor suspends or threatens to suspend making payments with respect to all or any of its debts and such event, in each case, would have a Material Adverse Effect,</p> |
|--|--|---|

| | | |
|--|--|---|
| | | <p>unless in any of the above, the Issuer or the Guarantor is disputing in good faith and taking proper legal steps in respect of the matter;</p> <p>(xiii) anything analogous of any events specified in items (ix) to (xii) above occurs under the laws of the applicable jurisdiction;</p> <p>(xiv) where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent of the Issuer or any company of the GMB Group, which would have a Material Adverse Effect;</p> <p>(xv) the Issuer or the Guarantor changes or threatens to change the nature or scope of a substantial part of its business, or suspends or threatens to suspend or ceases or threatens to cease the operation of a substantial part of its business which it now conducts and such change, suspension or cessation would have a Material Adverse Effect;</p> <p>(xvi) the Issuer or the Guarantor repudiates any of the Transaction Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents;</p> <p>(xvii) the whole or a substantial part of the business, property and assets of the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which would have a Material Adverse Effect.</p> <p>(xviii) the Issuer or the Guarantor transfers or disposes of or threatens to transfer or dispose of substantially all of its respective business or assets except otherwise permitted under the IMTN Programme;</p> <p>(xix) the Issuer and/or any company of the GMB Group (where applicable) has/have failed to comply with or breached the provisions of the Gas Supply Act, 1993 (as may be amended or re-enacted) and all regulations thereunder or any requirements, terms and conditions imposed by the Energy Commission or any terms and conditions under the licences issued under the Gas Supply Act, 1993 (as may be amended or re-enacted) which would have a Material Adverse Effect;</p> <p>(xx) there is a repudiation of the Gas Supply Agreement or any agreement or document in relation to the supply of gas to the GMB Group, or the Gas Supply Agreement or any agreement or document in relation to the supply of gas to the GMB Group is terminated for any reason whatsoever, or the GMB Group commits a breach of any provision of the Gas Supply Agreement or any agreement or document in relation to the supply of gas to the GMB Group, which would have a Material Adverse Effect;</p> |
|--|--|---|

| | | | | | | |
|-----|---|--|--|---------------------------|---|---|
| | | <p>(xxi) at any time any of the provisions of the Transaction Documents in respect of the IMTN Programme is or becomes invalid, illegal, void, voidable or unenforceable or ceases to be binding which in the opinion of the Sukuk Trustee may have a Material Adverse Effect;</p> <p>(xxii) any event or events has or have occurred or a situation exists which would have a Material Adverse Effect, and in the case of the occurrence of such event or situation which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy it within a period of thirty (30) days after the Issuer became aware or having been notified in writing by the Sukuk Trustee of the event or situation, whichever is earlier; and</p> <p>(xxiii) any other events of default as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>Upon the declaration of an Event of Default, no further issuance of IMTN may be made under the IMTN Programme and the Sukuk Trustee may at its discretion or upon the Sukukholders' instruction, shall (if directed to do so by a special resolution of the Sukukholders) institute such proceedings as it thinks fit against the Issuer to enforce payment of the Redemption Amount and all other sums payable under the IMTN Programme and to enforce its rights under the Transaction Documents.</p> <p>For the purpose of this paragraph, references to "substantial" shall mean such business, property or assets of the Issuer, the book value of which is more than 10% of the Issuer's net assets or the Guarantor's consolidated net assets, where applicable. For the avoidance of doubt, the book value of the business, property or assets is as reflected in the Issuer's latest semi-annually unaudited financial statements or the Guarantor's latest quarterly unaudited consolidated financial statements.</p> <p>"Redemption Amount" means the amount equivalent to the Deferred Sale Price at the date of issuance of the IMTN less the aggregate of Periodic Profit Payments paid (if any) less Ibra' (if any).</p> | | | | |
| 25) | Governing laws | Laws of Malaysia. The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia. | | | | |
| 26) | Provisions on buy-back, if applicable | <table border="1"><tr><td></td><td>No provision on buy-back.</td></tr><tr><td>x</td><td>Provisions on buy-back, details as follows:</td></tr></table> <p>Redemption on Maturity:</p> <p>Unless previously redeemed or purchased and cancelled, the IMTN will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates.</p> <p>Repurchase and Cancellation:</p> <p>The Issuer or any of its subsidiaries or agents may at any time purchase the IMTN at any price in the open market or by private</p> | | No provision on buy-back. | x | Provisions on buy-back, details as follows: |
| | No provision on buy-back. | | | | | |
| x | Provisions on buy-back, details as follows: | | | | | |

| | | | | | | |
|-----|---|--|---|-----------------------------------|---|---|
| | | treaty, but these repurchased IMTN shall be cancelled and cannot be resold. | | | | |
| 27) | Provisions on early redemption, applicable if | <table><tr><td></td><td>No provision on early-redemption.</td></tr><tr><td>x</td><td>Provisions on early redemption, details as follows:</td></tr></table> <p>Early redemption:</p> <p>The Issuer may redeem the IMTN prior to their maturity by giving the requisite notice period set out in the Transaction Documents at the Redemption Price (as defined herein). The IMTN which are redeemed by the Issuer are to be cancelled.</p> <p>"Redemption Price" shall be the outstanding Deferred Sale Price less the Ibra' (if any).</p> | | No provision on early-redemption. | x | Provisions on early redemption, details as follows: |
| | No provision on early-redemption. | | | | | |
| x | Provisions on early redemption, details as follows: | | | | | |
| 28) | Voting | <p>Voting by the Sukukholders under the IMTN Programme shall be carried out as follows:</p> <p>Prior to upsizing of the IMTN Programme:</p> <p>All matters (save in relation to the upsizing of the IMTN Programme) which require the Sukukholders' consent under the IMTN Programme shall be carried out on a collective basis.</p> <p>Post upsizing of the IMTN Programme:</p> <p>All matters which require the Sukukholders' consent under the IMTN Programme shall be carried out on a per series basis. Sukukholders holding a requisite amount under each series (to be determined under the Trust Deed) shall provide their consent for the relevant matters to be passed under the IMTN Programme and the consent from the Sukukholders of all outstanding series shall have been obtained for any such resolution to be carried.</p> <p>For the avoidance of doubt and for the purposes of meetings of the Sukukholders, all IMTNs shall be deemed and considered to be a single class collectively prior to the upsizing of the IMTN Programme. Upon the upsizing of the IMTN Programme, the IMTN with the same issue date and maturity date shall form a series and voting by the Sukukholders at any meeting shall be on a per series basis.</p> <p>"series" shall mean, in relation to any IMTN, such IMTN with the same issue date and maturity date.</p> | | | | |
| 29) | Permitted investments, if applicable | <table><tr><td>x</td><td>No permitted investments.</td></tr><tr><td></td><td>Permitted investments, details as follows:</td></tr></table> | x | No permitted investments. | | Permitted investments, details as follows: |
| x | No permitted investments. | | | | | |
| | Permitted investments, details as follows: | | | | | |
| 30) | Ta'widh | In the event of delay in payments of the Deferred Sale Price under the IMTN Programme, the Issuer shall pay to the Sukukholder(s) ta'widh (compensation) on such delayed payments at an amount and manner prescribed by the SC's | | | | |

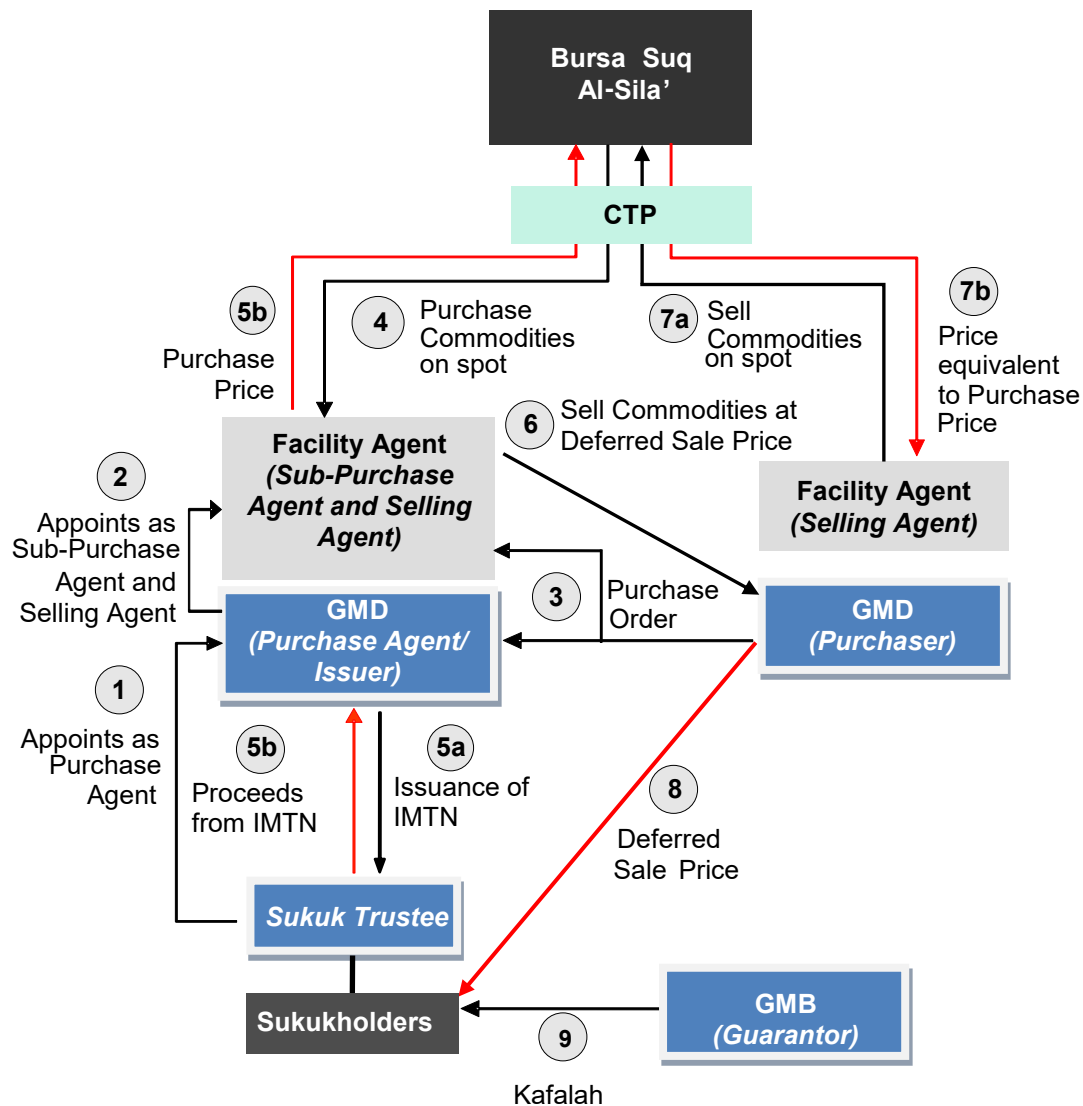
| | | |
|-----|---|--|
| | | SAC from time to time. |
| 31) | Ibra' | <p>The Sukukholder(s) in subscribing or purchasing the IMTN consent to grant Ibra', if the IMTN is redeemed before the maturity date, upon the declaration of an Event of Default or upon such early redemption.</p> <p>In relation to IMTN issued with Periodic Profit Payment, in case of declaration of an Event of Default, the Ibra' shall be the unearned profit due and calculated from the date of the declaration of an Event of Default up to the IMTN's respective maturity date(s).</p> <p>In relation to IMTN issued without Periodic Profit Payment, in case of declaration of an Event of Default, the Ibra' shall be the unearned discount amount due to the Sukukholders and calculated from the date of the declaration of an Event of Default up to the IMTN's respective maturity date(s).</p> <p>In case of an early redemption, the Ibra' (if any) shall be at the discretion of the Sukukholders based on a formula to be mutually agreed by both parties.</p> <p>"Ibra'" means an act of releasing absolutely or conditionally Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligation or liabilities towards the Sukukholders. The release may be either partially or in full.</p> |
| 32) | Kafalah | <p>GMB shall issue a Corporate Guarantee under the principle of Kafalah in favour of the Sukuk Trustee (for and on behalf of the Sukukholders) to guarantee the Issuer's payment obligation under the IMTN (except the payment obligation on Ta'widh (compensation) and other charges in relation to the IMTN).</p> <p>Upon the declaration of an Event of Default, the Sukuk Trustee may at its discretion or upon the Sukukholders' instruction, shall (if directed to do so by a special resolution of the Sukukholders) institute such proceedings as it thinks fit to enforce its rights, including the enforcement of Kafalah payment, under the Transaction Documents.</p> |
| 33) | Other terms and conditions | |
| | a) Profit/coupon/rental rate | The IMTN may be issued at par, at a premium or at a discount. The profit rate, if applicable, shall be on a fixed rate basis and to be determined and agreed prior to each issuance of the IMTN. |
| | b) Profit/coupon/rental payment frequency | <p>IMTN with periodic profit payments:</p> <p>The periodic payments are payable at semi-annual intervals or such other periodic intervals in arrears to be agreed between the Issuer and the relevant Joint Lead Manager(s) prior to the issuance of such IMTN.</p> <p>IMTN without periodic profit payments:</p> <p>Not applicable.</p> |

| | |
|--|---|
| c) Profit/coupon/rental payment basis | <p>IMTN with periodic profit payments:</p> <p>The profit payments shall be calculated on an actual number of days based on 365-day basis.</p> <p>IMTN without periodic profit payments:</p> <p>Not applicable.</p> |
| d) Status | <p>The IMTN shall constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i>, without discrimination, preference or priority amongst themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law and the Transaction Documents.</p> |
| e) Transaction Documents | <p>"Transaction Documents" includes:</p> <ul style="list-style-type: none"> (a) Programme Agreement; (b) Trust Deed; (c) Corporate Guarantee / Kafalah Agreement; (d) Hiwalah Agreement; (e) Securities Lodgement Form; (f) Documents in relation to the commodity Murabahah transaction; and (g) any other relevant documentation which may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer. |
| f) Taxation | <p>All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied or on behalf of Malaysia or other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which event the Issuer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.</p> |
| g) Sukuk Trustees' Reimbursement Account for Sukukholders' Actions | <p>The Issuer shall set up, or procure the setting up of a profit bearing "Sukuk Trustees' Reimbursement Account" with a financial institution with a sum of RM30,000.00 to be deposited by the Issuer prior to the first issue date of the IMTN (which shall be maintained at all times throughout the tenure of the IMTN Programme). The said account shall be solely operated by the Sukuk Trustee and the money shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of an Event of Default which are to be provided in the relevant Transaction Documents. Any unutilised money in the Sukuk Trustees' Reimbursement Account shall be returned to the Issuer upon expiry of the IMTN Programme.</p> |
| h) Purposes of Utilisation | <p>The proceeds raised from the IMTN shall be utilized by the Issuer for Shariah-compliant purposes:</p> <ul style="list-style-type: none"> (a) to refinance the financing of the Issuer and GMB; (b) to finance present and future Shariah-compliant investments of the Issuer and GMB; (c) to finance the Shariah-compliant working capital and capital expenditure requirements of the Issuer and |

| | | |
|--|---------------------------------|---|
| | | <p>GMB; and/or</p> <p>(d) to pay fees, expenses, costs, and all other amounts payable in relation to the IMTN Programme.</p> <p>For the avoidance of doubt, the utilisation of the proceeds of the IMTN shall at all times be for Shariah-compliant purposes.</p> <p>For the first issuance under the IMTN Programme which will be issued to facilitate the Proposed Sukuk Exchange, there shall be no cash proceeds and accordingly the purposes of utilisation of the above are not applicable to the first issuance of IMTN.</p> |
| | i) Costs and Expenses | <p>All legal fees, stamp duties (if any) and reasonable expenses incurred in connection with the IMTN, including professional due diligence fees and fees payable to BNM, SC and the Credit Rating Agency, where applicable shall be for the account of the Issuer.</p> |
| | j) Tenure of facility/programme | <p>IMTN Programme</p> <p>The tenure of the IMTN Programme is up to fifteen (15) years from the date of first issuance of the IMTN under the IMTN Programme, provided that the first issuance of the IMTN under the IMTN Programme shall be made within 60 business days from the date of the lodgement of the lodgement kit to the SC.</p> <p>IMTN</p> <p>Each tranche of the IMTN shall have a tenure of more than one (1) year and up to fifteen (15) years from the date of issuance, as the Issuer may select, provided always that the maturity of each tranche of the IMTN shall not exceed the tenure of the IMTN Programme.</p> |
| | k) Other conditions | <p>The IMTN shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or PayNet having jurisdiction over matters pertaining to the IMTN.</p> |

[The rest of this page has been intentionally left blank]

2.2 Transaction diagram for the IMTN Programme



| Steps | Description |
|-------|---|
| 1. | Pursuant to an agency agreement to be entered into between the Sukuk Trustee (on behalf of the investors of the IMTN (" Sukukholders ")) and the Issuer, the Sukuk Trustee shall appoint the Issuer as agent/wakeel of the Sukukholders (in such capacity, the " Purchase Agent ") to purchase and sell certain Shariah-compliant commodities, which exclude <i>ribawi</i> items in the category of medium of exchange such as currency, gold and silver (" Commodities "). |
| 2. | Pursuant to a commodity murabahah master agreement to be entered into between the Issuer as the purchaser (" Purchaser "), the Sukuk Trustee (on behalf of the Sukukholders), the Issuer as the Purchase Agent and the Facility Agent, the Purchase Agent will then appoint the Facility Agent as its agent/wakeel (in such capacity, the " Sub-Purchase Agent ") to act as the sub-agent to purchase the Commodities. The Purchase Agent will also appoint the Facility Agent as its agent/wakeel (in such capacity, the " Selling Agent ") to sell the Commodities to the Purchaser on behalf of the Purchase Agent. |

| Steps | Description |
|-------|--|
| 3. | The Purchaser shall from time to time, issue a purchase order (" Purchase Order ") to the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities. In the Purchase Order, the Purchaser will request the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities and will irrevocably and unconditionally undertake to purchase the Commodities from the Sukukholders via the Selling Agent at a price (" Deferred Sale Price ") equivalent to the aggregate of (i) the Purchase Price (as defined herein) and (ii) a mark-up (profit margin), payable on a deferred payment basis. |
| 4. | Upon receiving the Purchase Order from the Purchaser, the Sub-Purchase Agent will purchase on a spot basis, the Commodities, from commodity vendor(s) in the Bursa Suq Al-Sila' commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the IMTN, through a Commodity Trading Participant (" CTP "), at a purchase price which shall be an amount equivalent to the proceeds from the issuance of the IMTN (" Purchase Price "). The Purchase Price of the Commodities shall be in line with the asset pricing requirement stipulated under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC effective on 15 June 2015, and revised on 28 April 2020, as may be amended and/or substituted from time to time (" LOLA Guidelines "). |
| 5a. | The Issuer shall concurrently with step 4 above, issue the IMTN to the Sukukholders whereby the proceeds thereof shall be used to pay the Purchase Price of the Commodities. The IMTN shall evidence the Sukukholders' ownership of the Commodities and all rights thereto (including all rights against the Purchaser under the Purchase Order). Once the Commodities are sold to the Purchaser, the IMTN shall represent the Sukukholders' entitlement to receive the Deferred Sale Price. |
| 5b. | The proceeds of the IMTN from the Sukukholders will be payable to the Purchase Agent and shall be used to pay the Purchase Price of the Commodities. The Purchase Price shall be payable to such commodity vendor(s) in the Bursa Suq Al-Sila' commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser. |
| 6. | Thereafter, the Selling Agent (on behalf of the Purchase Agent as wakeel to the Sukukholders) shall sell the Commodities to the Purchaser at the Deferred Sale Price. |
| 7a. | Upon completion of such purchase, the Purchaser shall instruct the Selling Agent to sell, on a spot basis, the Commodities to the Bursa Malaysia Islamic Services Sdn. Bhd. and/or the commodity purchaser(s) in other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the IMTN, through a CTP, for a cash consideration for an amount equivalent to the Purchase Price. |
| 7b. | The price equivalent to the Purchase Price shall be payable to the Purchaser for the sale of the Commodities. |
| 8 | <p>The IMTN may be issued with or without periodic profit payments. During the tenure of the IMTN, the Purchaser, as part of its obligation to pay the Deferred Sale Price, shall make periodic payments (in relation to IMTN with periodic profit payment) or a lump sum payment (in relation to the IMTN without periodic profit payment) of the Deferred Sale Price to the Sukukholders. Each such payment shall pro tanto reduce the obligation of the Purchaser to pay the Deferred Sale Price payable for the purchase of the Commodities from the Selling Agent (on behalf of the Purchase Agent as wakeel of the Sukukholders).</p> <p>(i) On the maturity date of the relevant IMTN; or (ii) upon the declaration of an Event of Default (as defined herein); or (iii) upon early redemption of the relevant IMTN, whichever</p> |

| Steps | Description |
|-------|---|
| | is earlier, all amounts then outstanding on the Deferred Sale Price (subject to Ibra' (as defined herein), where applicable) shall be paid by the Purchaser (as part of its obligation to pay the Deferred Sale Price) to the Sukukholders as final settlement of the same, whereupon the relevant IMTN shall be cancelled. |
| 9. | The Guarantor shall provide a corporate guarantee under the principle of Kafalah, as a continuing obligation, in favour of the Sukuk Trustee for and on behalf of the Sukukholder(s) under which the Guarantor shall agree to guarantee the Issuer's payment obligation under the IMTN (except payment obligation on Ta'widh (compensation) (as described in the section entitled "Ta'widh"). |

[The rest of this page has been intentionally left blank]

SECTION 3 PRINCIPAL TERMS AND CONDITIONS OF THE ICP PROGRAMME

Words and expressions used and defined in this Section 3 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 3.

3.1 Details of the ICP Programme

| | | | |
|----|---|---|----------------|
| 1) | Name of facility | Islamic commercial papers ("ICP") issuance programme of up to RM1.0 billion in nominal value ("ICP Programme"). The ICP Programme shall be concurrently established with an Islamic medium term notes issuance programme of up to RM1.0 billion in nominal value ("IMTN Programme"), and the ICP Programme and the IMTN Programme shall have a combined issuance limit of up to RM1.0 billion in nominal value. | |
| 2) | One-time issue or programme | <input type="checkbox"/> | One-time issue |
| | | <input checked="" type="checkbox"/> | Programme |
| 3) | Shariah principle (for sukuk) | 1. Murabahah (via Tawarruq arrangement) 2. Kafalah (Guarantee) | |
| 4) | Facility description (for ringgit-denominated sukuk, to provide description as cleared by SC) | <p>The ICP will be issued based on the Shariah principle of Murabahah (via Tawarruq arrangement) based on a Commodity Murabahah structure in the following form: <u>Commodity Murabahah</u></p> <p>1. Pursuant to an agency agreement to be entered into between the Sukuk Trustee (on behalf of the investors of the ICP ("Sukukholders")) and the Issuer, the Sukuk Trustee shall appoint the Issuer as agent/wakeel of the Sukukholders (in such capacity, the "Purchase Agent") to purchase and sell certain Shariah-compliant commodities, which exclude <i>ribawi</i> items in the category of medium of exchange such as currency, gold and silver ("Commodities").</p> <p>2. Pursuant to a commodity murabahah master agreement to be entered into between the Issuer as the purchaser ("Purchaser"), the Sukuk Trustee (on behalf of the Sukukholders), the Issuer as the Purchase Agent and the Facility Agent, the Purchase Agent will then appoint the Facility Agent as its agent/wakeel (in such capacity, the "Sub-Purchase Agent") to act as the sub-agent to purchase the Commodities. The Purchase Agent will also appoint the Facility Agent as its agent/wakeel (in such capacity, the "Selling Agent") to sell the Commodities to the Purchaser on behalf of the Purchase Agent.</p> <p>3. The Purchaser shall from time to time, issue a purchase order ("Purchase Order") to the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities. In the Purchase Order, the Purchaser will request the Purchase</p> | |

| | | |
|--|--|--|
| | | <p>Agent and the Sub-Purchase Agent to purchase the Commodities and will irrevocably and unconditionally undertake to purchase the Commodities from the Sukukholders via the Selling Agent at a price ("Deferred Sale Price") equivalent to the aggregate of (i) the Purchase Price (as defined herein) and (ii) a mark-up (profit margin), payable on a deferred payment basis.</p> <p>4. Upon receiving the Purchase Order from the Purchaser, the Sub-Purchase Agent will purchase on a spot basis, the Commodities, from commodity vendor(s) in the Bursa Suq Al-Sila' commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the ICP, through a Commodity Trading Participant ("CTP"), at a purchase price which shall be an amount equivalent to the proceeds from the issuance of the ICP ("Purchase Price"). The Purchase Price of the Commodities shall be in line with the asset pricing requirement stipulated under the guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and effective on 15 June 2015, and revised on 28 April 2020, as may be amended and/or substituted from time to time ("LOLA Guidelines").</p> <p>5a. The Issuer shall concurrently with step 4 above, issue the ICP to the Sukukholders whereby the proceeds thereof shall be used to pay the Purchase Price of the Commodities. The ICP shall evidence the Sukukholders' ownership of the Commodities and all rights thereto (including all rights against the Purchaser under the Purchase Order). Once the Commodities are sold to the Purchaser, the ICP shall represent the Sukukholders' entitlement to receive the Deferred Sale Price.</p> <p>5b. The proceeds of the ICP from the Sukukholders will be payable to the Purchase Agent and shall be used to pay the Purchase Price of the Commodities. The Purchase Price shall be payable to such commodity vendor(s) in the Bursa Suq Al-Sila' commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser.</p> <p>6. Thereafter, the Selling Agent (on behalf of the Purchase Agent as wakeel to the Sukukholders) shall sell the Commodities to the Purchaser at the Deferred Sale Price.</p> <p>7a. Upon completion of such purchase, the Purchaser shall instruct the Selling Agent to sell, on a spot basis, the Commodities to the Bursa Malaysia Islamic Services Sdn. Bhd. and/or the commodity purchaser(s) in other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the ICP, through a CTP, for a cash consideration for an amount equivalent to the Purchase Price.</p> <p>7b. The price equivalent to the Purchase Price shall be</p> |
|--|--|--|

| | | | | | | | | | | | | | | | |
|-------------------------------------|---|--|-------------------------------------|-------|--------------------|-------------------------------------|--------------------------------------|--------------------|--------------------------|--------------|--|--|-----|---|------|
| | | <p>payable to the Purchaser for the sale of the Commodities.</p> <p>8. The ICP shall be issued without periodic profit payments. During the tenure of the ICP, the Purchaser, as part of its obligation to pay the Deferred Sale Price, shall make a lump sum payment of the Deferred Sale Price to the Sukukholders. Each such payment shall pro tanto reduce the obligation of the Purchaser to pay the Deferred Sale Price payable for the purchase of the Commodities from the Selling Agent (on behalf of the Purchase Agent as wakeel of the Sukukholders).</p> <p>(i) On the maturity date of the relevant ICP; or (ii) upon the declaration of an Event of Default (as defined herein); or (iii) upon early redemption of the relevant ICP, whichever is earlier, all amounts then outstanding on the Deferred Sale Price (subject to Ibra' (as defined herein), where applicable) shall be paid by the Purchaser (as part of its obligation to pay the Deferred Sale Price) to the Sukukholders as final settlement of the same, whereupon the relevant ICP shall be cancelled.</p> <p>9. Gas Malaysia Berhad ("GMB" or the "Guarantor") shall provide a Corporate Guarantee under the principle of Kafalah, as a continuing obligation, in favour of the Sukuk Trustee for and on behalf of the Sukukholder(s) under which GMB shall agree to guarantee the Issuer's payment obligation under the ICP (except payment obligation on Ta'widh (compensation) (as described in the section entitled "Ta'widh").</p> | | | | | | | | | | | | | |
| 5) | Currency | Ringgit Malaysia. | | | | | | | | | | | | | |
| 6) | Expected facility/ programme size (for programme, to state the option to upsize) | <table><tr><td><input checked="" type="checkbox"/></td><td>Up to</td><td>RM1,000,000,000.00</td></tr><tr><td><input checked="" type="checkbox"/></td><td>Combined limit with ICP Programme</td><td>RM1,000,000,000.00</td></tr><tr><td><input type="checkbox"/></td><td>Sub-limit of</td><td></td></tr></table> <p>Option to upsize:</p> <table><tr><td></td><td>No.</td></tr><tr><td>x</td><td>Yes.</td></tr></table> <p>Additional Notes: The Issuer shall have the option to upsize the limit of ICP Programme at any time provided that:</p> <p>(i) the relevant requirements under the LOLA Guidelines in relation to such upsizing has been complied with (which include, the Issuer to ensure that any exercise to upsize the ICP Programme limit does not unfairly discriminate or is otherwise prejudicial to existing Sukukholders);</p> <p>(ii) all relevant regulatory approvals have been obtained (if applicable); and</p> <p>(iii) there is no adverse impact on the rating of the ICP Programme.</p> | <input checked="" type="checkbox"/> | Up to | RM1,000,000,000.00 | <input checked="" type="checkbox"/> | Combined limit with ICP Programme | RM1,000,000,000.00 | <input type="checkbox"/> | Sub-limit of | | | No. | x | Yes. |
| <input checked="" type="checkbox"/> | Up to | RM1,000,000,000.00 | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Combined limit with ICP Programme | RM1,000,000,000.00 | | | | | | | | | | | | | |
| <input type="checkbox"/> | Sub-limit of | | | | | | | | | | | | | | |
| | No. | | | | | | | | | | | | | | |
| x | Yes. | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|---|--|-------------------------------------|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|---------------------------------------|--------------------------|--------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|--------------------------|---|-------------------------------------|----------------------------------|-------------------------------------|---------------------------------------|--------------------------|--------------------|-------------------------------------|-----------------------------------|--------------------------|------------------------|
| | | For avoidance of doubt, the Sukukholders shall be deemed to have consented to such upsizing of the limit of the ICP Programme (via the Trust Deed) from time to time. Accordingly, no consent will be required from the Sukukholders, the Lead Arranger, the Sukuk Trustee, the Facility Agent or any other party under the ICP Programme for the Issuer to exercise the option to increase the limit of the ICP Programme from time to time. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7) | Tenure of facility/ programme | <u>Tenure of facility/programme</u> <table border="1"> <tr> <td>Year(s)</td><td>7</td></tr> <tr> <td>Month(s)</td><td>0</td></tr> <tr> <td>Day(s)</td><td>0</td></tr> </table> | Year(s) | 7 | Month(s) | 0 | Day(s) | 0 | | | | | | | | | | | | | | | | | | | | |
| Year(s) | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Month(s) | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Day(s) | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8) | Availability period of debt or sukuk programme | The ICP may be issued at any time during the period from completion of documentation and compliance of all conditions precedent and other applicable conditions to the satisfaction of the Lead Arranger, unless waived by the Lead Arranger, and ending on the expiry date of the ICP Programme. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9) | Clearing and settlement platform | Payments Network Malaysia Sdn Bhd ("PayNet"). | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10) | Mode of issue | <table border="1"> <tr> <td><input checked="" type="checkbox"/></td><td>Private/direct placement</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Bought deal</td></tr> <tr> <td><input type="checkbox"/></td><td>Book building</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Tender</td></tr> </table> | <input checked="" type="checkbox"/> | Private/direct placement | <input checked="" type="checkbox"/> | Bought deal | <input type="checkbox"/> | Book building | <input checked="" type="checkbox"/> | Tender | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Private/direct placement | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Bought deal | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> | Book building | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Tender | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11) | Selling restrictions | <p>At Issuance:</p> <table border="1"> <tr> <td><input type="checkbox"/></td><td>Exclusively to persons outside Malaysia</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Part I of Schedule 6 of the CMSA</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Part I of Schedule 7 of the CMSA</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Read together with Schedule 9 of CMSA</td></tr> <tr> <td><input type="checkbox"/></td><td>Schedule 8 of CMSA</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Section 2(6) of the Companies Act.</td></tr> <tr> <td><input type="checkbox"/></td><td>Other (Please specify)</td></tr> </table> <p>After Issuance:</p> <table border="1"> <tr> <td><input type="checkbox"/></td><td>Exclusively to persons outside Malaysia</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Part I of Schedule 6 of the CMSA</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Read together with Schedule 9 of CMSA</td></tr> <tr> <td><input type="checkbox"/></td><td>Schedule 8 of CMSA</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Section 2(6) of the Companies Act</td></tr> <tr> <td><input type="checkbox"/></td><td>Other (Please specify)</td></tr> </table> <p>Additional Notes:</p> <p>Selling Restrictions at issuance: The ICP may only be offered or sold, transferred or otherwise disposed of, directly or indirectly to a person to whom an offer or</p> | <input type="checkbox"/> | Exclusively to persons outside Malaysia | <input checked="" type="checkbox"/> | Part I of Schedule 6 of the CMSA | <input checked="" type="checkbox"/> | Part I of Schedule 7 of the CMSA | <input checked="" type="checkbox"/> | Read together with Schedule 9 of CMSA | <input type="checkbox"/> | Schedule 8 of CMSA | <input checked="" type="checkbox"/> | Section 2(6) of the Companies Act. | <input type="checkbox"/> | Other (Please specify) | <input type="checkbox"/> | Exclusively to persons outside Malaysia | <input checked="" type="checkbox"/> | Part I of Schedule 6 of the CMSA | <input checked="" type="checkbox"/> | Read together with Schedule 9 of CMSA | <input type="checkbox"/> | Schedule 8 of CMSA | <input checked="" type="checkbox"/> | Section 2(6) of the Companies Act | <input type="checkbox"/> | Other (Please specify) |
| <input type="checkbox"/> | Exclusively to persons outside Malaysia | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Part I of Schedule 6 of the CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Part I of Schedule 7 of the CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Read together with Schedule 9 of CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> | Schedule 8 of CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Section 2(6) of the Companies Act. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> | Other (Please specify) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> | Exclusively to persons outside Malaysia | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Part I of Schedule 6 of the CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Read together with Schedule 9 of CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> | Schedule 8 of CMSA | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> | Section 2(6) of the Companies Act | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> | Other (Please specify) | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | |
|-----|---|--|---|------------------------------------|---|---|--|--|
| | | invitation to subscribe to the ICP would fall within Part 1 of Schedule 6 and Part 1 of Schedule 7 of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, and Section 2(6) of the Companies Act 2016, as amended or replaced from time to time (“ Companies Act 2016 ”). | | | | | | |
| | | Selling Restrictions thereafter: The ICP may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Sukuk Murabahah would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, and Section 2(6) of the Companies Act 2016. | | | | | | |
| 12) | Tradability and transferability | <table><tr><td></td><td>Non-tradable and non-transferable.</td></tr><tr><td>x</td><td>Tradable and transferable RM1,000,000,000.</td></tr><tr><td></td><td>Restricted transferability (Please state).</td></tr></table> | | Non-tradable and non-transferable. | x | Tradable and transferable RM1,000,000,000. | | Restricted transferability (Please state). |
| | Non-tradable and non-transferable. | | | | | | | |
| x | Tradable and transferable RM1,000,000,000. | | | | | | | |
| | Restricted transferability (Please state). | | | | | | | |
| 13) | Details of security/collateral pledged, if applicable | <table><tr><td>x</td><td>Unsecured.</td></tr><tr><td></td><td>Secured/combination of unsecured and secured, details as follows:</td></tr></table> | x | Unsecured. | | Secured/combination of unsecured and secured, details as follows: | | |
| x | Unsecured. | | | | | | | |
| | Secured/combination of unsecured and secured, details as follows: | | | | | | | |
| 14) | Details of guarantee, if applicable | <table><tr><td></td><td>Not guaranteed.</td></tr><tr><td>x</td><td>Guaranteed, details as follows: GMB shall issue an irrevocable and unconditional corporate guarantee (“Corporate Guarantee”) under the principle of Kafalah in favour of the Sukuk Trustee (for and on behalf of the Sukukholders) to guarantee the Issuer’s payment obligation under the ICP (except the payment obligation on Ta’widh (compensation) and other charges in relation to the ICP).</td></tr></table> | | Not guaranteed. | x | Guaranteed, details as follows: GMB shall issue an irrevocable and unconditional corporate guarantee (“ Corporate Guarantee ”) under the principle of Kafalah in favour of the Sukuk Trustee (for and on behalf of the Sukukholders) to guarantee the Issuer’s payment obligation under the ICP (except the payment obligation on Ta’widh (compensation) and other charges in relation to the ICP). | | |
| | Not guaranteed. | | | | | | | |
| x | Guaranteed, details as follows: GMB shall issue an irrevocable and unconditional corporate guarantee (“ Corporate Guarantee ”) under the principle of Kafalah in favour of the Sukuk Trustee (for and on behalf of the Sukukholders) to guarantee the Issuer’s payment obligation under the ICP (except the payment obligation on Ta’widh (compensation) and other charges in relation to the ICP). | | | | | | | |
| 15) | Convertibility of issuance and details of the convertibility, if applicable | <table><tr><td>x</td><td>Non-convertible.</td></tr><tr><td></td><td>Convertible, details as follows:</td></tr></table> | x | Non-convertible. | | Convertible, details as follows: | | |
| x | Non-convertible. | | | | | | | |
| | Convertible, details as follows: | | | | | | | |
| 16) | Exchangeability of issuance and details of the exchangeability, if applicable | <table><tr><td>x</td><td>Non-exchangeable.</td></tr><tr><td></td><td>Exchangeable, details as follows:</td></tr></table> | x | Non-exchangeable. | | Exchangeable, details as follows: | | |
| x | Non-exchangeable. | | | | | | | |
| | Exchangeable, details as follows: | | | | | | | |
| 17) | Call option and details, if applicable | <table><tr><td>x</td><td>No call option.</td></tr><tr><td></td><td>Call option, details as follows:</td></tr></table> | x | No call option. | | Call option, details as follows: | | |
| x | No call option. | | | | | | | |
| | Call option, details as follows: | | | | | | | |
| 18) | Put option and details, if applicable | <table><tr><td>x</td><td>No put option.</td></tr><tr><td></td><td>Put option, details as follows:</td></tr></table> | x | No put option. | | Put option, details as follows: | | |
| x | No put option. | | | | | | | |
| | Put option, details as follows: | | | | | | | |
| 19) | Details of covenants | Positive covenants: | | | | | | |

| | |
|---|--|
| | No positive covenant |
| x | Positive covenant, details as follows: |

To include but not limited to the following:

(i) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (as defined below) (where applicable) shall, maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will, as soon as reasonably practicable, obtain any further authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable the GMB Group (as defined below) to carry on their respective businesses or to enable the Issuer and/or the Guarantor to enter into or perform their respective obligations under the Transaction Documents or to ensure the legality, validity, enforceability, admissibility in evidence of the obligations of the Issuer and/or the Guarantor, or the rights of the Sukukholders, the Sukuk Trustee, the Lead Arranger under the Transaction Documents and the Issuer and the Guarantor shall comply with the same;

(ii) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, comply with all conditions of the licences issued under the Gas Supply Act 1993 (as may be amended or re-enacted);

(iii) The Issuer and the Guarantor shall at all times on written demand, execute and cause and procure the execution of all such further documents and do all such further acts reasonably necessary at any time or times to give effect to the terms and conditions in the Transaction Documents;

(iv) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, exercise reasonable diligence in carrying out their businesses and affairs in a proper and efficient manner;

(v) The Issuer and the Guarantor shall keep proper books and accounts at all times and provide the Sukuk Trustee and any person appointed by the Sukuk Trustee access to such books and accounts to the extent permitted by law, regulations, rules and orders;

(vi) The Issuer and the Guarantor shall promptly perform and carry out all its obligations under all the Transaction Documents (including but not limited to redeem the ICP on the relevant maturity date(s) or any other date on which the ICP are due and payable) and the Issuer shall immediately notify the Facility Agent and the Sukuk Trustee in the event that the Issuer or the Guarantor is unable to fulfil or comply with any of the provisions of the Transaction Documents;

(vii) The Issuer and the Guarantor shall prepare its audited financial statements on a basis consistently applied in

| | | | | | |
|---|---|--|----------------------|---|--|
| | <p>accordance with the approved accounting standards in Malaysia and those audited financial statements shall give a true and fair view of the results of the financial position and operations of the Issuer and the Guarantor for the period to which the audited financial statements are made up and are audited and certified by qualified auditors appointed by the Issuer and the Guarantor respectively;</p> <p>(viii) The Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, maintain such takaful/insurances in respect of their respective assets and business against all risks which a prudent company carrying a similar business to that of the Issuer, the Guarantor and the GMB Group would normally insure;</p> <p>(ix) The Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia at all times;</p> <p>(x) The Issuer shall procure that the Paying Agent shall notify the Sukuk Trustee, through the Facility Agent, if the Paying Agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents and the terms and conditions of the ICP;</p> <p>(xi) The Issuer shall ensure that the terms in the Trust Deed do not contain any matter which is inconsistent with the provisions of the Information Memorandum;</p> <p>(xii) The Issuer and the Guarantor shall file all relevant tax returns and pay all taxes promptly upon the same becoming due except to the extent that the taxes are being contested in good faith and by appropriate means and an adequate reserve has been set aside with respect thereto;</p> <p>(xiii) The Issuer shall ensure that all shareholders' advances and/or other forms of equity contribution shall be subordinated to the ICP Programme;</p> <p>(xiv) The Issuer and the Guarantor shall comply with all applicable provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued or published by the SC and other regulatory agencies from time to time in respect of the ICP Programme;</p> <p>(xv) The Issuer shall be, whether directly or indirectly, an effective wholly-owned subsidiary of GMB at all time; and</p> <p>(xvi) Such other covenants as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>Negative covenants:</p> <table><tr><td></td><td>No negative covenant</td></tr><tr><td>x</td><td>Negative covenant, details as follows:</td></tr></table> <p>Unless otherwise consented to in writing by the Sukuk Trustee if</p> | | No negative covenant | x | Negative covenant, details as follows: |
| | No negative covenant | | | | |
| x | Negative covenant, details as follows: | | | | |

| | |
|--|---|
| | <p>directed to do so by a special resolution of the Sukukholders:</p> <ul style="list-style-type: none"> (i) the Issuer and the Guarantor shall not permit any amendment, supplement or variation to their respective Constitution or other constitutional documents in a manner which may be materially prejudicial to the interests of the Sukukholders; (ii) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, assignment by way of security or other security interest of any kind or any agreement to create any of the foregoing (collectively "Security Interest") over all or any part of its assets, save and except for: <ul style="list-style-type: none"> (a) Security Interest created pursuant to the Issuer's existing secured credit facilities as disclosed prior to the date of the Trust Deed; or (b) liens arising in the ordinary course of business of the Issuer by operation of law and/or Security Interest arising in pursuance of agreements executed in the ordinary course of its business and/or arising under any guarantee issued by the Issuer and for any right of set-off arising under any guarantee or set-off agreement issued and/or executed by the Issuer, or (c) assignment of the rights and benefits of construction and/or operation contracts/arrangements undertaken by the Issuer, pursuant to borrowings by the Issuer for purposes of securing working capital and trade/guarantee facilities specifically for the financing of such construction and/or operation contracts/arrangements; or (d) such Security Interest created over equity and/or equity linked and/or debt securities of the relevant subsidiaries and/or associate companies of the Issuer (which are undertaking the project and/or acquisition) in favour of any financiers providing the financing for such project and/or acquisition to such relevant subsidiaries and/or associate companies of the Issuer; or (e) any Security Interest created over the Issuer's cash deposits, at any time to secure short term bank guarantee facilities and/or credit support facilities for the benefit of the Issuer; (iii) the Issuer and the Guarantor shall not dispose any of its assets, (i) the book value of which is more than 10% of the Issuer's net assets (as reflected in the Issuer's latest semi-annually unaudited financial statements) and the Guarantor's, consolidated net assets (as reflected in the Guarantor's latest quarterly unaudited financial statements), on an aggregate basis per annum, where applicable, and (ii) where such disposal will have a Material Adverse Effect (as defined herein), save and except for: <ul style="list-style-type: none"> (a) the asset disposal is solely for purposes of facilitating Shariah concepts used in Islamic |
|--|---|

| | | |
|--|--|---|
| | | <p>financing facilities granted to the Issuer or its subsidiaries and associates;</p> <p>(b) disposal in the ordinary course of business and on ordinary commercial terms and on the basis of arm's length transaction; or</p> <p>(c) disposal within the GMB Group;</p> <p>(iv) the Issuer and the Guarantor shall not reduce or in any way whatsoever alter (except by way of an increase), its authorised or paid-up share capital, whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares;</p> <p>(v) the Issuer shall not declare or pay any dividends or make any distribution, whether income or capital in nature to its shareholders if an Event of Default has occurred and is continuing or if following such payment, distribution or declaration, an Event of Default would occur;</p> <p>(vi) the Issuer shall not lend any money or advance to any person other than: (a) to the Issuer's directors, officers or employees as part of their terms of employment, (b) to contract counterparties pursuant to contracts entered into in the ordinary course of business, (c) to its subsidiaries, associated companies and joint ventures which the Issuer and the Guarantor is a party to and (d) to GMB;</p> <p>(vii) the Issuer and the Guarantor shall not substantially change its principal activities or operations in such a manner which will result or potentially result in a Material Adverse Effect;</p> <p>(viii) the Issuer and the Guarantor shall, and shall cause and procure that the GMB Group (where applicable) shall, not cancel, surrender, abandon or otherwise amend related licenses or grants in any way which has a Material Adverse Effect unless imposed by any applicable legislation or authorities;</p> <p>(ix) the Issuer and the Guarantor shall not enter into any amalgamation, demerger, reconstruction or winding up of the Issuer or the Guarantor or any of their subsidiaries in such a manner which will result or potentially result in a Material Adverse Effect;</p> <p>(x) the Issuer shall not enter into any agreement or transaction, whether directly or indirectly, with interested persons (including a director of the Issuer, a substantial shareholder of the Issuer or persons connected with a director or a substantial shareholder of the Issuer and the chief executive officer of the Issuer), unless:</p> <p>(a) such transaction is on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and</p> <p>(b) in respect of a transaction involving an aggregate payment or value equal to or greater than 25% of</p> |
|--|--|---|

| | | | | | |
|---|--|--|-----------------------|---|---|
| | <p>the Issuer's consolidated net assets based on its latest annual audited financial statements, the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms; provided that the Issuer shall certify to the Sukuk Trustee:</p> <ul style="list-style-type: none">i. that the transaction complies with item (a) above;ii. that the Issuer has received the certification referred to in item (b) above (where applicable); andiii. the transaction has been approved by the majority of the Issuer's board of directors or shareholders in a general meeting, as the case may require; <p>(xi) the Issuer shall not change the utilisation of proceeds from the ICP Programme where the Transaction Documents set out a specific purpose for which proceeds are to be utilised; and</p> <p>(xii) such other covenants as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>Financial covenants:</p> <table><tr><td></td><td>No financial covenant</td></tr><tr><td>x</td><td>Financial covenant, details as follows:</td></tr></table> <p>Throughout the tenure of the ICP Programme, the Issuer shall ensure that the Consolidated Gearing Ratio shall not be greater than 2.0x times.</p> <p>The “Consolidated Gearing Ratio” shall mean the ratio of indebtedness of GMB Group represented by:</p> <ul style="list-style-type: none">(i) all amounts outstanding under the ICP Programme and IMTN Programme;(ii) all other indebtedness for borrowed monies or under financing arrangements (be it actual or obligations under guarantees issued by any company within the GMB Group in favour of third parties), hire purchase obligations, finance lease obligations, net exposure determined on a marked to market basis under any derivative instrument <p><i>less</i></p> <p>deposits, cash and bank balances as reported in the GMB Group's audited consolidated financial statements, to GMB Group's total equity, including the amounts paid up on the issued share capital of GMB; the amounts standing to the credit of the capital and revenue reserves of GMB including retained earnings; and shareholders' advances which are subordinated to ICP Programme.</p> <p>For the avoidance of doubt, the indebtedness of the GMB Group as defined above shall exclude those amounts owing to trade and other creditors and payables and arising from the ordinary</p> | | No financial covenant | x | Financial covenant, details as follows: |
| | No financial covenant | | | | |
| x | Financial covenant, details as follows: | | | | |

| | | | | | |
|---|--|--|-------------------------|---|---|
| | <p>course of business, the inter-company unsecured and subordinated borrowings or advances subordinated to ICP Programme and the IMTN Programme.</p> <p>The Consolidated Gearing Ratio shall be calculated for each financial year during the tenure of the ICP Programme based on the GMB's latest audited consolidated financial statements and the Issuer shall provide to the Sukuk Trustee a yearly compliance certificate duly signed by any one (1) director and an authorised officer of GMB.</p> <p>For the avoidance of doubt, any double counting shall be disregarded.</p> <p>"GMB Group" means GMB and all its subsidiaries.</p> <p>Information covenants:</p> <table><tr><td></td><td>No information covenant</td></tr><tr><td>x</td><td>Information covenant, details as follows:</td></tr></table> <p>To include but are not limited to the following:-</p> <p>(i) the Issuer shall provide to the Sukuk Trustee on an annual basis, a certificate signed by any two (2) authorized signatories of the Issuer confirming that it has observed, complied with and performed all its covenants and obligations under the Transaction Documents and the terms and conditions of the ICP and that there did not exist or had not existed, from the date the ICP were first issued or the date of the previous certificate, as the case may be, any Event of Default, and if such is not the case, to specify the same;</p> <p>(ii) the Issuer shall deliver to the Sukuk Trustee the following:</p> <p>(a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each of its financial years) copies of its annual financial statements for that year, which shall contain the consolidated income statements and balance sheets of the Issuer and the Guarantor and which are audited and certified without any qualification by external auditors appointed by the Issuer and the Guarantor respectively;</p> <p>(b) as soon as they become available (and in any event within ninety (90) days after the end of each of the Issuer's and the Guarantor's half year financial period in accordance with the reporting format as required by Bursa Securities, where applicable) copies of the Issuer's and the Guarantor's unaudited half yearly financial statements for that period (as announced to Bursa Securities which shall contain the consolidated income statements and balance sheets of the Issuer and the Guarantor, where applicable);</p> <p>(c) promptly, to the extent permitted by applicable</p> | | No information covenant | x | Information covenant, details as follows: |
| | No information covenant | | | | |
| x | Information covenant, details as follows: | | | | |

| | | |
|--|--|--|
| | | <p>laws, regulations, rules and orders, such additional financial or other information as the Sukuk Trustee may from time to time reasonably request, and also, such information as the Sukuk Trustee may require in order for the Sukuk Trustee to discharge its duties and obligations as Sukuk Trustee under the Transaction Documents;</p> <p>(d) promptly, to the extent permitted by applicable laws, regulations, rules and orders, all notices or other documents received by the Issuer and the Guarantor from any of their shareholders or its creditors and a copy of all documents dispatched by the Issuer and the Guarantor to their respective shareholders (or any class of them) in their capacity as shareholders or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors;</p> <p>(iii) the Issuer shall permit the accounts, reports, notices, statements or circulars as provided by any of them to the Sukuk Trustee to be circulated by the Sukuk Trustee at its discretion, to the Sukukholders, the qualified investors of the ICP as well as the Credit Rating Agency;</p> <p>(iv) the Issuer will give to the Sukuk Trustee any information which the Sukuk Trustee may require in order to discharge its duties and obligations as trustee under the Trust Deed relating to the Issuer's affairs to the extent permitted by law;</p> <p>(v) the Issuer shall notify the Sukuk Trustee in writing immediately in the event that the Issuer becomes aware of:-</p> <p>(a) any Event of Default or any potential event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfillment of the relevant requirement as contemplated under the relevant Transaction Documents would constitute an Event of Default;</p> <p>(b) the happening of any event that has caused or could cause, one or more of the following:-</p> <ol style="list-style-type: none"> (1) any amount secured or payable under the ICP to become immediately payable; (2) the ICP to become immediately enforceable; and (3) any other right or remedy under the terms, provisions or covenants of the ICP or the Trust Deed to become immediately enforceable; <p>(c) any circumstance that has occurred that would materially prejudice the Issuer and/or the Guarantor;</p> <p>(d) any substantial change in the nature of the business of the Issuer and/or the Guarantor;</p> <p>(e) any change in withholding tax position;</p> <p>(f) any change in the utilization of the proceeds from the ICP from that set out in the Transaction Documents which set out a specific purpose for which the proceeds are to be utilised;</p> |
|--|--|--|

| | | | | | | | | | | | | | | |
|------------------------------|--|---|---|-----------------------|---|-----------------------------------|--|---|------------------------------|--------------|--------------------------|------------------------------|---------------|----------------------|
| | | <div><div>(g) any litigation or other proceedings of any nature whatsoever being initiated against the Issuer and/or the Guarantor before any court or tribunal or administrative agency which would have a Material Adverse Effect;</div><div>(h) any change in its board of directors; and</div><div>(i) any other matter that may materially prejudice the interests of the Sukukholders; and</div></div> <div>(vi) such other covenants as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</div> <div>"Material Adverse Effect" shall mean in relation to any event, the occurrence of which may have or will likely have a material adverse effect on (i) the financial condition of the GMB Group; or (ii) the business operations of the GMB Group such that in turn may or will likely to adversely affect the ability of the Issuer to perform any of its obligations under the Transaction Documents; or (iii) the ability of the Issuer and/or the Guarantor to perform any of their obligations under the Transaction Documents.</div> | | | | | | | | | | | | |
| 20) | <div>Details of designated accounts, if applicable, including:</div> <div><div>g) names of account;</div><div>h) parties responsible for opening the account;</div><div>i) parties responsible for maintaining/operating the account;</div><div>j) signatories to the account;</div><div>k) sources and utilisation of funds;</div><div>l) diagram illustrating the flow of monies and conditions for disbursements.</div></div> | <table><tr><td>x</td><td>No Designated account</td></tr><tr><td></td><td>Designated account(s) as follows:</td></tr></table> | x | No Designated account | | Designated account(s) as follows: | | | | | | | | |
| x | No Designated account | | | | | | | | | | | | | |
| | Designated account(s) as follows: | | | | | | | | | | | | | |
| 21) | <div>Details of credit rating, if applicable</div> | <table><tr><td></td><td>Not rated.</td></tr><tr><td>x</td><td>Rated as follows:</td></tr><tr><td></td><td>Combination of rated and unrated as follow:</td></tr></table> <table><tr><td>Name of Credit Rating Agency</td><td>Amount rated</td><td>Indicative credit rating</td></tr><tr><td>Malaysian Rating Corporation</td><td>RM1.0 billion</td><td>MARC-1_{IS}</td></tr></table> | | Not rated. | x | Rated as follows: | | Combination of rated and unrated as follow: | Name of Credit Rating Agency | Amount rated | Indicative credit rating | Malaysian Rating Corporation | RM1.0 billion | MARC-1 _{IS} |
| | Not rated. | | | | | | | | | | | | | |
| x | Rated as follows: | | | | | | | | | | | | | |
| | Combination of rated and unrated as follow: | | | | | | | | | | | | | |
| Name of Credit Rating Agency | Amount rated | Indicative credit rating | | | | | | | | | | | | |
| Malaysian Rating Corporation | RM1.0 billion | MARC-1 _{IS} | | | | | | | | | | | | |

| | | | | |
|-----|-----------------------------|---|--|--|
| | | Berhad | | |
| 22) | Conditions precedent | <p>Customary condition precedent for programmes of such nature which shall include but not be limited to the following and shall be in the form and substance acceptable to the Lead Arranger:</p> <p>Main Documentation:</p> <p>(i) The Transaction Documents have been duly executed and endorsed as exempted from stamp duty and, where applicable, presented for registration.</p> <p>The Issuer:</p> <p>(i) Certified true copies of the Certificate of Incorporation and the Constitution of the Issuer together with the latest Return of Allotment of Shares (Form 24), Notice of Situation of Registered Office and Office Hours and Particulars of Changes (Form 44) / Notification(s) of Change in the Registered Address, and Return Giving Particulars In Register of Directors, Managers and Secretaries and Changes of Particulars (Form 49) and Notification(s) of Change in the Register of Directors, Managers and Secretaries of the Issuer.</p> <p>(ii) Certified true extract of the board of directors resolution of the Issuer approving, amongst others, the establishment of the ICP Programme, authorising the issuance of the ICP and the execution of the Transaction Documents.</p> <p>(iii) A list of the authorised signatories and their respective specimen signatures of each of the Issuer's authorised signatories.</p> <p>(iv) A report of the relevant company search of the Issuer.</p> <p>(v) A report of the relevant winding-up search conducted at the Department of Insolvency Malaysia which revealed that no winding-up order has been made against the Issuer.</p> <p>The Guarantor:</p> <p>(i) Certified true copies of the Certificate of Incorporation and the Constitution of the Guarantor together with the latest Return of Allotment of Shares (Form 24), Notice of Situation of Registered Office and Office Hours and Particulars of Changes (Form 44) / Notification(s) of Change in the Registered Address, and Return Giving Particulars In Register of Directors, Managers and Secretaries and Changes of Particulars (Form 49) and Notification(s) of Change in the Register of Directors, Managers and Secretaries of the Guarantor.</p> <p>(ii) Certified true extract of the board of directors resolution of the Guarantor approving, amongst others, the providing of the Corporate Guarantee and authorising the execution of the relevant Transaction Documents.</p> | | |

| | | |
|--|--|--|
| | | <p>(iii) A list of the authorised signatories and their respective specimen signatures of each of the Guarantor's authorised signatories.</p> <p>(iv) A report of the relevant company search of the Guarantor.</p> <p>(v) A report of the relevant winding-up search conducted at the Department of Insolvency Malaysia which revealed that no winding-up order has been made against the Guarantor.</p> <p>General:</p> <p>(i) Evidence that the lodgment kit in respect of the ICP Programme has been lodged to the SC.</p> <p>(ii) All necessary approvals and consents required (including but not limited to the existing lenders/financiers of the Issuer) for the implementation of the ICP Programme (if required) and the execution of the Transaction Documents have been obtained and the Issuer is in compliance with all conditions of such approvals and consents.</p> <p>(iii) Evidence of confirmation from the Shariah Adviser that the structure and mechanism together with the Transaction Documents of the ICP Programme is in compliance with Shariah principles.</p> <p>(iv) The ICP Programme has obtained a rating of MARC-1 from the Credit Rating Agency.</p> <p>(v) Evidence that arrangements have been made for the payment of all transaction fees, costs and expenses in connection with the establishment of the ICP Programme.</p> <p>(vi) The Lead Arranger has received from the Solicitors a satisfactory legal opinion addressed to the Lead Arranger, advising with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to the Lead Arranger that all the conditions precedent have been fulfilled or otherwise waived by the Lead Arranger as the case may be.</p> <p>(vii) Evidence that the Sukuk Trustees' Reimbursement Account has been established and the deposit of RM30,000.00 has been made.</p> <p>(viii) Such other conditions precedent as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p><u>Conditions Precedent for Each Issuance of ICP</u></p> <p>(a) Written confirmation from the authorised signatories that:</p> <p>(i) all representations and warranties still remain true and correct in all material respects having regards to the</p> |
|--|--|--|

| | | |
|-----|---------------------------------------|---|
| | | <p>prevailing circumstances.</p> <p>(ii) no Event of Default has occurred and is continuing and shall occur if the relevant issuance is made.</p> <p>(iii) all the covenants are complied with.</p> <p>(b) Such other conditions precedent as advised by the Solicitors and to be agreed with the Issuer.</p> |
| 23) | Representations and warranties | <p>Representations and warranties usual and customary to the Issuer for a transaction of this nature, including but not limited to the following:</p> <p>(i) each of the Issuer and the Guarantor is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property;</p> <p>(ii) the Issuer's and the Guarantor's Constitution incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise the Issuer and the Guarantor respectively to execute and deliver the Transaction Documents in accordance with their terms;</p> <p>(iii) all necessary authorizations, permits, licences and consents required under the Transaction Documents have been obtained, renewed and fulfilled and remain in full force and effect, if failure to obtain or effect any of such authorisations, permits, licences and consents would impair or prejudice the Issuer's ability to comply with the Transaction Documents;</p> <p>(iv) the Transaction Documents will, when executed and/ or issued and/or stamped, as the case may be, constitute legal, valid and binding obligations of the Issuer and the Guarantor, where applicable, enforceable in accordance with their respective terms and that there is no law or regulation or any order or decree of any governmental authority, agency or court to which the Issuer or the Guarantor, where applicable, is subject which would be in conflict with or prevent the Issuer or the Guarantor, where applicable, from executing, delivering and performing the transactions contemplated in each of the Transaction Documents;</p> <p>(v) neither the execution and delivery of the Transaction Documents, nor the performance of any of the transactions contemplated in the Transaction Documents:</p> <p>(a) contravenes or constitutes a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound whereby such default would have a Material Adverse Effect;</p> |

| | | |
|--|--|---|
| | | <p>(b) causes any limitation on the Issuer or the Guarantor or the powers of any of their board of directors, whether imposed by or contained in the Constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation or judgment binding on the Issuer (as applicable), to be exceeded; or</p> <p>(c) causes the creation or imposition of any Security Interest or restrictions of any nature on any of the Issuer's or the Guarantor's assets save as permitted under the Transaction Documents;</p> <p>(vi) no authorisation, approval, consent, permit, license, exemption, registration, recording, filing, or notarisation of the Transaction Documents and no payment of any duty or tax which has not been duly and unconditionally obtained, made or taken is necessary to ensure the validity or enforceability of the liabilities and obligations of the Issuer and the Guarantor or the rights of the Lead Arranger, the Facility Agent and the Sukuk Trustee under the Transaction Documents in accordance with their terms save and except for the registration of the power of attorney clause contained in the Trust Deed with the High Court of Malaya;</p> <p>(vii) the Issuer's and the Guarantor's audited financial statements are prepared in accordance with approved accounting standards and they give a true and fair view of the Issuer's financial position and results of operations for the period to which the audited financial statements are made and are audited and certified by qualified auditors appointed by the Issuer and the Guarantor respectively;</p> <p>(viii) no tax liabilities of any kind are outstanding in payments (save and except for taxes, which are disputed in good faith) and all computations and payments that should be or should have been made to the taxation authority or other relevant authorities have been made within the requisite periods and are up-to-date, correct and made on a proper basis with the taxation authority and other relevant authorities;</p> <p>(ix) no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims which would have a Material Adverse Effect, is presently in progress or pending against the Issuer or the Guarantor or any of their assets;</p> <p>(x) the Issuer and the Guarantor are not aware of and have no reason to believe any event has occurred which constitutes, or which with the giving of notice and/or lapse of time and/or a relevant determination would likely to constitute, a contravention of, or default under, any agreement or instrument by which the Issuer or the Guarantor or any of their assets are bound or affected, being a contravention or default which might have a Material Adverse Effect;</p> |
|--|--|---|

| | | |
|-----|---|--|
| | | <p>(xi) after due and careful inquiry, the Issuer has disclosed to the Sukuk Trustee, the Joint Lead Managers and/or the Facility Agent all information relating to the Issuer and its business material in the context of the ICP Programme and the Transaction Documents;</p> <p>(xii) no Event of Default has occurred and is continuing or would occur as a result of the issuance of the ICP; and</p> <p>(xiii) any other representations and warranties as advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> |
| 24) | Events of default or enforcement events, where applicable, including recourse available to investors | <p>Events of Default usual and customary for a transaction of this nature, including but not limited to the following:</p> <p>(i) the Issuer fails to pay any amount due from it under any of the Transaction Documents on the due date or, if so payable, on demand;</p> <p>(ii) any representation or warranty made or given by the Issuer or the Guarantor under the Transaction Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the ICP and/or any of the Transaction Documents is or proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given or if repeated at any time with reference to the facts and circumstances subsisting at such time, would not be accurate or would be misleading which would have a Material Adverse Effect and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy the failure within a period of thirty (30) days after the Issuer or the Guarantor became aware or having been notified in writing by the Sukuk Trustee of the failure, whichever is earlier;</p> <p>(iii) the Issuer or the Guarantor fails to observe or perform its obligations under any of the Transaction Documents or the ICP or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in sub-paragraph (i) above, and such failure to observe or perform would have a Material Adverse Effect and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy the failure within a period of thirty (30) days after the Issuer or the Guarantor became aware or having been notified in writing by the Sukuk Trustee of the failure, whichever is earlier;</p> <p>(iv) there has been a breach by the Issuer or the Guarantor of any obligation under Issuer's or the Guarantor existing contractual obligations which would have a Material Adverse Effect and in the case of a breach which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy the breach within a period of thirty (30) days after the Issuer or the Guarantor became aware or having been notified in writing</p> |

| | | |
|--|--|--|
| | | <p>by the Sukuk Trustee of the breach, whichever is earlier;</p> <p>(v) where any indebtedness for borrowed moneys or guarantee of the Issuer or the Guarantor exceeding RM10.0 million becomes due and payable prior to its stated maturity or is not discharged at maturity or where the security created for such indebtedness for borrowed moneys becomes immediately enforceable;</p> <p>(vi) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the business, property or assets of the Issuer or the Guarantor, or distress, legal process, sequestration or any form of execution or process is levied or enforced or sued out against the Issuer or the Guarantor which has a Material Adverse Effect and is not discharged within thirty (30) days after being levied, enforced or sued out, or any Security Interest which may for the time being affect the whole or substantial part of the assets of the Issuer or the Guarantor become enforceable which has a Material Adverse Effect and which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer or the Guarantor does not remedy it within thirty (30) days after the same become enforceable;</p> <p>(vii) any judgment in an amount exceeding RM10.0 million, which would have a Material Adverse Effect is not appealed, stayed or complied with within 45 days, or a creditor attaches or any other process is levied or enforced against any material part of the undertakings, assets, rights or revenues of the Issuer or the Guarantor which would have a Material Adverse Effect and is not discharged, withdrawn or set aside within forty-five (45) days;</p> <p>(viii) the Issuer or any company of the GMB Group fails to obtain, renew, maintain or comply in any material respect with all governmental approvals, licenses, permits and franchises which are necessary for the performance by the Issuer of its obligations under the Transaction Documents and such failure continues for thirty (30) days or more after written notice is delivered to the Issuer;</p> <p>(ix) any step is taken for the winding up, dissolution or liquidation of the Issuer or the Guarantor or any of its Material Subsidiaries (as defined herein) or a resolution is passed for the winding up of the Issuer or the Guarantor or any of its Material Subsidiaries or a petition for winding up is presented against the Issuer or the Guarantor or any of its Material Subsidiaries and the Issuer or the Guarantor has not taken any action in good faith to oppose or set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer or the Guarantor or any of its Material Subsidiaries;</p> <p>"Material Subsidiaries" means at any time, any subsidiary, both present and the future, of the Issuer or the</p> |
|--|--|--|

| | | |
|--|--|--|
| | | <p>Guarantor, as the case may be, which contributes at least five per cent (5%) of the profit after-tax of the GMB Group based on the latest audited and consolidated annual financial statements of the GMB Group at that time.</p> <p>(x) the Issuer or the Guarantor convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any substantial part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any substantial part of its indebtedness or any assignment is made for the benefit of its creditors (other than for the purposes of and followed by a reconstruction which has been approved in writing by the Sukuk Trustee, unless during or following such reconstruction the Issuer or the Guarantor becomes or is declared to be insolvent) or where a scheme of arrangement under Section 366 of the Companies Act 2016 ("Companies Act") has been instituted against the Issuer or the Guarantor;</p> <p>(xi) any creditor of the Issuer or the Guarantor exercises a contractual right to take over the financial management of the Issuer or the Guarantor and such event would have a Material Adverse Effect;</p> <p>(xii) (a) the Issuer or the Guarantor is deemed unable to pay any of its debts under Section 465(1)(e) of the Companies Act; or (b) the Issuer or the Guarantor becomes unable to pay any of its debts as they fall due; or (c) the Issuer or the Guarantor suspends or threatens to suspend making payments with respect to all or any of its debts and such event, in each case, would have a Material Adverse Effect, unless in any of the above, the Issuer or the Guarantor is disputing in good faith and taking proper legal steps in respect of the matter;</p> <p>(xiii) anything analogous of any events specified in items (ix) to (xii) above occurs under the laws of the applicable jurisdiction;</p> <p>(xiv) where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent of the Issuer or any company of the GMB Group, which would have a Material Adverse Effect;</p> <p>(xv) the Issuer or the Guarantor changes or threatens to change the nature or scope of a substantial part of its business, or suspends or threatens to suspend or ceases or threatens to cease the operation of a substantial part of its business which it now conducts and such change, suspension or cessation would have a Material Adverse Effect;</p> <p>(xvi) the Issuer or the Guarantor repudiates any of the Transaction Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate</p> |
|--|--|--|

| | | |
|--|--|--|
| | | <p>any of the Transaction Documents;</p> <p>(xvii) the whole or a substantial part of the business, property and assets of the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which would have a Material Adverse Effect.</p> <p>(xviii) the Issuer or the Guarantor transfers or disposes of or threatens to transfer or dispose of substantially all of its respective business or assets except otherwise permitted under the ICP Programme;</p> <p>(xix) the Issuer and/or any company of the GMB Group (where applicable) has/have failed to comply with or breached the provisions of the Gas Supply Act, 1993 (as may be amended or re-enacted) and all regulations thereunder or any requirements, terms and conditions imposed by the Energy Commission or any terms and conditions under the licences issued under the Gas Supply Act, 1993 (as may be amended or re-enacted) which would have a Material Adverse Effect;</p> <p>(xx) there is a repudiation of the Gas Supply Agreement or any agreement or document in relation to the supply of gas to the GMB Group, or the Gas Supply Agreement or any agreement or document in relation to the supply of gas to the GMB Group is terminated for any reason whatsoever, or the GMB Group commits a breach of any provision of the Gas Supply Agreement or any agreement or document in relation to the supply of gas to the GMB Group, which would have a Material Adverse Effect;</p> <p>(xxi) at any time any of the provisions of the Transaction Documents in respect of the ICP Programme is or becomes invalid, illegal, void, voidable or unenforceable or ceases to be binding which in the opinion of the Sukuk Trustee may have a Material Adverse Effect;</p> <p>(xxii) any event or events has or have occurred or a situation exists which would have a Material Adverse Effect, and in the case of the occurrence of such event or situation which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy it within a period of thirty (30) days after the Issuer became aware or having been notified in writing by the Sukuk Trustee of the event or situation, whichever is earlier; and</p> <p>(xxiii) any other events of default as may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.</p> <p>Upon the declaration of an Event of Default, no further issuance of ICP may be made under the ICP Programme and the Sukuk Trustee may at its discretion or upon the Sukukholders' instruction, shall (if directed to do so by a special resolution of the Sukukholders) institute such proceedings as it thinks fit against the Issuer to enforce payment of the Redemption Amount and all other sums payable under the ICP Programme</p> |
|--|--|--|

| | | | | | | |
|-----|---|--|--|-----------------------------------|---|---|
| | | <p>and to enforce its rights under the Transaction Documents.</p> <p>For the purpose of this paragraph, references to “substantial” shall mean such business, property or assets of the Issuer, the book value of which is more than 10% of the Issuer's net assets or the Guarantor’s consolidated net assets, where applicable. For the avoidance of doubt, the book value of the business, property or assets is as reflected in the Issuer’s latest semi-annually unaudited financial statements or the Guarantor’s latest quarterly unaudited consolidated financial statements.</p> <p>“Redemption Amount” means the amount equivalent to the Deferred Sale Price at the date of issuance of the ICP less the aggregate of Periodic Profit Payments paid (if any) less Ibra’ (if any).</p> | | | | |
| 25) | Governing laws | Laws of Malaysia. The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia. | | | | |
| 26) | Provisions on buy-back, if applicable | <table border="1"><tr><td></td><td>No provision on buy-back.</td></tr><tr><td>x</td><td>Provisions on buy-back, details as follows:</td></tr></table> <p>Redemption on Maturity:</p> <p>Unless previously redeemed or purchased and cancelled, the ICP will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates.</p> <p>Repurchase and Cancellation:</p> <p>The Issuer or any of its subsidiaries or agents may at any time purchase the ICP at any price in the open market or by private treaty, but these repurchased ICP shall be cancelled and cannot be resold.</p> | | No provision on buy-back. | x | Provisions on buy-back, details as follows: |
| | No provision on buy-back. | | | | | |
| x | Provisions on buy-back, details as follows: | | | | | |
| 27) | Provisions on early redemption, if applicable | <table border="1"><tr><td></td><td>No provision on early-redemption.</td></tr><tr><td>x</td><td>Provisions on early redemption, details as follows:</td></tr></table> <p>Early redemption:</p> <p>The Issuer may redeem the ICP prior to their maturity by giving the requisite notice period set out in the Transaction Documents at the Redemption Price (as defined herein). The ICP which are redeemed by the Issuer are to be cancelled.</p> <p>"Redemption Price" shall be the outstanding Deferred Sale Price less the Ibra’ (if any).</p> | | No provision on early-redemption. | x | Provisions on early redemption, details as follows: |
| | No provision on early-redemption. | | | | | |
| x | Provisions on early redemption, details as follows: | | | | | |
| 28) | Voting | <p>Voting by the Sukukholders under the ICP Programme shall be carried out as follows:</p> <p>Prior to upsizing of the ICP Programme:</p> <p>All matters (save in relation to the upsizing of the ICP Programme) which require the Sukukholders’ consent under the</p> | | | | |

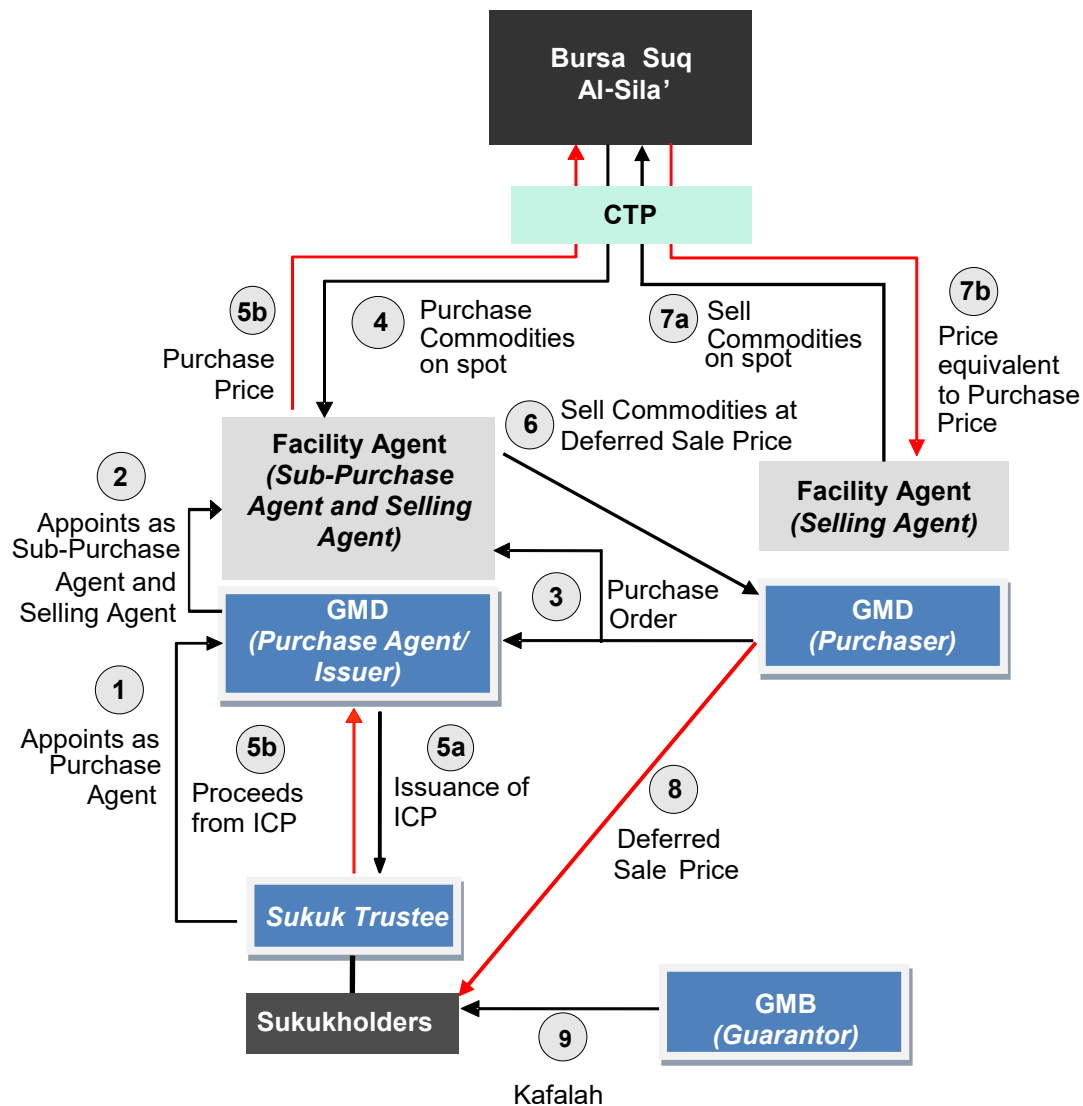
| | | | | | | |
|-----|---|---|---|---------------------------|--|--|
| | | <p>ICP Programme shall be carried out on a collective basis.</p> <p>Post upsizing of the ICP Programme:</p> <p>All matters which require the Sukukholders' consent under the ICP Programme shall be carried out on a per series basis. Sukukholders holding a requisite amount under each series (to be determined under the Trust Deed) shall provide their consent for the relevant matters to be passed under the ICP Programme and the consent from the Sukukholders of all outstanding series shall have been obtained for any such resolution to be carried.</p> <p>For the avoidance of doubt and for the purposes of meetings of the Sukukholders, all ICPs shall be deemed and considered to be a single class collectively prior to the upsizing of the ICP Programme. Upon the upsizing of the ICP Programme, the ICP with the same issue date and maturity date shall form a series and voting by the Sukukholders at any meeting shall be on a per series basis.</p> <p>"series" shall mean, in relation to any ICP, such ICP with the same issue date and maturity date.</p> | | | | |
| 29) | Permitted investments, if applicable | <table border="1"><tr><td>x</td><td>No permitted investments.</td></tr><tr><td></td><td>Permitted investments, details as follows:</td></tr></table> | x | No permitted investments. | | Permitted investments, details as follows: |
| x | No permitted investments. | | | | | |
| | Permitted investments, details as follows: | | | | | |
| 30) | Ta'widh | <p>In the event of delay in payments of the Deferred Sale Price under the ICP Programme, the Issuer shall pay to the Sukukholder(s) ta'widh (compensation) on such delayed payments at an amount and manner prescribed by the SC's SAC from time to time.</p> | | | | |
| 31) | Ibra' | <p>The Sukukholder(s) in subscribing or purchasing the ICP consent to grant Ibra', if the ICP is redeemed before the maturity date, upon the declaration of an Event of Default or upon such early redemption.</p> <p>In case of declaration of an Event of Default, the Ibra' shall be the unearned profit due and calculated from the date of the declaration of an Event of Default up to the ICP's respective maturity date(s).</p> <p>In case of an early redemption, the Ibra' (if any) shall be at the discretion of the Sukukholders based on a formula to be mutually agreed by both parties.</p> <p>"Ibra'" means an act of releasing absolutely or conditionally Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligation or liabilities towards the Sukukholders. The release may be either partially or in full.</p> | | | | |
| 32) | Kafalah | <p>GMB shall issue a Corporate Guarantee under the principle of Kafalah in favour of the Sukuk Trustee (for and on behalf of the Sukukholders) to guarantee the Issuer's payment obligation under the ICP (except the payment obligation on Ta'widh</p> | | | | |

| | | |
|-----|--|---|
| | | <p>(compensation) and other charges in relation to the ICP).</p> <p>Upon the declaration of an Event of Default, the Sukuk Trustee may at its discretion or upon the Sukukholders' instruction, shall (if directed to do so by a special resolution of the Sukukholders) institute such proceedings as it thinks fit to enforce its rights, including the enforcement of Kafalah payment, under the Transaction Documents.</p> |
| 33) | Other terms and conditions | |
| | a) Profit/coupon/rental rate | Not applicable. |
| | b) Profit/coupon/rental payment frequency | Not applicable. |
| | c) Profit/coupon/rental payment basis | Not applicable. |
| | d) Status | The ICP shall constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without discrimination, preference or priority amongst themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law and the Transaction Documents. |
| | e) Transaction Documents | <p>"Transaction Documents" includes:</p> <ul style="list-style-type: none"> (a) Programme Agreement; (b) Trust Deed; (c) Corporate Guarantee / Kafalah Agreement; (d) Securities Lodgement Form; (e) Documents in relation to the commodity Murabahah transaction; and (f) any other relevant documentation which may be advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer. |
| | f) Taxation | All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied or on behalf of Malaysia or other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which event the Issuer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made. |
| | g) Sukuk Trustees' Reimbursement Account for Sukukholders' Actions | The Issuer shall set up, or procure the setting up of a profit bearing "Sukuk Trustees' Reimbursement Account" with a financial institution with a sum of RM30,000.00 to be deposited by the Issuer prior to the first issue date of the ICP (which shall be maintained at all times throughout the tenure of the ICP Programme). The said account shall be solely operated by the Sukuk Trustee and the money shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of an Event of Default which are to be provided in the relevant Transaction Documents. Any unutilised money in the Sukuk Trustees' Reimbursement Account shall be returned |

| | | |
|--|---------------------------------|---|
| | | to the Issuer upon expiry of the ICP Programme. |
| | h) Purposes of Utilisation | <p>The proceeds raised from the ICP shall be utilized by the Issuer for Shariah-compliant purposes:</p> <ul style="list-style-type: none"> (a) to refinance the financing of the Issuer and GMB; (b) to finance present and future Shariah-compliant investments of the Issuer and GMB; (c) to finance the Shariah-compliant working capital and capital expenditure requirements of the Issuer and GMB; and/or (d) to pay fees, expenses, costs, and all other amounts payable in relation to the ICP Programme. <p>For the avoidance of doubt, the utilisation of the proceeds of the ICP shall at all times be for Shariah-compliant purposes.</p> |
| | i) Costs and Expenses | All legal fees, stamp duties (if any) and reasonable expenses incurred in connection with the ICP, including professional due diligence fees and fees payable to BNM, SC and the Credit Rating Agency, where applicable shall be for the account of the Issuer. |
| | j) Tenure of facility/programme | <p>ICP Programme</p> <p>The tenure of the ICP Programme is up to seven (7) years from the date of first issuance of the ICP under the ICP Programme, provided that the first issuance of the ICP under the ICP Programme shall be made within 60 business days from the date of the lodgement of the lodgement kit to the SC.</p> <p>ICP</p> <p>Each tranche of the ICP shall have a tenure of not more than one (1) year from the date of issuance, as the Issuer may select, provided always that the maturity of each tranche of the ICP shall not exceed the tenure of the ICP Programme.</p> |
| | k) Other conditions | The ICP shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or PayNet having jurisdiction over matters pertaining to the ICP. |

[The rest of this page has been intentionally left blank]

3.2 Transaction diagram for the ICP Programme



| Steps | Description |
|-------|---|
| 1. | Pursuant to an agency agreement to be entered into between the Sukuk Trustee (on behalf of the investors of the ICP (" Sukukholders ")) and the Issuer, the Sukuk Trustee shall appoint the Issuer as agent/wakeel of the Sukukholders (in such capacity, the " Purchase Agent ") to purchase and sell certain Shariah-compliant commodities, which exclude ribawi items in the category of medium of exchange such as currency, gold and silver (" Commodities "). |
| 2. | Pursuant to a commodity murabahah master agreement to be entered into between the Issuer as the purchaser (" Purchaser "), the Sukuk Trustee (on behalf of the Sukukholders), the Issuer as the Purchase Agent and the Facility Agent, the Purchase Agent will then appoint the Facility Agent as its agent/wakeel (in such capacity, the " Sub-Purchase Agent ") to act as the sub-agent to purchase the Commodities. The Purchase Agent will also appoint the Facility Agent as its agent/wakeel (in such capacity, the " Selling Agent ") to sell the Commodities to the Purchaser on behalf of the Purchase Agent. |

| Steps | Description |
|-------|--|
| | |
| 3. | The Purchaser shall from time to time, issue a purchase order (" Purchase Order ") to the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities. In the Purchase Order, the Purchaser will request the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities and will irrevocably and unconditionally undertake to purchase the Commodities from the Sukukholders via the Selling Agent at a price (" Deferred Sale Price ") equivalent to the aggregate of (i) the Purchase Price (as defined herein) and (ii) a mark-up (profit margin), payable on a deferred payment basis. |
| 4. | Upon receiving the Purchase Order from the Purchaser, the Sub-Purchase Agent will purchase on a spot basis, the Commodities, from commodity vendor(s) in the Bursa Suq Al-Sila' commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the ICP, through a Commodity Trading Participant (" CTP "), at a purchase price which shall be an amount equivalent to the proceeds from the issuance of the ICP (" Purchase Price "). The Purchase Price of the Commodities shall be in line with the asset pricing requirement stipulated under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC effective on 15 June 2015, and revised on 28 April 2020, as may be amended and/or substituted from time to time (" LOLA Guidelines "). |
| 5a. | The Issuer shall concurrently with step 4 above, issue the ICP to the Sukukholders whereby the proceeds thereof shall be used to pay the Purchase Price of the Commodities. The ICP shall evidence the Sukukholders' ownership of the Commodities and all rights thereto (including all rights against the Purchaser under the Purchase Order). Once the Commodities are sold to the Purchaser, the ICP shall represent the Sukukholders' entitlement to receive the Deferred Sale Price. |
| 5b. | The proceeds of the ICP from the Sukukholders will be payable to the Purchase Agent and shall be used to pay the Purchase Price of the Commodities. The Purchase Price shall be payable to such commodity vendor(s) in the Bursa Suq Al-Sila' commodity trading platform and/or other independent commodity trading platform acceptable to the Shariah Adviser. |
| 6. | Thereafter, the Selling Agent (on behalf of the Purchase Agent as wakeel to the Sukukholders) shall sell the Commodities to the Purchaser at the Deferred Sale Price. |
| 7a. | Upon completion of such purchase, the Purchaser shall instruct the Selling Agent to sell, on a spot basis, the Commodities to the Bursa Malaysia Islamic Services Sdn. Bhd and/or the commodity purchaser(s) in other independent commodity trading platform acceptable to the Shariah Adviser, which shall be identified prior to each issuance of the ICP, through a CTP, for a cash consideration for an amount equivalent to the Purchase Price. |
| 7b. | The price equivalent to the Purchase Price shall be payable to the Purchaser for the sale of the Commodities. |
| 8. | The ICP shall be issued without periodic profit payments. During the tenure of the ICP, the Purchaser, as part of its obligation to pay the Deferred Sale Price, shall make a lump sum payment of the Deferred Sale Price to the Sukukholders. Each such payment shall pro tanto reduce the obligation of the Purchaser to pay the Deferred Sale Price payable for the purchase of the Commodities from the Selling Agent (on behalf of the Purchase |

| Steps | Description |
|-------|---|
| | <p>Agent as wakeel of the Sukukholders).</p> <p>(i) On the maturity date of the relevant ICP; or (ii) upon the declaration of an Event of Default (as defined herein); or (iii) upon early redemption of the relevant ICP, whichever is earlier, all amounts then outstanding on the Deferred Sale Price (subject to Ibra' (as defined herein), where applicable) shall be paid by the Purchaser (as part of its obligation to pay the Deferred Sale Price) to the Sukukholders as final settlement of the same, whereupon the relevant ICP shall be cancelled.</p> |
| 9. | <p>The Guarantor shall provide a corporate guarantee under the principle of Kafalah, as a continuing obligation, in favour of the Sukuk Trustee for and on behalf of the Sukukholder(s) under which the Guarantor shall agree to guarantee the Issuer's payment obligation under the ICP (except payment obligation on Ta'widh (compensation) (as described in the section entitled "Ta'widh").</p> |

[The rest of this page has been intentionally left blank]

SECTION 4 BACKGROUND INFORMATION OF THE ISSUER

Words and expressions used and defined in this Section 4 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 4.

4.1 Corporate information and brief background of the Issuer

Corporate history

The Issuer was incorporated on 21 November 2017 as a private limited company and is a wholly-owned subsidiary of the Guarantor. Its registered office is located at No. 5, Jalan Serendah 26/17, Seksyen 26, 40732 Shah Alam, Selangor Darul Ehsan, Malaysia.

The Issuer was established as a wholly-owned subsidiary of the Guarantor to facilitate a group-wide reorganization of the Guarantor's businesses, which includes the transfer of NGDS and other related assets of the Guarantor to the Issuer.

The NGDS

As at December 2019, the NGDS spans across 2,396km of natural gas pipelines located in Peninsular Malaysia and covering most of the industrial areas along the Peninsular Gas Utilisation ('PGU') system. Throughout 2019, the NGDS network was expanded through the addition of 134km of gas pipelines upon the completion of their construction. The NGDS also demonstrates strong operational performance with a supply reliability rate of 99% in 2019.

The Issuer is currently expanding its pipeline in the northern region of Peninsular Malaysia, mainly in Kinta Valley, Perak. Going forward, the Issuer plans to expand its pipeline at Bidor in the northern region, Lukut and North Klang Valley (Sg Choh) in the central region, Kluang and Sedenak in the southern region.

Principal activities

Following the Gas Supply (Amendment) Act 2016 which amended the Gas Supply Act, the Issuer was granted a distribution licence to carry out gas distribution activities pursuant to Section 11B (1)(a) thereof and the licence became effective from 1 January 2020. It is now principally engaged in developing, operating and maintaining distribution pipelines and delivery of gas through the distribution pipelines.

TPA Framework

The Gas Supply (Amendment) Act 2016 introduced the TPA Framework under which a gas distribution licensee is envisaged to carry out the gas distribution business by allowing access to its facility i.e. distribution network to licensed shippers and such utilisation must comply with the TPA Code published by the Energy Commission. It is a requirement under the TPA Code for an access arrangement ("AA") which outlines the terms and conditions upon which the distributor will provide access to the shipper to be formulated with the approval of the Energy Commission. The AA is designed to provide a clear third party access regime through wide, transparent and uniform principles to allow shippers to gain access to the distribution networks.

In this regard, the AA established by the Issuer has been approved by Energy Commission and subsequently published on the Issuer's website on 30 June 2020.

Gas distribution agreement

Subsequent to the publication of the AA, the Issuer will enter into a gas distribution agreement (“**GDA**”) with the licensed shippers including GMES and Petronas Energy & Gas Trading Sdn Bhd (“**PEGT**”) (which currently have access to the NGDS pursuant to the Terms of Access as elaborated and defined in Section 6.2) which incorporates the terms of the AA for allowing the shippers to utilise and access the NGDS for their gas supply business.

As the owner of the NGDS, the Issuer would derive revenue from the distribution charges it charges to gas shippers including GMES, for using its gas pipelines. The Issuer’s earnings are expected to be stable, underpinned by its distribution charges setting mechanism established under the IBR framework. The Issuer’s distribution charges is set to cover operational costs and a fair return. The operational costs are relatively predictable as it mainly consists of maintenance costs and depreciation while the return for the Issuer will depend on the rate of return approved by the Energy Commission.

The Issuer’s business and financial profiles would substantially reflect that of the Guarantor’s in view of the fact that the Issuer will receive almost all earnings generating assets of the Guarantor post-reorganisation and maintain significant market share in gas distribution business as the owner of the NGDS.

4.2 Share capital

The issued and paid-up share capital of the Issuer as at the LPD is as follows:

| | No. of ordinary shares | Total amount paid (RM) |
|----------------------------------|-------------------------------|-------------------------------|
| Issued and paid-up share capital | 1,225,463,058.00 | 1,225,463,058.00 |

4.3 Shareholder of the Issuer

The shareholder of the Issuer as at the LPD is as follows:

| Name of Shareholder | Number of Shares Held | % of Equity Held |
|----------------------------|------------------------------|-------------------------|
| GMB | 1,225,463,058 | 100% |

4.4 Board of directors

As at the LPD, the Board of the Issuer comprise 2 directors whose profiles are as follows:

Directors

(a) Zafian Bin Supiat

Zafian Bin Supiat, Malaysian, aged 45, was appointed as Chief Financial Officer of the Guarantor in January 2019 and as a director of the Issuer on 21 June 2019.

Zafian was trained as a professional accountant where he commenced his career with Ernst & Young, Malaysia. Prior to joining GMB, he was the General Manager,

Finance in MMC, Chief Financial Officer at Johor Port Berhad and Group Accountant in Pos Malaysia Berhad.

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

He holds a Bachelor of Science in Accounting and Finance from London School of Economics and Political Science, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales.

(b) YM Raja Iskandar Bin Raja Mukhtaruddin

YM Raja Iskandar Bin Raja Mukhtaruddin, Malaysian, aged 55, was appointed as the General Manager, Human Resource and Administration Department of the Guarantor in January 2013 and as a director of the Issuer in September 2019.

Raja Iskandar began his career in 1988 when he joined Mobil Oil Corporation (M) Sdn Bhd as 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.

He joined GMB on 1 August 1997 as an Assistant Manager in the Residential & Commercial Sales Section. He was subsequently promoted to Manager of Marketing Support & Communications in 2000. In 2001, he was assigned a new responsibility as Industrial Sales Manager for the Northern Regional Office. Subsequently in 2005, he was reassigned as Industrial Sales Manager for the Southern Regional Office,

On 1 August 2007, he was made the Department Head of Human Resource Department where he was responsible for the overall function of human resource management. He was promoted to his current post on 1 January 2013 to lead the combined Human Resource and Administration Department.

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 Manila, the Philippines. He currently holds a membership as Fellow Malaysian Institute of Management.

4.5 Key Financial Highlights

A summary of the financial information of the Issuer as extracted from its audited financial statements for the financial period since the date of its incorporation on 21 November 2017 to 31 December 2018 (“**FPE 2018**”) and the audited financial statements of the Issuer from 1 January 2019 to 31 December 2019 (“**FYE 2019**”) is as follows:-

| Audited | Audited |
|-----------------|-----------------|
| FPE2018 | FYE2019 |
| (RM'000) | (RM'000) |

Gas Malaysia Distribution Sdn Bhd
Information Memorandum

| | | |
|--|----------------|----------------|
| Finance Income | 137.0 | 150.9 |
| Administrative expenses | (1.5) | (7.1) |
| Profit before taxation | 135.5 | 143.8 |
| Taxation | (32.5) | (19.0) |
| Net profit for the financial year | 103.0 | 124.8 |
| Financial Position: | | |
| Other debtors | 0 | 2,228.1 |
| Cash and cash equivalent | 5,137.0 | 3,230.2 |
| Total Assets | 5,137.0 | 5,458.3 |
| Taxation & other payables | 34.0 | 230.4 |
| Borrowing | 0 | 0 |
| Shareholders' funds | 5,103.0 | 5,227.9 |
| Total Equity & Liability | 5,137.0 | 5,458.3 |

[The rest of this page has been intentionally left blank]

SECTION 5 BACKGROUND INFORMATION OF THE GUARANTOR

Words and expressions used and defined in this Section 5 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 5.

5.1 Corporate information and brief background of the Guarantor

Corporate history

The Guarantor was incorporated on 16 May 1992 as a private limited company under the name “Gas Malaysia Sdn Bhd”, and as a joint venture between MMCS, TGMC and PETRONAS. On 19 August 2011, the Guarantor was converted into a public company and carried the name “Gas Malaysia Berhad”. The Guarantor has been listed on the Main Market of Bursa Malaysia since 11 June 2012.

Its registered office is located at No. 5, Jalan Serendah 26/17, Seksyen 26, 40732 Shah Alam, Selangor Darul Ehsan, Malaysia.

Principal activities

Prior to the implementation of the TPA Framework for the gas supply industry as introduced by the Gas Supply (Amendment) Act 2016, the Guarantor was involved in both ownership of pipelines and sale of natural gas. As part of its business reconstruction and separation exercise, the Guarantor had transferred its rights and interest to the assets in relation to the gas distribution business to, and its distribution and sale of natural gas activities are undertaken by, the relevant subsidiaries.

Asset Transfer Agreement

In connection with the business reconstruction and separation exercise, GMB entered into an Asset Transfer Agreement with GMD dated 31 January 2020 (as amended by a supplemental agreement dated 7 February 2020) (“**ATA**”) for the transfer of all the property and assets owned by GMB and used in connection with the gas distribution business to the Issuer.

Under the terms of the ATA, GMB as the Transferor agrees to transfer or procure the transfer and the Issuer as the Transferee agrees to accept the transfer of the gas distribution assets such as the contracts, the pipelines, the land and buildings together with fixtures and fittings, the wayleave approvals, the assets approval, the assets under construction and all other property and assets owned and used by GMB in connection with the gas distribution business as at the completion date of the ATA.

The consideration payable by the Issuer to the Guarantor under the ATA is RM1,357,795,386.12 subject to any adjustments in accordance with the terms and conditions thereunder and is payable partly in cash and partly through the issuance of new ordinary shares of the Issuer to the Guarantor.

As at the LPD, the ATA has been completed and the beneficial title, rights and interests to the assets of GMB in relation to its gas distribution business has been transferred to the Issuer. Notwithstanding this, the transfer of legal title to the lands are pending receipt of the state authority approvals and presentation of the instruments of transfer for registration at the respective land office(s). The ATA provides that pending registration of legal title in the name of the Issuer and the state authority consents to be obtained, the full beneficial rights, titles, interests and entitlements of GMB in and to the Issuer’s assets shall have been transferred to the Issuer on the completion date of the ATA, and GMB recognizes that the Issuer shall have the beneficial interest in those assets until title is effectively vested in the Issuer.

The restructuring, unbundling and asset transfer exercise undertaken by GMB pursuant to the ATA is in line with the Gas Supply (Amendment) Act 2016 where one of the basic principles is that generally, an entity may only hold one licence at any particular time.

Approval from PETRONAS as Special Shareholder

PETRONAS holds one special rights redeemable preference share (“**Special Rights RPS**”) in the Guarantor and as a special shareholder, PETRONAS is entitled to certain special rights as set out in the Guarantor’s Constitution, which are:

- (a) PETRONAS has the right to vote at any meeting convened in specific circumstances as provided for under the Listing Requirements:
 - (i) proposals to reduce the Guarantor’s share capital;
 - (ii) proposals for the disposal of the whole of Guarantor’s property, business and undertaking;
 - (iii) proposal that affects the rights attached to the Special Rights RPS;
 - (iv) when the dividend or part of the dividend on the share of the Guarantor is in arrears for more than six (6) months, if applicable;
 - (v) proposal to wind-up the Guarantor; and
 - (vi) during the winding-up of the Guarantor.
- (b) certain proposals can only be effected with PETRONAS’ written consent:
 - (i) the amendment, removal or alteration of the effect of the following in the following provisions under the constitution:
 - definitions of “Special Rights RPS” or “special shareholder” in Clause 8 of the constitution;
 - The rights of the Special Rights RPS or the special shareholder accorded pursuant to Clause 14 of the constitution;
 - (ii) the voluntary winding-up, liquidation or dissolution of the Guarantor;
 - (iii) the creation of a new category of shares in the Guarantor;
 - (iv) any proposal to reduce the share capital of the Guarantor;
 - (v) any acquisition of assets by the Guarantor 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 Requirements;
 - (vi) the change in nature of business and principal activities of the Guarantor;
 - (vii) the suspension of the whole of the Guarantor’s operation; or
 - (viii) any sale or disposal of the Guarantor’s assets where any of the percentage ratios of such transaction is 25% or more, such percentage ratios as defined in the Listing Requirements.

Accordingly the ATA was subject to certain conditions precedent including approval of PETRONAS as a special shareholder of the Guarantor.

PETRONAS has given its consent for the asset transfer from GMB to GMD subject to certain conditions. As at the LPD, the Guarantor is still in discussions with PETRONAS on the conditions imposed by PETRONAS as the Guarantor believes that the conditions which may be imposed by PETRONAS should nevertheless be in line with its right and entitlement as a special shareholder of the Guarantor as provided in the Constitution of the Guarantor.

The Guarantor is of the view that it was necessary to proceed to complete the asset transfer to the Issuer on the FUD due to the fact that the distribution licence in the name of the Issuer was decided by Energy Commission to be effective on 1 January 2020.

Other businesses

As at the LPD:

- (a) GMES, a wholly-owned subsidiary of the Guarantor which have been issued a shipping licence under the Gas Supply Act undertakes the business of selling natural gas to customers. New gas supply agreements have been entered into by GMES with GMB's legacy customers.
- (b) GMRS supplies reticulated LPG in Peninsular Malaysia.
- (c) The Guarantor through its Group Entities is also participating in joint ventures involving the development of an on-road gas transportation system "virtual pipeline" and small-scale power co-generation systems. See further elaboration in Section 5.8 below.

5.2 Share capital

The issued and paid-up share capital of the Guarantor as at the LPD is as follows:

| | No. of ordinary shares | No. of preference shares | Total amount paid (RM) |
|----------------------------------|------------------------|--------------------------|------------------------|
| Issued and paid-up share capital | 1,284,000,000 | 1 | 642,000,000.50 |

As noted in Section 5.1 above, PETRONAS holds one Special Rights RPS in the Guarantor which grants PETRONAS certain special rights, and such Special Rights RPS may only be transferred by PETRONAS to a wholly-owned entity of the Government.

5.3 Substantial shareholders

The substantial shareholders of the Guarantor as at the LPD are the following:

| Name of Shareholder | Number of Shares Held | % of Equity Held |
|-------------------------------------|-----------------------|------------------|
| Anglo-Oriental (Annuities) Sdn Bhd* | 397,179,040 | 30.93 |
| Tokyo Gas – Mitsui & Co. | 237,546,000 | 18.50 |

| | | |
|------------------------|-------------|-------|
| Holdings Sdn Bhd** | | |
| Petronas Gas Berhad*** | 190,010,000 | 14.80 |
| Lembaga Tabung Haji | 99,417,500 | 7.74 |

Note:

*MMC has a deemed interest of 30.93% through its shareholding in Anglo-Oriental (Annuities) Sdn Bhd.

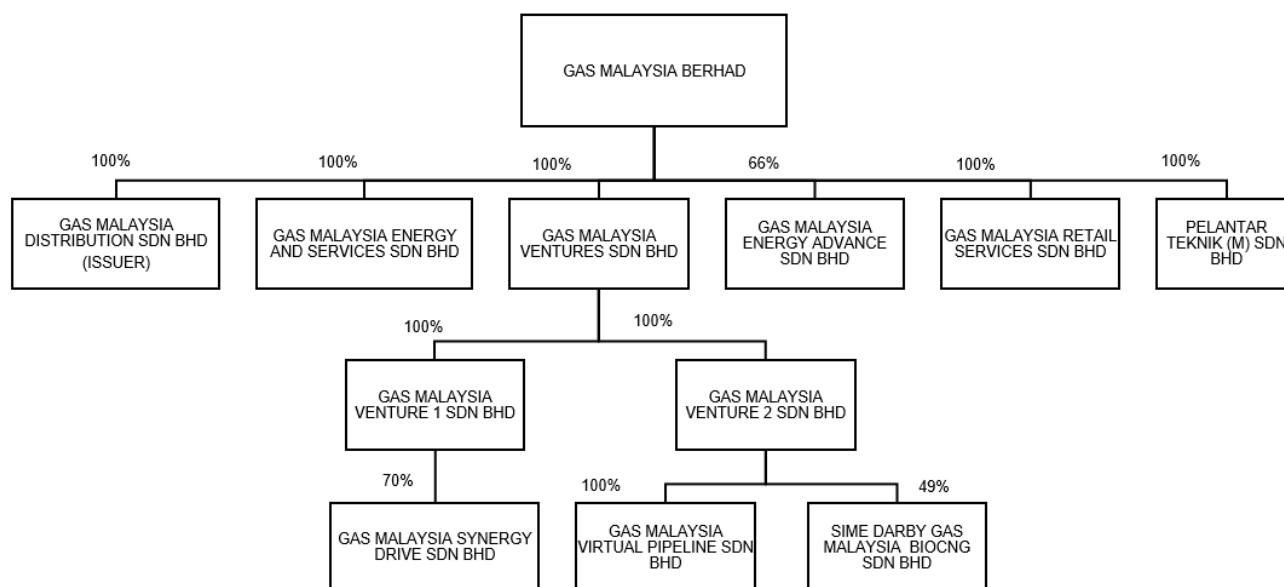
**Tokyo Gas International Holdings B.V. and Mitsui & Co. (Asia Pacific) Pte Ltd each have a deemed interest of 18.50% through their shareholdings in Tokyo Gas - Mitsui & Co. Holdings Sdn Bhd.

*** PETRONAS has a deemed interest of 14.80% through its shareholding in Petronas Gas Berhad.

5.4 Corporate structure of the Guarantor

As at the LPD, the corporate structure of the Guarantor is illustrated as follows:

The Guarantor's Group Entities



5.5 Group Entities

The principal activities of the Group Entities are as follows:

| Name | Principal Activities |
|--------|--|
| Issuer | Developing, operating and maintaining distribution pipeline and to deliver gas through the distribution pipeline. |
| GMES | Selling, marketing and promotion of natural gas, liquefied petroleum gas and other gaseous fuel and providing related services and energy solution to industrial, commercial and residential sector. |

| | |
|---------------------|--|
| GMRS | Selling of liquefied petroleum gas via a reticulation system. In addition, GMRS has been appointed as agent of GMES to carry out activities of promoting, marketing and selling of natural gas to off takers who are retail licensee licensed by the Energy Commission and other related activities. |
| PTSB | Property holding |
| GMV | Investment holding |
| GMV1 | Investment holding company |
| GMV2 | Investment holding company |
| GMVP | Sale, supply and transport of Compressed Natural Gas |
| GMEA ¹ | Development and operation of natural gas based energy efficient projects, which provide electricity and/or heat requirements for industries in Malaysia including designing, engineering, installing, owning, operating and/or maintaining facilities such as Combined Heat and Power plants, boilers and furnaces |
| GMSD ² | Development and operation of natural gas based energy efficient projects, which provide electricity and/or heat requirements for industries in Malaysia including designing, engineering, installing, owning, operating and/or maintaining facilities such as Combined Heat and Power plants, boilers and furnaces |
| SDGMSB ³ | Sale and supply of bio-compressed natural gas |

Note:

1. The Guarantor and Tokyo Gas Engineering Solutions Corporation (formerly known as Energy Advance Co. Ltd), a company incorporated in Japan, hold 66% and 34% respectively of the share capital of GMEA. GMEA is classified as investment in a joint venture in the audited accounts of the Guarantor for the financial year ended 31 December 2019.
2. GMV1 and Sime Darby Energy Solutions Sdn Bhd hold 70% and 30% respectively of the share capital of GMSD. GMSD is classified as investment in a joint venture in the audited accounts of the Guarantor for the financial year ended 31 December 2019.
3. GMV2 and Sime Darby Energy Solutions Sdn Bhd hold 49% and 51% respectively of the share capital of SDGMSB. SDGMSB is classified as investment in a joint venture in the audited accounts of the Guarantor for the financial year ended 31 December 2019.

5.6 Board of directors

As at the LPD, the board of the Guarantor comprise eight (8) directors and two (2) alternate directors whose profiles are as follows:

Directors

(a) Datuk Hj Hasni bin Harun

Datuk Haji Hasni bin Harun ("**Datuk Haji Hasni**"), Malaysian, aged 62, was appointed to the Board of the Guarantor on 11 April 2008. He was subsequently made Chairman of the Board of the Guarantor on 15 May 2013.

He is a member of the Malaysian Institute of Accountants ("**MIA**"). 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 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 Malakoff Corporation Berhad.

(b) Dato' Sri Che Khalib bin Mohamad Noh

Dato' Sri Che Khalib bin Mohamad Noh ("**Dato' Sri Che Khalib**"), Malaysian, aged 55, was appointed to the Board of the Guarantor on 1 July 2013.

He is a member of the MIA (CA, M) and also a Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom.

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.

At present, Dato' Sri Che Khalib is a Group Managing Director of MMC.

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. He currently sits on the board of Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Bank Muamalat Malaysia Berhad, NCB Holdings Berhad, Kontena Nasional Berhad, Northport (Malaysia) Bhd and several private limited companies.

(c) Datuk Puteh Rukiah binti Abd. Majid

Datuk Puteh Rukiah binti Abd. Majid ("**Datuk Puteh Rukiah**"), Malaysian, aged 67, was appointed to the Board of the Guarantor on 16 August 2011.

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

Datuk Puteh Rukiah held various posts in the Government since 1976. Her various appointments included being the Principal Assistant Director in the Economic Planning Unit, Prime Minister's Department until 1992 and subsequently, until 2006, served as Principal Director of the Budget Division in Ministry of Finance and as Undersecretary, Investment and Privatisation and Minister of Finance Incorporated Division of the Ministry of Finance. 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 Pelaburan Hartanah Berhad, Zelan Berhad, Pos Malaysia Berhad and several unlisted companies.

(d) Datuk Syed Abu Bakar bin S Mohsin Almohdzar

Datuk Syed Abu Bakar bin S Mohsin Almohdzar ("**Datuk Syed Abu Bakar**"), Malaysian, aged 69, was appointed to the Board of the Guarantor on 16 August 2011.

He 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 MIA.

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. He is also an Independent Non-Executive Director of Healthway Medical Corporation Limited, a public listed company listed on the Singapore Exchange Limited.

(e) Mr. Tan Lye Chong

Mr. Tan Lye Chong, Malaysian, aged 64, was appointed to the Board of the Guarantor on 16 August 2011.

He 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 30 years of working experience; primarily in the accounting profession and has extensive experience in auditing, financial reporting and corporate finance.

He is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom and is a member of the MIA. He is formerly a member of the Public Practice Committee of the MIA 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.

(f) Datuk Ooi Teik Huat

Datuk Ooi Teik Huat, Malaysian, aged 60, was appointed to the Board of the Guarantor on 16 May 2013.

He is a member of the MIA 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, MMC, DRB-HICOM Berhad, Zelan Berhad, Johor Port Berhad, Malakoff Corporation Berhad, and several private limited companies.

(g) Nobuhisa Kobayashi

Nobuhisa Kobayashi, Japanese, aged 62, was appointed to the Board of the Guarantor on 1 April 2019.

He holds a Bachelor of Commerce and Management from Hitotsubashi University.

He began his career with Tokyo Gas in 1981 and was appointed as the Deputy Chief Representative of Kuala Lumpur Office in 1992 and Deputy Chief Representative of Singapore Office in 1995. In 1996, he was appointed as General Manager, Seibu Office, Commercial Sales Department and subsequently in 1999 was appointed as General Manager, Section 2, Commercial Sales Department. In 2004 he assumed the role of General Manager, Strategy Planning Section, Home Service Planning Department. Subsequently, in 2006 he was appointed as Senior General Manager, Home Service Planning Department and in the following year was appointed as Senior General Manager, Living Planning Department.

In 2009, he assumed the role of General Manager, General Administration Department; Japan Gas Association and in 2012 he was appointed as Senior General Manager, Energy Planning Department. Then in 2014, he was appointed as Managing Director, Tokyo Gas Asia and subsequently in 2015 was appointed as Executive Officer, Asia Region, Tokyo Gas/ Managing Director, Tokyo Gas Asia. In 2019, he was appointed to his current position in Tokyo Gas.

(h) Kamalbahrin Bin Ahmad

Kamalbahrin Bin Ahmad, Malaysian, aged 56, was appointed to the Board of the Guarantor on 19 July 2017.

He holds a Bachelor of Chemical Engineering from University of Texas at Austin USA and participated Advanced Management Program in Harvard Business School.

He began his career as Project Engineer of PETRONAS in 1987 for PETRONAS Penapisan Terengganu expansion project. In 1990, he moved to PETRONAS Penapisan Melaka for commissioning and operation of the 100% PETRONAS owned Phase 1 assets of the refinery, and a Joint Venture Phase 2 asset later. He spent his career in Melaka for almost 10 years with his last position as the General Manager (Production) before mobilised to PETRONAS Gas Berhad ("PGB") as the Senior General Manager, Plant Operation Division.

Kamalbahrin led the "Plant Operational Performance Improvement Program" and the successful implementation of the Gas Processing Plant new business model from Tolling to Performance Based Business Model.

In 2009, Kamalbahrin appointed as the Senior General Manager, Development Division PETRONAS Carigali where he managed drilling activities and projects for both domestic and internationally. In 2011, Kamalbahrin was seconded to Durban,

South Africa to spearhead a transformation program of PETRONAS subsidiary Engen Refinery.

With his 15 years of experience running all three PETRONAS refineries – Terengganu, Melaka and Durban, he went on to become MD/CEO of PETRONAS Penapisan Melaka Sdn Bhd in 2014. Kamalbahrin steered a smooth transition of the refinery operation post full acquisition of the asset from a joint venture with Philips66 to PETRONAS wholly-owned.

Kamalbahrin is currently the Vice President, Gas & Power and MD/CEO of PETRONAS Gas Berhad. He is also a Board Member for various companies in PETRONAS.

Alternate Directors

(i) Shariza Sharis Binti Mohd Yusof

Shariza Sharis Binti Mohd Yusof, Malaysian, aged 46, was appointed to the Board of the Guarantor on 9 November 2017 as alternate director to Kamalbahrin bin Ahmad.

She is a fellow of the Institute Chartered Accountants in England and Wales, member of MIA and holds a Bachelor of Science Degree in Economics & Accounting from University of Bristol, United Kingdom.

She started her career with PETRONAS in 2001 as an Executive in PETRONAS Corporate Finance. A year later, she was assigned to PETRONAS President/CEO's Office as an analyst before joining PETRONAS Dagangan Berhad as Financial Accounting Manager in 2005.

In 2007, she was seconded overseas to Dragon LNG, a PETRONAS joint venture in United Kingdom, as Head of Finance & Administration. Upon her return to Malaysia in 2008, she was appointed as Senior Manager for Strategic Planning (Corporate and Americas) at PETRONAS Group Strategic Planning. In 2011, she joined PETRONAS Chemicals Group Berhad as Head of Group Accounts and Performance Planning and assumed the position of Financial Controller the following year.

With close to 19 years of experience in finance and planning across PETRONAS's businesses, she was appointed as Chief Financial Officer of PETRONAS Gas Berhad ("PGB") on 1 September 2017.

She is presently responsible for the overall fiscal and financial management as well as investor relations for PGB Group of Companies. She also sits on the Boards of several PETRONAS subsidiaries and joint venture companies.

(j) Tomoaki Yokoyama

Tomoaki Yokoyama, Japanese, aged 63, was appointed to the Board of the Guarantor on 1 April 2019 as alternate director to Nobuhisa Kobayashi.

He holds National Certificate of Gas Chief Engineer (Grade A) and Manager in charge of pollution control. He also hold Master Degree in Achitetur and Civil Engineering, and Bachelor Degree in Mining Engineering from Waseda University, Japan.

He joined Tokyo Gas Co., Ltd. since April 1982 as a Designer for Gas Mains, Pipeline Dispatch Center. He has been appointed as the Chief Representative of Tokyo Gas Asia Pte. Ltd. in April 2018.

Prior to that, he was on the managerial position of Transmission Pipeline O&M, Transmission Pipeline Department of Tokyo Gas Co., Ltd. from 1987 to 1991. In July 1991, he was appointed as Technical Advisor for Gas Malaysia Sdn Bhd and subsequently, in January 1994, he served as a Senior Engineer of Transmission Pipeline Department. In April 1998, he served as Manager of Pipeline Planning Department and in July 2002 as Chief of Pipeline Research and Development Center. In April 2006, he was appointed as General Manager of Fundamental Technology Department. Subsequently, in 2009, he was appointed as General Manager of District Pipeline Division of Tokyo Gas Co., Ltd. He then served as Executive Officer in Tokyo Gas Engineering Solutions Co., Ltd from April 2013 until March 2018.

5.7 Senior management

As at the LPD, the senior management of the Guarantor and their profiles are as follows:

(a) Ahmad Hashimi bin Abdul Manap

Ahmad Hashimi bin Abdul Manap ("**Ahmad Hashimi**"), Malaysian, aged 56, was appointed as Chief Executive Officer of the Guarantor on 12th February 2015.

With vast working experience of 34 years under his belt, of which 27 years are with the Guarantor, Ahmad Hashimi provides the strategic direction with full oversight of the overall business which includes but not limited to financial, operational, regulatory, stakeholders, crisis management and other administrative affairs. Preceding to his current role, he was the Senior General Manager, Operations & Maintenance Department, a position he managed since 2007. He was then appointed as Chief Operating Officer, Technical. He had also held other pivotal positions in the Issuer.

Before joining the Guarantor in September 1992, he was also part of the team that undertook the feasibility study for the implementation of the NGDS in Peninsular Malaysia for the joint venture between MMC-Shapadu (Holdings) Sdn Bhd, PETRONAS and Tokyo Gas – Mitsui & Co Holdings Sdn Bhd between periods of 1991 to 1992.

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 Programme 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 the Guarantor and Issuer, Ahmad Hashimi also holds office as Chairman in GMEA, GMVP, GMSD and GMRS, as well as Director in GMES, PTSB, GMV, GMV1, GMV2 and SDGMSB.

(b) Shahrir bin Shariff

Shahrir bin Shariff ("**Shahrir**"), Malaysian, aged 55, was appointed as the Director of Commercial of the Guarantor since 2nd 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 the Issuer business growth. He is also involved in setting the scope of regulatory negotiations with respect to the commercial viability of the tariff structure which are aimed at enhancing the GMB Group's profitability.

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

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

He 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.

Shahrir 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 MIA.

In addition to his role in the Guarantor, Shahrir also holds office as Chief Executive Officer in GMES and Director in GMRS, GMEA, GMVP, GMV, GMV1, GMV2, GMSD and SDGMSB.

(c) Mohd Nisharuddin bin Mohd Noor

Mohd Nisharuddin bin Mohd Noor ("**Mohd Nisharuddin**"), Malaysian, aged 55, was appointed as Director of Technical & Operations of the Guarantor on 1 June 2019. He oversees the Technical Division of the Guarantor consist of the Gas Network and Infrastructure Department, Gas Distribution Management Department and Operations & Maintenance Department as well as oversees the technical functions of the subsidiary companies within the GMB Group.

Prior to this, he was the General Manager in the Operations & Maintenance Department of the Guarantor in June 2014, responsible in managing the Guarantor's gas distribution system assets to ensure continued supply of natural gas and LPG to customers whilst maintaining safety, reliability and integrity of the gas distribution system.

His career began at Malaysia Shipyard & 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 the Guarantor, 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 an Assistant Mill Manager.

He joined the the Guarantor on 6 January 1994 as an Engineer, Engineering Design in Technical & Operations Department. He rose through the ranks and was appointed as the Manager, Engineering & Construction in Technical Services Department on 15 December 2000. On 1 January 2008, he was promoted to Senior Manager, Technical and on 1 January 2011, he was appointed as the General Manager in the Technical Services Department, responsible for strategizing the overall planning, development and execution of the NGDS projects.

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

In addition to his role in the Guarantor, Mohd Nisharuddin also serves as a Chief Executive Officer in GMD and Director in GMEA and GMVP.

(d) Zafian Bin Supiat

Zafian Bin Supiat, Malaysian, aged 45, was appointed as Chief Financial Officer of the Guarantor in January 2019.

Zafian was trained as a professional accountant where he commenced his career with Ernst & Young, Malaysia. Prior to joining GMB, he was the General Manager, Finance in MMC, Chief Financial Officer at Johor Port Berhad and Group Accountant in Pos Malaysia Berhad.

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

He holds a Bachelor of Science in Accounting and Finance from London School of Economics and Political Science, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales.

In addition to his role in the Guarantor, he also holds office as Director in GMD.

(e) YM Raja Iskandar bin Raja Mukhtaruddin

Raja Iskandar bin Raja Mukhtaruddin ("**Raja Iskandar**"), Malaysian, aged 55, was appointed as the General Manager, Human Resource & Administration of the Guarantor in January 2013.

Raja Iskandar joined the Guarantor in 1997 as 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 to a new responsibility as Industrial Sales Manager for the Northern Regional Office to manage the new natural gas industrial market in the northern states. Successively in 2005, he assumed the post of Industrial Sales Manager for the Southern Regional Office.

In 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 in 2013 to lead the 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 Programme. He later joined Malaysia Tourism Promotion Board (“MTPB”) in 1990 and was later made the Assistant Director for the MPTB 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 Programme from Asian Institute of Management in the Philippines. He holds a membership as Fellow, Malaysian Institute of Management.

(f) Azwin binti Noh

Azwin binti Noh (“**Azwin**”), Malaysian, aged 42, was appointed as the Head of Internal Audit Department of the Guarantor in January 2015.

In this capacity, she leads the independent and objective assurance activities designed to add value and improve the Group’s operations. It helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Reporting to the Audit Committee, she is committed in providing objective and independent assurance as well as value-added services to the Group in accordance with the International Professional Practices Framework on Internal Auditing.

Prior to joining the Guarantor, 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, making it more conducive to request audit and implement recommendations, Azwin had successfully built relationships with ARB’s 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 graduated from International Islamic University, Malaysia with a Bachelor of Accounting (Honours) in 2001. She later obtained a Master’s Degree in Business Administration from University of Sunderland, United Kingdom in 2011. She is a Fellow of the Association of Chartered Certified Accountants United Kingdom and a member of MIA.

(g) Noraishah Binti Mohd Radzi

Noraishah Binti Mohd Radzi (“**Noraishah Radzi**”), Malaysian, aged 47, was appointed as the Head of Legal & Compliance of the Guarantor in February 2017. She holds a Bachelor of Laws and Master in Comparative Laws from International Islamic University.

She started her career as a practising lawyer and later served in several companies within DRB- HICOM Berhad (“**DRB**”), exposing her to various

corporate and operations functional roles, mainly in legal, corporate affairs, human resources management and procurements.

Prior to joining GMB, she was the Head of Group Legal, DRB-Hicom Berhad (“DRB”). With more than 16 years tenure in DRB, it has exposed her to various legal aspects such as corporate exercises, merger and acquisition including banking and fund raising exercises, land matters, joint ventures, commercial, technical and operational agreements, construction, disputes and litigation, for which she provided advice on various legal matters.

Prior to this, she assumed the role of Head of Corporate Affairs for DRB subsidiaries, having purview on procurement, human resource and legal functions.

(h) Yanti Irwani binti Abu Hassan

Yanti Irwani binti Abu Hassan (“**Yanti**”), Malaysian, aged 42, was appointed as the Company Secretary, Head of Corporate Secretarial of the Guarantor in October 2015. 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 started her career at TNB in 2001 as an Assistant Company Secretary. She subsequently joined Puncak Niaga Holdings Berhad from year 2007 before joining Pharmaniaga Berhad in September 2010.

She later made a strategic career move and joined MMC in September 2012, following which she was appointed as the Joint Company Secretary of the Guarantor. In October 2015, she achieved another milestone in her career, as she was appointed to her current position to head the Corporate Secretarial Department of the Guarantor. In this capacity, she is responsible for company secretarial services for the Guarantor.

(i) Kamarul Ariffin Bin Ibrahim

Kamarul Ariffin Bin Ibrahim (“**Kamarul**”), Malaysian, aged 47, was appointed as the Head of Corporate Affairs of the Guarantor in October 2019. He hold a Master in Business Administration (specialising in Corporate Finance) from UNITEN in 2005 and Bachelor in Business Administration (specialising in Corporate Finance) from University of Toledo, Ohio, USA in 1996.

In his capacity as Head of Corporate Affairs, he is responsible for providing support for communication, investor relation and managing stakeholders’ relationship.

Kamul was previously the Director of Strategic Planning and Communication for Energy Commission. He was tasked to identify strategic directions for Energy Commission, manage the performance, align the policies, ensure the quality management work culture whilst providing support for the publication and communication as well as managing stakeholders’ relationship.

Kamarul has over 22 years of working experience mostly in major GLCs, government agencies as well as private sectors. Prior to Energy Commission, he was the General Manager, Corporate Planning and Strategy Division of Lembaga Pembiayaan Perumahan Sektor Awam (“LPPSA”) and was responsible on all matters relating to corporate planning and strategy. He developed the LPPSA Business Plan which has become a live document until now.

He was also the General Manager, Corporate at SWM Environment Sdn Bhd where he was responsible to oversee all corporate matters which amongst others was to ensure the company's vision is aligned. He was also tasked to build good relationship with stakeholders especially on matters related to concessionaire's agreement, tariff, compliance and government policies.

He headed the Planning & Strategy Department at Indah Water Konsortium Sdn Bhd from 2013 to 2017. During his tenure, he was appointed as the Social Marketing and Human Capital Specialist by Asian Development Bank to undertake the role in advising the Government of Indonesia in Capacity Development and Technical Assistance for five cities i.e. Jambi, Makasar, Pekan Baru, Palembang and Cimahi and was stationed in Jakarta for a 2 man-month.

5.8 Overview of the GMB Group's Businesses

Background

The Guarantor operates from its headquarter in Shah Alam. In addition, the GMB Group has three regional offices in Prai, Gebeng and Pasir Gudang as well as nine branch offices in Kuala Lumpur, Shah Alam, Jitra, Putrajaya, Senawang, Ayer Keroh, Kluang, Ipoh and Sri Manjung.

The Guarantor held a gas utility licence dated 1 September 1998 issued by the Energy Commission prior to the Gas Supply (Amendment) Act and the licence was for a term of 30 years ("**Gas Utility Licence**"). Under the Gas Utility Licence, GMB was authorized to build, operate and maintain the natural gas distribution system in Peninsular Malaysia and to supply natural gas to persons in Peninsular Malaysia. GMB had accordingly entered into gas supply agreements to supply gas to industrial, residential and commercial customers pursuant to the Gas Utility Licence ("**GMB Gas Supply Agreements**").

Changes to the Guarantor's business activities pursuant to amendment to the Gas Supply Act

By virtue of the Gas Supply (Amendment) Act 2016 which amended the Gas Supply Act and came into effect on 16 January 2017, a new licensing regime was introduced with seven (7) categories of licences covering the gas supply chain coupled with the requirement of "one licence per entity" pursuant to the Guidelines on Licence Application published by the Energy Commission.

Accordingly, the Guarantor was required to unbundle its distribution business (i.e. the activities relating to operation and maintenance of the distribution pipeline to deliver gas through the distribution pipeline) and shipping business (i.e. the activities of making arrangement with a distribution licensee for gas to be processed and delivered through the distribution pipeline to consumer's premises) to be separately operated by its wholly-owned subsidiaries.

In compliance thereto, the Guarantor undertook a reconstruction and separation of its gas supply business, amongst others the planning and development, construction and operation of the NGDS as well as the promotion, marketing and selling of the natural gas to be undertaken by the relevant subsidiaries i.e. the Issuer for the distribution activities and GMES for the shipping activities.

As noted in Section 5.1 of this Information Memorandum, an Asset Transfer Agreement was entered into between the Guarantor and the Issuer, for all the property and assets owned by the Guarantor and used in connection with the gas distribution business to be transferred to the Issuer. The Guarantor's customers under the GMB Gas Supply Agreements would migrate to GMES, in order to comply with the new licensing regime

and to ensure the new gas supply agreements to be entered into between GMES and the customers ("**New GSA**") comply with the TPA Framework.

Agency Arrangements between the Guarantor, the Issuer and GMES post FUD

Notwithstanding the occurrence of FUD on 31 December 2019 and the coming into effect of the distribution and shipping licences granted to the Issuer and GMES respectively as at 1 January 2020, a substantial number of GMB's customers had yet then to migrate to the New GSA and the gas supply arrangement for these customers were still governed by the GMB Gas Supply Agreements.

Further, as at 1 January 2020 and prior to the to the publication of AA and execution of the Terms of Access (as elaborated and defined in Section 6.2 of this Information Memorandum) between the Issuer and GMES, the gas distribution arrangement between the Issuer and the licenced shipper for the purpose of setting out the terms and conditions for the shipper to access the NGDS has yet to be put in place.

In this regard, to ensure continuity of gas supply subsequent to the FUD, the following agency agreements ("**Agency Agreements**") were entered into by the Guarantor to appoint the licensed subsidiaries to undertake the respective activities:

- (a) the Issuer was appointed as the agent of the Guarantor by an agency agreement dated 2 January 2020 to carry out the services of, amongst others, planning, developing, constructing, operating and maintaining the NGDS and providing commercial and technical services related to the NGDS; and
- (b) GMES was appointed as the agent of the Guarantor by an agency agreement dated 2 January 2020 to carry out the services of promoting, marketing and selling of natural gas.

The Agency Agreements were in place to ensure the continuity of the gas supply arrangements vis-à-vis the GMB customers under the GMB Gas Supply Agreements.

Breakdown of revenue of the GMB Group

The breakdown of the GMB Group's revenue i.e. contribution by each business division for the financial year ended 31 December 2019 on a consolidated basis is illustrated below:

| Revenue of the Guarantor for FYE 31 December 2019 | 2019 |
|---|------------------|
| | RM'000 |
| Sale of gas: | |
| Sale of natural gas | 6,836,695 |
| Sale of LPG | 32,339 |
| Sale of compressed natural gas (CNG) | 2,947 |
| Cash contribution for pipelines construction | 3,420 |
| Provision for tolling services | 10,961 |
| Provision for metered services | 91 |
| | 6,886,453 |

Sale of gas and provision of tolling services

Going forward, distribution and sale of natural gas are expected to remain as the main revenue generator for the GMB Group and these businesses after the FUD are being carried out through GMB's 100% owned subsidiaries, the Issuer and GMES.

Other businesses

Over the years, the Guarantor has taken the initiative to diversify its businesses into the non-regulated sphere of the gas business through its Group Entities.

GMEA operates two cogeneration plants, which cater for the electricity and hot water/steam requirements of GMEA's customers in a more efficient and environmental friendly manner.

GMVP provides virtual pipeline and is involved in the business of sale, supply and transport of compressed natural gas (**CNG**) to customers who have no access to the NGDS network.

GMRS carries out selling of LPG via a reticulation system. In addition, GMRS has been appointed as agent of GMES to carry out activities of promoting, marketing and selling of natural gas to off takers who are retail licensee licensed by the Energy Commission and other related activities.

SDGMSB carries out sale and supply of bio-compressed natural gas through its joint venture with Sime Darby Energy Solutions Sdn Bhd.

GMDS was incorporated in December 2018 to offer value-added services via combined heat and power solutions, which would reduce its potential customer's operating cost while being predominantly environmental friendly. GMDS had also made progress on the construction of the first cogeneration plant in Selangor, which is expected to be operational in November 2020 subject to the completion and licensing of the plant.

5.9 Principal products and services of the GMB Group

The Issuer is principally engaged in developing, operating and maintaining distribution pipelines and delivery of gas through the distribution pipelines while GMES is principally engaged in selling, marketing and promotion of natural gas, LPG and other gaseous fuel and providing related services and energy solution to customers in industrial, commercial and residential sectors. GMRS is engaged in the business of supplying LPG to residential and commercial users via a reticulation system.

(a) Natural gas

Sources of natural gas and natural gas supply concept

The natural gas supply is currently sourced from PEGT via its PGU pipeline. The natural gas is supplied through the city gate stations (which are stations with pressure-regulating and gas metering facilities, and are located just off the PGU pipeline). The natural gas is then distributed throughout the Issuer's NGDS via feeder lines and distribution lines located throughout Peninsular Malaysia.

Depending on the volume and pressure of natural gas required, the pressure in these pipelines is reduced at district stations, service stations, area stations or regulating stations. Once the gas pressure has been reduced to the appropriate level, it is delivered to the offtaker's internal piping system. Such offtakers would include retail licensees, private gas licensees or other customers of a shipping licensee.

Tariff for natural gas supply

On 9 December 2019, GMB announced that the Government had issued a directive vide Energy Commission's letter dated 6 December 2019 that the GMB Group is to put into effect the average natural gas selling price by GMES

for the distribution segment. The directive is for the period of 2 years beginning 1 January 2020 and ending on 31 December 2021, with such average natural gas selling price being subject to annual review.

The average natural gas selling price beginning 1 January 2020 to 31 December 2020 was set at RM33.65/MMBtu, which is lower by 2.91% or RM1.01 /MMBtu compared to the average natural gas selling price for year 2019 for the distribution segment.

The current tariff schedule for the period beginning 1 January 2020 to 31 December 2020 is as follows:

| Tariff Category | Annual Gas Consumption (MMBtu) | Selling price from 1 January 2020 to 31 December 2020 |
|------------------------|---------------------------------------|--|
| A | Residential | 25.10 |
| B | 0 – 600 | 31.71 |
| C | 601 – 5,000 | 31.86 |
| D | 5,001 – 50,000 | 32.15 |
| E | 50,001 – 200,000 | 33.45 |
| F | 200,001 – 750,000 | 33.45 |
| L | Above 750,000 | 33.99 |
| Average | | 33.65 |

Supply of natural gas

PETRONAS and the Guarantor entered into the Petronas Gas Supply Agreement (i.e. the current agreement for the sale and purchase of dry gas) on 23 February 2012. The term of the current agreement is from 1 January 2013 to 31 December 2022. Pursuant to the novation agreement dated 30 November 2018, PETRONAS novated its rights and obligations under the Petronas Gas Supply Agreement to PEGT. PEGT is a wholly-owned subsidiary of PETRONAS. Further, the Guarantor, PEGT and GMES entered into novation agreement dated 27 September 2019 for the Guarantor to novate its rights and obligations under the Petronas Gas Supply Agreement to GMES.

The current Petronas Gas Supply Agreement ensures continuous supply of natural gas to GMES until 31 December 2022 subject to the terms and conditions stipulated therein.

(b) LPG

LPG supply concept

The supply of LPG does not rely on the NGDS, unlike the distribution of natural gas which relies on the NGDS for distribution throughout Peninsular Malaysia.

LPG is instead stored using either the bulk tank system or the manifold system which are connected to customer's appliances underground or above ground distribution pipes.

GMRS supplies LPG to residential and commercial users using a piped gas system. In respect of the activity of sale or use of LPG through a piping system to consumers' premises where the supply of gas is received from a storage tank or cylinder, such activity has to be licensed by the Energy Commission via a retail licence. Piping systems include those contained in residential apartments and commercial complexes, where a retail licence may be issued by the Energy Commission to a Joint Management Body ("**JMB**"), Management Corporation ("**MC**") or the owner of a piping system in such commercial complex.

With GMB Group's piped LPG system, customers no longer have to face the constraints of storage or safety risks from using gas cylinders within its own premises. Piped gas allows energy to be supplied to a variety of appliances besides the hob, such as water heaters and clothes dryers.

To ensure continuity of supply, a JMB, MC or owner of piping system in commercial complex is required to obtain a retail licence from the Energy Commission. All retail licensees are required to enter into a supply agreement with an LPG supplier of their choice within the timeline as required by the Energy Commission.

A retail licensee who has entered into a gas supply agreement with an LPG supplier may choose whether to manage gas supply to end-users or to appoint GMRS or any other service provider as their agent to carry out the management of gas supply to their end-users.

Source of LPG

Currently, GMB Group sources its LPG supply from three main suppliers, namely Petronas Dagangan Berhad, NGC Energy Sdn Bhd and Boustead Petroleum Marketing Sdn Bhd.

5.10 Other major corporate developments

The Guarantor has taken further steps in finding new areas of growth and diversifying its income streams, and the following are some of the new ventures of GMB Group:

Pipeline development agreement to develop NGDS network

In February 2018, the Guarantor has signed a pipeline development agreement with the Perak State Government for the Guarantor to develop, operate and own the NGDS network measuring approximately 140 KM in the Kinta Valley region. This project is currently ongoing as at the LPD.

Signing of Gas Purchase Agreements

GMVP signed a Gas Purchase Agreement with Kulim Green Energy Ventures Sdn Bhd in 2019 for the sourcing of biomethane to be injected into the NGDS network. GMVP signed another Gas Purchase Agreement with Kian Hoe Plantation Berhad jointly with SDGMSB. The signing of the gas purchase agreements are in line with the Guarantor's long term sustainable strategy, which is to provide an alternative, renewable and sustainable gas supply.

5.11 Key financial highlights of the GMB Group

The GMB Group's key financial highlights from FYE 31 December 2015 to FYE 31 December 2019 are as follows:-

| Income Statement (RM'000) | 2015 (Audited) | 2016 (Audited) | 2017 (Audited) | 2018 (Audited) | 2019 (Audited) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | 3,619,769 | 4,052,969 | 5,315,324** | 6,233,243 | 6,886,453 |
| Cost of Sale | -3,422,314 | -3,797,619 | -5,041,055 | -5,940,538 | -6,595,159 |
| Gross Profit | 197,455 | 255,350 | 274,269** | 292,705 | 291,294 |
| Selling & Administrative and Other Operating Expenses | -63,099 | -52,943 | -69,646 | -59,493 | -61,293 |
| Finance Costs | -6,077 | -3,110 | -5,622 | -12,310 | -15,366 |
| Other Income | 15,281 | 13,548 | 15,683 | 13,217 | 27,510 |
| Profit Before Zakat and Tax | 143,560 | 212,845 | 214,684** | 234,119 | 242,145 |
| Tax & Zakat | -37,505 | -48,425 | -54,030 | -53,727 | -52,040 |
| Profit After Zakat and Tax | 106,055 | 164,420 | 160,654** | 180,392 | 190,105 |
| Earnings Before Interests Taxation Depreciation and Amortisation | 183,437 | 257,360 | 265,925** | 293,827 | 317,071 |

| Financial Position (RM'000) | 2015 (Audited) | 2016 (Audited) | 2017 (Audited) | 2018 (Audited) | 2019 (Audited) |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Non-Current Assets | 1,088,802 | 1,165,556 | 1,273,622** | 1,365,315 | 1,533,254 |
| Current Assets | 641,019 | 474,747 | 796,498** | 750,735 | 796,384 |
| Cash & Bank Balance | 361,954 | 585,113 | 218,198 | 404,504 | 292,426 |
| Total Assets | 2,091,775 | 2,225,416 | 2,288,318** | 2,520,554 | 2,622,064 |
| Non-Current Liabilities | 158,291 | 133,286 | 168,998** | 172,527 | 177,224 |
| Current Liabilities | 831,563 | 960,460 | 890,514** | 1,039,929 | 1,018,946 |
| Borrowings | 130,000 | 111,030 | 211,960 | 283,966 | 382,839 |
| Total Liabilities | 1,119,854 | 1,204,776 | 1,271,472** | 1,496,422 | 1,579,009 |
| Share Capital | 642,000 | 642,000 | 642,000 | 642,000 | 642,000 |

| | | | | | |
|-----------------------------|---------|-----------|-------------|-----------|-----------|
| Reserves | 328,726 | 378,163 | 374,846** | 382,132 | 401,055 |
| Shareholders' Funds | 970,726 | 1,020,163 | 1,016,846** | 1,024,132 | 1,043,055 |
| Non-controlling Interests | 1,195 | 477 | - | - | - |
| Total Equity | 971,921 | 1,020,640 | 1,016,846** | 1,024,132 | 1,043,055 |
| Gross Gearing Ratio (times) | 0.13 | 0.11 | 0.21 | 0.28 | 0.37 |
| Net Gearing Ratio (times) | n/a* | n/a* | n/a* | n/a* | 0.09 |

*n/a because net cash & bank balance position

**As restated for the audited financial statement in respect of FYE 31 December 2017, following the adoption of MFRS 15 "revenue from contracts with customers".

5.12 Commentary on financial performance

FYE 31 December 2016

GMB Group's revenue was RM4,053.0 million compared to RM3,619.8 million in the corresponding year in FYE 31 December 2015, representing an increase of 12.0% mainly due to higher volume of gas sold and the upward revisions of natural gas tariff effective 1 January 2016 and 1 July 2016. The profit before zakat and taxation was RM212.8 million, an increase of 48.3% compared to RM143.6 million in the corresponding year in FYE 31 December 2015. This was in line with the increase in the volume of gas sold, tolling fees and assets contribution by customers.

FYE 31 December 2017

GMB Group's revenue was RM5,315.3 million compared to RM4,053.0 million in the corresponding year in FYE 31 December 2016, representing an increase of 31.1%, in tandem with two tariff revisions in 1 January 2017 and 1 July 2017. Supplementing these tariff revisions was the growth in volume of gas sold. The profit before zakat and taxation was RM214.7 million, an increase of 0.9% compared to RM212.8 million in the corresponding year in FYE 31 December 2016. The slight increase in GMB Group's profit before zakat and taxation, despite higher volume of gas sold and higher share of results in joint venture companies, was due to the impact of the adoption of new accounting standard, MFRS 15 amounted to RM33.5 million. Excluding this impact, the profit before zakat and taxation in FYE 2017 would have increased by 16.6% to RM248.2 million.

FYE 31 December 2018

GMB Group's revenue was RM6,233.2 million compared to RM5,315.3 million in the corresponding year in FYE 31 December 2017, representing an increase of 17.3% was attributed to the increase in volume of gas sold coupled with two tariff revisions in 1 January 2018 and 1 July 2018. The profit before zakat and taxation was RM234.1 million, an increase of 9.1% compared to RM214.7 million in the corresponding year in FYE 31 December 2017. This increase was primarily attributable to higher volume of gas sold during the year under review.

FYE 31 December 2019

GMB Group's revenue was RM6,886.5 million compared to RM6,233.2 million in the corresponding year in FYE 31 December 2018, representing an increase of 10.5% was attributed to the increase in volume of gas sold and the upward revisions of natural gas tariff in 1 January 2019 and 15 July 2019. The profit before zakat and taxation was

RM242.1 million, an increase of 3.4% compared to RM234.1 million in the corresponding year in FYE 31 December 2018. This increase was driven by higher volume of gas sold and higher share of results in joint venture companies.

[The rest of this page has been intentionally left blank]

SECTION 6 BUSINESS OVERVIEW OF THE ISSUER

Words and expressions used and defined in this Section 6 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 6.

6.1 Overview

As stated in the preceding sections of this Information Memorandum, the Issuer holds the licence issued pursuant to Section 11B (1)(a) of the Gas Supply Act by the Energy Commission, with the approval of the Minister. By virtue of the distribution licence, the Issuer is authorised to carry out the activity of developing, operating and maintaining the distribution pipeline to deliver gas through the distribution pipeline in Peninsular Malaysia effective from 1 January 2020. The distribution licence is issued for a period of 20 years unless it is revoked earlier by the Energy Commission by reason of breach of any of the conditions thereof or if the Issuer ceases to conduct the authorized business under the distribution licence or on any other ground determined by the Energy Commission to be necessary or expedient in accordance with the conditions of the license.

6.2 The gas supply industry following the Gas Supply (Amendment) Act 2016

Liberalisation of the gas supply industry pursuant to the GSAA

The GSAA and the TPA Code have significantly changed the regulatory environment of the gas supply industry.

Pursuant to the TPA Code, the Issuer as distribution licensee is also required to submit, amongst others, the AA (which effectively works as a multi-party arrangement governing the rights and obligations as between GMD and all licensed shippers in respect of the access to the NGDS) and the Gas Distribution Agreement (“**GDA**”) to the Energy Commission for approval prior to the commencement of gas distribution business. The AA would be incorporated as part of the terms of the GDA of the Issuer.

As at the LPD, the AA and the GDA have been approved by the Energy Commission and the AA has been published on the Issuer’s website on 30 June 2020.

Agency arrangements after the FUD

As mentioned in Paragraph 5.8 of Section 5 above, the Issuer, the Guarantor and its relevant subsidiaries were operating under the agency arrangements entered into pursuant to the respective Agency Agreements subsequent to the FUD for Issuer and GMES as licensed subsidiaries to carry out the respective gas distribution and gas supply business as licensed by the Energy Commission.

Terms of Access and New GSAs being effective from 1 April 2020

As the New GSAs between GMES and the customers are effective from 1 April 2020, it is necessary for GMES to have access to the NGDS operated by the Issuer in order for GMES to perform its contractual obligations under the New GSAs.

In this regard, access to the Issuer’s NGDS by GMES is based on the B-2-B Terms of Access (“**Terms of Access**”) effective from 1 April 2020 pending the finalisation and publication, at that time, of the AA and the execution of GDA.

The Terms of Access is a contractual document entered into between the Issuer and respective licensed shippers (i.e. GMES and PEGT) to govern the relationship between the NGDS owner and the parties utilising the NGDS during the interim period, before the AA and the GDA are implemented and executed.

Gas Distribution Agreement and the Access Arrangement]

As at the LPD, the Issuer is formalizing the GDA to be entered into with the current licensed shippers i.e. GMES and PEGT.

The GDA which the Issuer will enter into with licensed shippers seeking access to the NGDS will be the central agreement governing the relationship between the Issuer and the licensed shippers. The GDA will incorporate the terms of the AA as approved by the Energy Commission, which has been published on the website of the Issuer on 30 June 2020.

6.3 Salient Terms of Key Agreements in relation to the Issuer's business

GMD Agency Agreement (1 January 2020 to 31 March 2020)

The Issuer and the Guarantor entered into an agency agreement dated 2 January 2020 ("**GMD Agency Agreement**") for the Issuer to be appointed as the Guarantor's agent to perform the following services:

- (a) Planing and developing the natural gas distribution network;
- (b) Constructing new pipelines for the expansion of the natural gas distribution network;
- (c) Facilitate the operation of the natural gas distribution network;
- (d) Maintaining the natural gas distribution network; and
- (e) Providing commercial and technical services related to the natural gas distribution network.

The GMD Agency Agreement was valid for a contract period of 3 years commencing from 1 January 2020 and shall be automatically renewed on a year to year basis unless a notice of non-renewal is served by either party or unless otherwise terminated.

The Guarantor is required to make payment to the Issuer on a monthly basis, based on the fee prescribed amounting to RM1.88/mmBtu.

As at the LPD, the GMD Agency Agreement has been terminated. Subsequently, GMD entered into the Terms of Access with GMES.

The Terms of Access between the Issuer with GMES and PEGT respectively

While the execution of the GDA is pending as at the LPD, GMES and PEGT as licensed shippers had been granted access to the NGDS pursuant to the Terms of Access entered into by GMD with each of GMES and PEGT respectively.

The salient terms of the respective Terms of Access entered into between the Issuer with PEGT and GMES are as follows:

| Subject | Description |
|-------------------------|---|
| Contract Period | Effective from 1 January 2020 (for PEGT) and 1 April 2020 (for GMES) until superseded by the GDA to be entered into between the licensed shippers and Issuer. |
| Reservation of capacity | The licensed shippers shall book the capacity of the pipeline which is expressed in GJ/day, being the daily quantity, to flow gas to the licensed shippers' offtakers through the NGDS. |
| Distribution Charges | The distribution charge payable is based on the following formula: Distribution Charge payable = Aggregate daily quantity of reserved capacity |

| Subject | Description | | | | | | | | | | | | | | |
|---|---|---------------------|--------------------------------|------------------|--------|-----------------------|-----------------------------|-----------------|-----------------------------|-------------------|--------------------------|---------------|------------------------|-----------|------------|
| | x days in the month x distribution tariff approved by Energy Commission | | | | | | | | | | | | | | |
| Distribution Charges applicable to GMES' customers who are subject to the Notice* | <p>GMES shall pay distribution charge based on the following formula:</p> <p>Distribution Charge payable by GMES = Aggregate quantity of gas delivered in a month on behalf of GMES x distribution tariff approved by Energy Commission</p> <p><i>*Implementation of Notice to Market on Gas Distribution Segment Way Forward as Published on the Website of the Energy Commission on 20 December 2019 ("Notice")</i></p> | | | | | | | | | | | | | | |
| Gas Specification | <p>The licensed shippers shall ensure the gas flow through the NGDS shall conform to the following specification:</p> <table border="1"> <tr> <td>Gross Heating Value</td><td>35.1 – 48.1 MJ/Sm³</td></tr> <tr> <td>Specific Gravity</td><td>< 0.75</td></tr> <tr> <td>Hydrocarbon Dew Point</td><td>10 degree Celsius @ 56 Barg</td></tr> <tr> <td>Water Dew Point</td><td>10 degree Celsius @ 56 Barg</td></tr> <tr> <td>Hydrogen Sulphide</td><td>< 5.7 mg/Sm³</td></tr> <tr> <td>Total Sulphur</td><td>< 30mg/Sm³</td></tr> <tr> <td>Inert Gas</td><td>< 10% mole</td></tr> </table> | Gross Heating Value | 35.1 – 48.1 MJ/Sm ³ | Specific Gravity | < 0.75 | Hydrocarbon Dew Point | 10 degree Celsius @ 56 Barg | Water Dew Point | 10 degree Celsius @ 56 Barg | Hydrogen Sulphide | < 5.7 mg/Sm ³ | Total Sulphur | < 30mg/Sm ³ | Inert Gas | < 10% mole |
| Gross Heating Value | 35.1 – 48.1 MJ/Sm ³ | | | | | | | | | | | | | | |
| Specific Gravity | < 0.75 | | | | | | | | | | | | | | |
| Hydrocarbon Dew Point | 10 degree Celsius @ 56 Barg | | | | | | | | | | | | | | |
| Water Dew Point | 10 degree Celsius @ 56 Barg | | | | | | | | | | | | | | |
| Hydrogen Sulphide | < 5.7 mg/Sm ³ | | | | | | | | | | | | | | |
| Total Sulphur | < 30mg/Sm ³ | | | | | | | | | | | | | | |
| Inert Gas | < 10% mole | | | | | | | | | | | | | | |
| Invoicing and Payment | GMD shall issue to the licensed shippers invoice for distribution charges not later than 7 days after end of each month. Payment shall be made within 21 days from the date of the invoice. | | | | | | | | | | | | | | |
| Bank Guarantee | GMD shall have the right to request bank guarantee from the licensed shippers, which is an amount equivalent to the daily quantity of reserved capacity contracted multiplied by distribution tariff multiplied by 90 days upon execution of the GDA. | | | | | | | | | | | | | | |

The Terms of Access entered into by the Issuer and GMES to allow GMES to access the NGDS contains substantially similar terms with the Terms of Access entered into by the Issuer with PEGT.

Gas Distribution Agreement between GMES and the Issuer and the Access Arrangements

Upon migration of the Issuer and the Group Entities into the full TPA Framework, the GDA shall be executed by GMD with a licensed shipper, including GMES. As at the LPD, the Issuer and the licensed shippers are in the midst of formalising the GDA. Nevertheless, the contractual relationship between GMD and GMES are subject to the Terms of Access set out in the Paragraphs above.

The GDA incorporates the AA, which is a document established by the Issuer and approved by the Energy Commission that contains the standard principles of arrangement between the Issuer as the distribution licensee and the parties who wish to access the distribution pipeline.

The salient terms of the GDA and the AA as approved by the Energy Commission (which shall be read together and form part of the GDA) are as below:

| Subject | Description |
|---------|-------------|
|---------|-------------|

| Subject | Description |
|--|---|
| Application of Access Arrangement | The GDA shall be read together with the AA. In the event of inconsistency, the provisions in the AA shall prevail to the extent of such inconsistency. |
| Effective Date of the AA | The date on which the AA is published on GMD's website; or a date to be notified by Energy Commission, whichever is earlier |
| Services from GMD | <p>GMD will make the following services available in relation to the distribution networks:</p> <ul style="list-style-type: none"> (a) firm distribution service; and (b) interruptible distribution service. <p>The firm distribution service comprises:</p> <ul style="list-style-type: none"> (a) receipt of gas at entry points; (b) distribution of gas from entry points to exit points; and (c) delivery of gas and measurement of gas at exit points, on a reserved firm capacity basis. <p>The interruptible distribution service comprises:</p> <ul style="list-style-type: none"> (a) receipt of gas at entry points; (b) distribution of gas from entry points to exit points; and (c) delivery of gas and measurement of gas at exit points, on a reserved interruptible capacity basis. |
| Applicability of AA | <p>AA shall be applicable to:</p> <ul style="list-style-type: none"> (a) the distributor; (b) the shippers and (c) the connected parties (transporter, offtaker or a third party carrying out commercial activities) ("Connected Parties") |
| Supporting instruments to the AA | <p>The AA shall be read together and construed with the following documents:</p> <ul style="list-style-type: none"> (a) the metering philosophy; (b) the OFO Handling Procedures; and (c) the Gas Connection Manual. |
| Eligibility of shipper | <p>To obtain services from GMD, the shipper must satisfy the following requirements:</p> <ul style="list-style-type: none"> (a) it must be a holder of shipping licence; (b) it must identify its address, telephone, email and other details of the person in charge for purpose of communication; and (c) it must submit to the distributor the prescribed application form and any other supporting documents. |
| Nomination | The shipper shall have the right to submit nominations for gas up to its reserved capacity on a daily basis, which is subject to the distributor's approval. |
| Transfer of Reserved Capacity | A shipper may apply to the distributor to transfer all or part of the reserved capacity subject to the distributor's prior written consent. |

| Subject | Description | | | | | | | | | | | | | | |
|--|---|---------------------|--------------------------------|------------------|--------|-----------------------|-----------------------------|-----------------|-----------------------------|-------------------|-------------------------|---------------|--|-----------|------------|
| | | | | | | | | | | | | | | | |
| Tariff | <p>The distribution tariff is applicable throughout each distribution network and is the same regardless of the relevant exit point. The tariff may be revised by the distributor on the following grounds only:</p> <p>(a) at the end of each regulatory period specified by the Energy Commission;</p> <p>(b) where the distributor undertake major investment or capital improvements; or</p> <p>(c) following a change in law as approved by the Energy Commission.</p> | | | | | | | | | | | | | | |
| Distribution Charges | A shipper shall pay firm distribution charge or interruptible distribution charge, on a monthly basis. | | | | | | | | | | | | | | |
| Title & Risk | Title to and risk of gas to all quantities of gas distributed within a distribution network shall at all times remain with the relevant shipper, save as otherwise provided in the AA. | | | | | | | | | | | | | | |
| Connection to the NGDS | Shipper must procure that there is a Gas Connection Manual in effect in respect of each entry point and exit point between the distributor and the relevant Connected Party. | | | | | | | | | | | | | | |
| Gas Specification | <p>All gas delivered to at the entry point shall conform to the gas specification below:</p> <table border="1"> <tr> <td>Gross Heating Value</td><td>35.1 – 48.1 MJ/Sm³</td></tr> <tr> <td>Specific Gravity</td><td>< 0.75</td></tr> <tr> <td>Hydrocarbon Dew Point</td><td>10 degree Celsius @ 56 Barg</td></tr> <tr> <td>Water Dew Point</td><td>10 degree Celsius @ 56 Barg</td></tr> <tr> <td>Hydrogen Sulphide</td><td>< 5.7 mg/m³</td></tr> <tr> <td>Total Sulphur</td><td>< 30mg/m³ at city gate stations; and < 34mg/m³ at any other part of a distribution network</td></tr> <tr> <td>Inert Gas</td><td>< 10% mole</td></tr> </table> | Gross Heating Value | 35.1 – 48.1 MJ/Sm ³ | Specific Gravity | < 0.75 | Hydrocarbon Dew Point | 10 degree Celsius @ 56 Barg | Water Dew Point | 10 degree Celsius @ 56 Barg | Hydrogen Sulphide | < 5.7 mg/m ³ | Total Sulphur | < 30mg/m ³ at city gate stations; and < 34mg/m ³ at any other part of a distribution network | Inert Gas | < 10% mole |
| Gross Heating Value | 35.1 – 48.1 MJ/Sm ³ | | | | | | | | | | | | | | |
| Specific Gravity | < 0.75 | | | | | | | | | | | | | | |
| Hydrocarbon Dew Point | 10 degree Celsius @ 56 Barg | | | | | | | | | | | | | | |
| Water Dew Point | 10 degree Celsius @ 56 Barg | | | | | | | | | | | | | | |
| Hydrogen Sulphide | < 5.7 mg/m ³ | | | | | | | | | | | | | | |
| Total Sulphur | < 30mg/m ³ at city gate stations; and < 34mg/m ³ at any other part of a distribution network | | | | | | | | | | | | | | |
| Inert Gas | < 10% mole | | | | | | | | | | | | | | |
| Metering | The distributor will determine whether it owns, installs and operates measuring equipment at entry points or exit points or whether it makes alternative arrangements with the Connected Parties. | | | | | | | | | | | | | | |
| Gas Management System | The distributor shall establish a gas management system which provides for the electronic transfer of information between the distributor and shippers. | | | | | | | | | | | | | | |
| Bank Guarantee | <p>The shipper shall furnish to the distributor an irrevocable, unconditional and on demand bank guarantee in favour of the distributor.</p> <p>The amount of the bank guarantee is calculated based on the terms set out in the AA.</p> | | | | | | | | | | | | | | |
| Termination and suspension of GDA | <p>If either party breaches the term of the GDA, is declared insolvent or is subject to winding-up, the other party shall be entitled to terminate the GDA, or suspend the GDA for a period of not more than 60 days.</p> <p>If a shipper has its shipping licence revoked, unable to fulfil its payment obligations or provide bank guarantee, the distributor may terminate the</p> | | | | | | | | | | | | | | |

| Subject | Description |
|---------|---|
| | GDA provided that the shipper is given 14 days to remedy the default. A shipper may terminate the GDA if the distributor licence of the distributor is revoked or suspended. |

6.4 Salient terms and conditions of the distribution licence held by the Issuer

Salient terms of the distribution licence

The distribution licence is the key regulatory document for the Issuer to carry out the activity of planning, developing, operating and maintaining its gas distribution business. The Issuer is obligated to adhere to the licensing conditions imposed thereunder at all times. The salient terms of the distribution licence granted to the Issuer are as below:

| Subject | Conditions |
|--|---|
| Commencement Date | 1 January 2020 |
| Authorised Business | The Issuer is authorized to carry out the activity of planning, developing, operating and maintaining the distribution pipeline to deliver gas through the distribution pipeline. |
| Shareholding and Restriction in Changes | Any change to the Issuer's substantial shareholding shall be informed to the Energy Commission. Any change to the shareholding structure shall not involve any shareholders or shareholdings of the transportation or regasification licensees or which is in conflict with the interests in the authorised business of the Issuer unless prior written approval of the Energy Commission is obtained. |
| Prohibition on Cross Subsidies | The Issuer shall ensure that the authorised business shall not give any subsidy to, or receive any cross subsidy from, any other business of the Issuer or an affiliate or related undertaking of the Issuer. |
| Obligation to submit business plan | The Issuer shall submit its business plan to the Energy Commission in accordance with all applicable laws, including guidelines or directions as may be issued by the Energy Commission from time to time. |
| Planning, Development, Maintenance and operation of the facility | The Issuer shall be responsible for the planning, development, maintenance and operation of the facility and shall carry out all refurbishments and replacements of and new investments in the facility. |
| Acquisition and Disposal of relevant assets | The Issuer shall notify the Energy Commission with not less than 3 months prior written notice of its intention to acquire any relevant asset, dispose of or relinquish control over any relevant asset, with a value in excess of a sum equivalent to a figure which shall cause a difference of RM0.01 or more to the tariff currently applicable for the utilisation of the facility, together with such further information as the Energy Commission may request, relating to such asset or the circumstances of such intended acquisition, disposal or relinquishment of control, including the acquisition and disposal procedures of the Issuer. |

| Subject | Conditions |
|---|--|
| | |
| Audit | At the intervals of not more than 4 years, or less, the Issuer shall carry out management, technical and safety audit and shall submit such reports and relevant information to the Energy Commission. |
| Standard of performance | The Issuer shall publish such consumer service standards or standards of performance in accordance with applicable laws. |
| Construction or modification of the distribution pipeline | Before commencing any construction works that may modify or impact materially the distribution pipeline, the Issuer shall give the Energy Commission and all other persons who may be affected directly and materially by such works notice of the intended construction works. |
| Economic purchase and procurement | In procuring or purchasing assets and services related to the authorised business, the Issuer shall ensure that such procurements or purchases are from the most economical sources available to it having regard to the quantity and nature of the assets and services required and to the diversity, number, timeliness of delivery and reliability of such assets and services. |

By virtue of its distribution licence, the Issuer is authorised to enter into contractual arrangements with entity licensed by the Energy Commission to allow third party access to utilize the NGDS system in exchange for payment of distribution charges to the Issuer based on distribution tariff as approved by the Energy Commission.

Energy Commission's right to suspend or revoke the Distribution Licence

The Energy Commission may suspend the distribution licence if the Issuer fails to comply with any of the licensing conditions, any directions, notice or order given pursuant to the licensing conditions imposed by the Energy Commission.

Further, the Energy Commission may at any time revoke the distribution licence if:

- (a) The Issuer breaches any of the licensing conditions and fails to remedy such breach within the specified time;
- (b) The Issuer has been found to give false or misleading information that has material effect;
- (c) If a receiver or liquidator has been appointed for the Issuer, or if any action taken for the compulsory or voluntary winding up of the Issuer or dissolution of Issuer's business;
- (d) If the Issuer ceases to carry out the authorized business;
- (e) If there had been any act or omission of the Issuer or there has been any change in circumstances that the Issuer would no longer be entitled to the distribution licence; or
- (f) If there had been a change in law or policy to the effect of changing the structure or operation of the gas supply industry.

6.5 Tariff set for the distribution charges

The Government has issued a directive to the Issuer, via a letter from the Energy Commission dated 6 December 2019, to put into effect the approval of the average base tariff for the utilisation of the NGDS system of the Issuer under the IBR framework. The average base tariff will be applicable for the three year regulatory period beginning 1 January 2020 to 31 December 2022.

The approved average base tariff for GMD for the regulatory period beginning 1 January 2020 to 31 December 2022 is RM1.573/GJ/day. Meanwhile, the approved surcharge to GMD's average base tariff for the period beginning 1 January 2020 to 31 December 2021 is RM0.520/GJ/day.

[The rest of this page has been intentionally left blank]

SECTION 7 INVESTMENT CONSIDERATIONS AND RISK FACTORS

Prospective investors of the Sukuk Murabahah should consider carefully all information set out in this Information Memorandum and, in particular, the following risks involved. The Sukuk Murabahah are subject to certain risks that could adversely affect the business of the Issuer and the Guarantor. The following section does not purport to be complete or exhaustive. Prospective investors should undertake their own investigations and analysis on the Issuer, the Guarantor, and its business and risks associated with the Sukuk Murabahah.

Words and expressions used and defined in this Section 7 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 7.

7.1 Risk factors relating to the Issuer

(a) The Issuer is newly incorporated with no operating track record

The Issuer was incorporated in Malaysia in November 2017 under the Companies Act and as at the LPD has no operating history and/ or a track record. However, the NGDS previously being operated by the Guarantor has been demonstrating strong operational performance with a supply reliability rate of 99% and low system average interruption duration index (SAIDI) of 0.1780 minutes for year 2019 (for year 2018: 0.3299 minutes).

As part of the internal re-organisation of the GMB Group, the distribution team within the Guarantor has been transferred to the Issuer. With the re-organisation and continuous support from the Guarantor, the Issuer is likely to continue with the Guarantor's track record in gas distribution business.

(b) The rates that the Issuer charges licensed shippers are subject to regulation

The rates that the Issuer charges its customers i.e licensed shippers are subject to regulations and the base tariffs are approved by the Government. Accordingly, returns for the Issuers will be dependent on the base tariffs as approved.

Based on the IBR framework that is applicable to the tolling fee of the Issuer, the Issuer will forecast an annual revenue requirement that is sufficient to meet operating expenses (including maintenance cost and administrative cost), depreciation, taxes and provide a return to the company. The Issuer will be provided with a certain return for the service it provides. The return is a function of the weighted average cost of capital and the Issuer's regulated asset base (including pipelines and buildings).

As the tariff is determined in advance for each regulatory period, the Issuer is required to operate within the forecasted operating expenses. Given that the GMB Group was already in the business for the past 27 years, the risk of material deviation from the forecasted operating expenses is expected to be minimal, supported by well-versed understanding of the operations and business environment. Based on its proven track record, GMB has managed its cost within its forecasted operating expenses in the previous regulatory period, i.e. RP0, beginning from 1 January 2017 to 31 December 2019, while continuing to provide good services to all its customers. With continuous proper planning and monitoring, the commendable track records are expected to continue in the future years.

(c) The Issuer's gas distribution business is open to competition upon implementation of the TPA Framework

With the implementation of the TPA Framework, which entails the liberalisation of the Malaysian gas market, third parties are allowed to be involved in the gas distribution business. Currently, the Issuer is one of the three gas distribution licensees which have been issued gas distribution licence by the Energy Commission.

Notwithstanding this, the Issuer believes that the risk of competition for the Issuer is not significant in the future because of the wide coverage of the Issuer's existing NGDS reaching most industrial areas in Peninsular Malaysia which in itself is expected to pose a significant challenge for any new entrants due to the high capital expenditure requirements. Also, the Issuer believes there is a remote possibility of direct competition in the area where there are currently NGDS networks as the utilisation of the gas distribution assets will not be cost efficient.

The Issuer also remains optimistic that with 27 years of experience in the industry of its parent company coupled with the competent workforce, reliable services, operational efficiencies and reputable relationship with the customers, it will provide the Issuer an added advantage under a liberalised market. With the strong fundamentals and sturdy track record that the Guarantor built over the years, the Issuer is in the position to remain competitive and embrace the challenges of a liberalized market.

(d) Capital intensive business

The Issuer's natural gas distribution business is capital intensive. The Issuer may incur substantial capital expenditures from time to time in connection with projects intended to expand the Issuer's operational capacity or capabilities and improve the business of the Issuer. These projects may include, but are not limited to, construction of new gas pipelines for other new customers. It is critical that these projects be completed in a timely manner in order to contribute to the continuous growth and development of the Issuer's business and operations.

In addition, sufficient funding is critical for the planned capital expenditures. Otherwise, the Issuer's business operations, profitability and financial condition could be adversely affected. The Issuer adopts a prudent approach to liquidity risk management, which involves maintaining sufficient cash and funding lines to meet its financial obligations, capital expenditure and business activities' requirements.

(e) Operational risk

Given the nature of its business, the Issuer is heavily reliant on the NGDS which is designed, constructed and operated to enable natural gas to be sold and delivered safely, reliably and efficiently. The natural gas is delivered from each city gate station (not owned or operated by the Issuer) through the NGDS to the customers.

The risk to the Issuer's NGDS is the gas pipeline damage and rupture which may cause a material interruption to the distribution of gas to end-customers of shipping licensee(s) utilizing the Issuer's NGDS. To mitigate the above risk, daily pipeline inspections are carried out to detect abnormalities and unauthorized third-party work within the vicinity of the Issuer's gas facilities. Any third-party work within the vicinity of gas facilities requires a permit and is supervised by the Issuer's technical team to prevent damage to the gas facilities. Periodic preventive maintenance and systematic troubleshooting including gas station maintenance, checking of underground steel gas pipeline conditions, valve inspection, pipeline leakage survey, pipeline integrity inspection are carried out to ensure that gas facilities are in good condition.

There are also dedicated on-call emergency response teams on standby to physically respond to emergencies within 90 minutes of notification, to minimize the risk to the public and limit the potential damage to properties and environment.

As at LPD, the Issuer has been able to maintain its strong operational performance with a supply reliability rate of 99% and has not encountered any significant gas supply interruptions at its gas pipeline facilities.

(f) Regulatory risk

The gas supply legislation provides a regulatory framework where both the Government and industry are expected to play a part in ensuring economical, quality, efficiency, reliability and safety in the use of natural gas and LPG. Standards are set by the Gas Supply Act for appropriate systems and practices to be put in place. The Gas Supply Regulations 1997 provides a comprehensive set of preventive measures to ensure the safety of gas pipelines and installations at each stage of the process such as during installation, commissioning, operation, maintenance, repair, upgrading and removal of the system. Provisions also exist to deal with foreseeable problems such as third party intrusions and tampering with the gas system.

Under the TPA Framework, the Energy Commission had also published a series of guidelines and regulatory documents for compliance by the licensees, including the Guideline on Licence Application, TPA Code and Guidelines on Determination of Gas Distribution Facility Tariff under IBR.

Breach of, or non-compliance with, these guidelines, laws and regulations as published by the Energy Commission or other relevant authorities from time to time may result in the suspension, withdrawal, non-renewal or termination of a licensee's licences or permits, or the imposition of penalties, by the relevant authorities. The relevant authorities could also potentially change their existing policies or approach in respect of the enforcement or interpretation of existing laws and regulations.

Under the IBR administered by the Energy Commission, the Issuer must follow a set of guidelines which set the methodology to establish its natural gas tariff and provide operational, financial and performance incentives for the Issuer.

IBR is a form of regulatory intervention for public utilities to operate efficiently and is typically applied to natural monopolies, often in transmission and distribution networks in electricity, gas and water sectors. In addition, the determination of natural gas tariff under the IBR will be based on cost efficiency and improved transparency reflecting its costs and returns requirement.

7.2 Risk factors relating to the Guarantor and GMB Group's businesses

(a) PETRONAS' conditional consent to the ATA

As noted in the preceding section, the ATA is subject to certain conditions precedent including consent of PETRONAS as a special shareholder of GMB. In this regard, PETRONAS has given its consent for the transfer of the assets pursuant to the ATA. PETRONAS has expressed for certain conditions to be complied with by the GMB Group in the consent letter. As at the LPD, the Guarantor is still in discussions with PETRONAS as regards these conditions which have been imposed.

The position will be clarified when the discussions are concluded. However until then, the outcome is still not certain including any changes to ownership or board structure of the Issuer pursuant to the conditions. Notwithstanding this, the Guarantor believes that the conditions which may be imposed by PETRONAS must nevertheless be in line with its right and entitlement as a special shareholder of the Guarantor as provided in the Constitution of the Guarantor.

The Guarantor is of the view that it was necessary to proceed to complete the asset transfer to the Issuer on the FUD due to the fact that the distribution licence in the name of the Issuer was decided by Energy Commission to be effective on 1 January 2020.

(b) **Demand risk**

Demand for natural gas is typically dependent on the level of general economic activity because gas is used in a wide range of industries across the economy.

The industrial sector makes up about 99% of the total volume of natural gas sold by the GMB Group in 2019 and is accordingly the main contributor of its turnover.

Currently GMB Group has a diversified customer base in the industrial sector which limits its exposure to any particular industry. The customers span across all sectors such as rubber, food, beverages and tobacco and fabricated and basic metal, and other sectors such as non-metallic minerals, glass, chemicals, electric and electronics, paper, printing and publishing and textiles industry.

GMB Group's customer base, gas volume and revenue for the past 4 years from FYE 31 December 2016 to FYE 31 December 2019 are as set out below:

| | 2016 | 2017 | 2018 | 2019 |
|--------------------------------|--------|--------|--------|--------|
| Customers Base | | | | |
| Industrial | 819 | 853 | 888 | 933 |
| Commercial | 2,260 | 2,310 | 2,331 | 2,328 |
| Residential | 35,298 | 35,720 | 34,703 | 32,909 |
| Gas Volume (million MMBtu) | 164.3 | 183.9 | 193.8 | 201.2 |
| Revenue (RM Billion) | 4.1 | 5.3 | 6.2 | 6.9 |

(c) **Supply and price risk**

Pursuant to the terms and conditions of the current Petronas Gas Supply Agreement (as novated by PETRONAS to PEGT and subsequently novated by GMB to GMES), PEGT has agreed to supply natural gas on a long-term basis to GMES for a period of ten (10) years effective from 1 January 2013. GMES may request for extension of the term of Petronas Gas Supply Agreement for a further period of 5 years subject to renegotiation of terms. If there are material interruptions in the supply of gas, or supply shortages or suspension due to gas deficiency from the current supplier, GMES' gas supply to its customers may be delayed or suspended, which may in turn result in loss of customers and material loss of revenue for GMES.

To address the impact arising from interruptions in gas supply or suspension due to gas deficiency from the current supplier which are not within GMES' control, GMES' contracts with its customers will be entered into on an interruptible supply basis.

As regards the risk of shortage of natural gas supply, the Guarantor is of the view that such risk is remote as PETRONAS is able to import additional gas via the regasification terminal. Upon the full implementation of the TPA Framework, GMES has the additional option of purchasing natural gas from parties other than PETRONAS/ PEGT.

The purchase price of natural gas by GMES from PEGT has been fixed for the year 2020, mitigating the risk of price fluctuation. GMES is currently in negotiation with PEGT on the price for year 2021, which will be proposed for Energy Commission's annual review of the natural gas tariff. Given the natural gas tariff will be fixed by Energy Commission in 2021, incorporating GMES's gas cost, operating expenditure and return, the GMB Group is of the view that the gas price fluctuation risk shall be mitigated, similar to the arrangement made in 2020.

From 2022, GMES has the option to also source natural gas from any suppliers in the market and the GMB Group strongly believes that the high volume supplied to existing customers will give advantage to GMES in negotiating better pricing with gas suppliers.

(d) **Competition risk and alternative fuel options**

Under the TPA Framework, third parties besides PETRONAS may bring in natural gas into Malaysia. The TPA Framework is expected to enhance gas supply industry's competitiveness as well as optimise development costs and gas infrastructure utilisation, in line with the Government's effort to liberalise the gas market. Upon implementation of the TPA Framework, any party will be able to import LNG to Malaysia and regasify it at the LNG regasification terminals, including in Malacca and Johor, before piping it into the PGU transmission system and the NGDS.

Competition in the shipping business will be driven by pricing and service efficiency. GMES will capitalize on the Guarantor's client relationship and commendable operational track record in gas supply and services which would provide GMES with better competitive advantage over the new shippers. Notwithstanding this, minimum impact on the GMB Group as a whole may still be expected from the entry of new shippers because any potential loss in revenue and market share is expected to be moderated by tolling fees imposed on the new shippers for utilising the NGDS.

Over the longer term, natural gas will remain as a viable source of fuel. It is expected to remain relatively price competitive and as a clean source of fuel. Furthermore, industries will incur significant costs to convert or replace their existing equipment, which utilises natural gas, to be suitable for other energy sources.

(e) **Economic risk**

The performance and profitability of the GMB Group is dependent on the general economic, business and market conditions. Adverse economic and market conditions could affect the general economic situation causing industries to lower production and, thus lowering consumption of natural gas and which, in turn, will affect the Issuer and GMES financially due to lower volume of gas sold to the customers and pass through the NGDS system.

A prolonged economic downturn may affect the Issuer and GMES as many industries will either lower production or shut down their factories causing

immediate loss of revenue to GMES and will indirectly affect the Issuer. However, the customer base of GMES/ GMB Group is currently well diversified across many industries and this is expected to mitigate the impact of adverse economic and market conditions.

(f) **Foreign exchange risk**

Under the TPA Framework, GMES and other third parties besides PETRONAS will be allowed to import LNG into Malaysia via regasification terminal facilities. GMES will be able to import LNG into Malaysia from various LNG sources that may be available anywhere in the world and regasify it at any of the regasification terminals in Malaysia before piping it into the existing PGU transmission system through third party access arrangements with Petronas Gas Berhad.

If any substantial imports of LNG are undertaken by GMES and these are to be denominated in foreign currencies, GMES may be exposed to foreign exchange risk. Changes in the foreign exchange rate between the RM and foreign currency may have an adverse effect on the GMES' financial results, should there be any unhedged foreign exchange exposure.

To mitigate the GMES' exposure to foreign exchange risks arising from these imports denominated in foreign currency and should the foreign exchange risks become significant to the business performance of GMES, GMES may be able to hedge its exposure to foreign exchange fluctuations by entering into hedging tools such as currency forward contracts and cross currency swap contracts with financial institutions. Even if such measures are taken, there can be no assurance that the foreign exchange risk can be fully mitigated.

(g) **Human capital risk**

The performance of the Issuer and the GMB Group is dependent upon the abilities and efforts of the board, senior management and skilled personnel. The Issuer's and the GMB Group's ability to execute its business operations, projects and competitive strategy in the future hinges largely on the efforts of the Issuer's and the GMB Group's key personnel.

The Issuer and the GMB Group recognise the importance of building up its human capital and continues to roll out a host of recruitment training and development programmes for employees at all levels. This is to ensure that the Issuer and the GMB Group have a ready pool of qualified leaders to meet and sustain its business needs today and for the future. To ensure sustainable growth of the Issuer and the GMB Group, the Issuer and the GMB Group also continue to focus on succession planning activities to put in place a leadership pool to lead the Issuer's and the GMB Group's business forward. Each key position in the management team has its own succession plan and this has been included as part of the key performance indices for all department heads. Development plan is on-going for this pool of potential successors including sending them for participation in senior management leadership programmes.

(h) **Adequacy of insurance coverage**

The Issuer and the GMB Group have taken the necessary measures to ensure that the Issuer's and the GMB Group's applicable assets are covered by insurance in accordance with standard industry practice. There is no assurance of adequacy of insurance coverage in the event of unforeseen incidents of a catastrophic nature caused by events such as force majeure.

(i) **Tariff setting for sales of natural gas by GMES**

For the period of two years beginning 1 January 2020 to 31 December 2021, the selling price of natural gas by GMES to the customers is subject to regulated price set by the Energy Commission, with an annual review of such price.

This regulated price will be applicable to the legacy customers of GMB under the GMB Gas Supply Agreements. The Energy Commission directed GMES to enter into the New GSA with these legacy customers for the remaining period of their GMB Gas Supply Agreements based on the same commercial terms set out in their respective GMB Gas Supply Agreements. During the 2 year period of which the regulated price applies, open market price competition only applies to new gas volume supplied to customers.

Commencing from 1 January 2022, GMES selling price of natural gas would no longer be regulated and would be subject to market price, unless otherwise determined by Energy Commission.

Given GMB Group's long term relationship and proven track record in customer service over the last 27 years, GMB Group strongly believes that GMES will be able to retain the customers and huge volume supplied to these customers. This shall enable GMES to negotiate better pricing with gas suppliers that can benefit all its customers. Furthermore, with the implementation of the TPA Framework, GMES has the additional option to source LNG from other gas suppliers other than PETRONAS, to ensure it is able to secure competitive gas price.

7.3 Risk relating to the Sukuk Murabahah

(a) The credit rating of the Sukuk Murabahah Programmes

The IMTN Programme and the ICP Programme have been assigned preliminary rating of AAA_{IS}/ MARC-1_{IS} by MARC. A rating is not a recommendation to purchase, hold or sell the Sukuk Murabahah and there can be no assurance that such a rating will not be revised on a periodic review basis by MARC during the tenor of the Sukuk Murabahah Programmes or that such a rating will not be withdrawn entirely if circumstances in the future so warrant. Similarly, there can be no assurance that the current rating of the Sukuk Murabahah Programmes will remain.

Further, such rating is not a guarantee of repayment or that there will be no default by the Issuer under the Sukuk Murabahah Programmes. In the event that the rating initially assigned to the Sukuk Murabahah Programmes is subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Sukuk Murabahah Programmes. Any downgrade or withdrawal of a rating will not constitute an event of default or an event obliging the Issuer to prepay the Sukuk Murabahah but may have an adverse effect on the liquidity and the market price of the Sukuk Murabahah. There is no obligation on the part of the Issuer, the Principal Adviser, the Lead Arranger, the Joint Lead Manager, the Sukuk Trustee or any other person or entity to maintain or procure maintenance of the rating for the Sukuk Murabahah Programmes.

(b) The market value of the Sukuk Murabahah may be subject to interest rate risk

The Sukukholders may be exposed to unforeseen losses due to fluctuations in interest rates, given that the Sukuk Murabahah are fixed income securities.

Generally, a rise in interest rates may cause a fall in the prices of fixed income securities, resulting in a capital loss for the holders of the fixed income securities. Conversely, when interest rates fall, the prices at which fixed income securities are traded may rise and the holders of the fixed income securities may enjoy capital gains but, given the then prevailing low interest rate environment, the profit received may potentially end up being reinvested for lower returns.

(c) **Prices of the Sukuk Murabahah may be subject to market value fluctuations**

Trading prices of the Sukuk Murabahah may be influenced by numerous factors, including the operating results and/or financial condition of the Issuer, political, economic, financial and any other factors that can affect capital markets in general. Any adverse economic and financial developments could have an effect on the market value of the Sukuk Murabahah.

(d) **Suitability of investment**

The Sukuk Murabahah issued under the Sukuk Murabahah Programmes may not be a suitable investment for all potential sukukholders. Each potential sukukholder must determine the suitability of the investment in light of its own circumstances. In particular, each potential sukukholder should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk Murabahah, the merits and risks of investing in the Sukuk Murabahah and the information contained in this Information Memorandum;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk Murabahah and the impact the Sukuk Murabahah will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk Murabahah, including where the currency of payment is different from the potential sukukholder's currency;
- (iv) understand thoroughly the terms of the Sukuk Murabahah and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

(e) **Shariah compliance**

The Shariah Adviser has issued the Shariah pronouncement confirming, amongst others, that the transaction and structure of the Sukuk Murabahah are Shariah-compliant as of the date of such Shariah pronouncement. However, the approval is only an expression of the view of the Shariah Adviser based on its experience in the subject. There can be no assurance as to the Shariah permissibility of the structure of the issue and the trading of the Sukuk Murabahah and neither the Issuer, the Principal Adviser, the Lead Arranger nor the Joint Lead Manager makes any representation as to the same.

Potential investors should obtain their own independent Shariah advice as to the Shariah compliance of the transaction and structure of Sukuk Murabahah.

(f) **No established secondary market in Sukuk Murabahah**

The Sukuk Murabahah comprises a new issue of securities for which there is currently no established secondary market. In other words, there can be no assurance regarding the future development of a market for the Sukuk Murabahah, the liquidity or sustainability of any market that may develop, the ability of the Sukukholders to sell their Sukuk Murabahah or the prices at which such Sukukholders may be able to sell their Sukuk Murabahah. There is also no assurance that the price of the Sukuk Murabahah will not be adversely affected by similar issues of Islamic securities.

(g) **Unsecured Sukuk Murabahah**

The Sukuk Murabahah to be issued under the Sukuk Murabahah Programmes will constitute direct, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* amongst themselves, without any preference of one over the other by reason of priority of the date of issuance or otherwise, and equally with all unsecured and unsubordinated obligations of the Issuer.

7.4 General considerations

(a) **Change of law**

The issue of the Sukuk Murabahah is based on, *inter alia*, the SC's and BNM's guidelines and requirements, Malaysian law, tax and administrative practice in effect as at the date of this Information Memorandum and having due regard to the expected tax treatment of all relevant statutes under such law and practice. No assurance can be given as to any possible judicial decision or change to the SC's and BNM's guidelines and requirements or Malaysian law after the date of this Information Memorandum will not adversely impact the structure of the transaction and the treatment of the Sukuk Murabahah.

The Issuer's and the GMB Group's businesses are subject to various laws and regulations including the Gas Supply Act, environmental legislation and legislations that provide for the prevention, abatement, control of pollution and enhancement of the environment in Malaysia. Non-compliance with the relevant laws and regulations may result in enforcement actions against the division including imposition of financial penalties, restriction orders causing operations to be ceased or curtailed and/or corrective measures requiring capital expenditure, installation of additional equipment or remedial actions. The costs arising from any such penalties, restriction and/or corrective measures imposed may affect the financial performance of the Issuer.

Any of the above could affect the Issuer's or the GMB Group's revenues, earnings, profit margins, operations and financial performance. Despite the Issuer's efforts to limit the risks above, there can be no assurance that the Issuer's or the GMB Group's business, operations or financial performance will not be adversely affected should adverse changes to any of the inherent factors mentioned above occur.

(b) **Political, economic and social factors**

Adverse developments in general political, economic and regulatory conditions in Malaysia in which the Issuer operates including changes in inflation, methods of taxation, currency exchange rules and controls and/or introduction of new regulations may materially and/or adversely affect the business and financial prospects of the Issuer.

Although measures may be taken by the Issuer to address and mitigate such developments, no assurance can be given that such measures would be sufficient or effective in the circumstances.

(c) **Force majeure**

An event of force majeure is an event which is not within the control of the party affected or which that party is unable to prevent, avoid or remove and includes war and acts of terrorism, riot and disorders and natural catastrophes. The occurrence of a force majeure event may have a material impact on the Issuer's or the GMB Group's business or operations.

(d) **Effect of the Covid-19 pandemic**

Malaysia like most countries in the world has not been spared from the Covid-19 pandemic which has created unprecedented impact on domestic demand and business investment. The dynamics and severity of Covid-19 pandemic is still uncertain, hence the Issuer and the Guarantor are continuously monitoring the situation and re-aligning their strategic direction to overcome challenges whilst ensuring service delivery to the customers.

The demand for gas may be impacted due to the adverse external condition mainly Covid-19 pandemic which affect the customers' business. However, with strong efforts by the government to strengthen the economy which has been adversely affected by the pandemic, the Issuer and the Guarantor anticipate some improvements in its gas distribution and supply business in the near term. The Issuer and the Guarantor will continue to explore new opportunities and strengthen marketing efforts to capitalise on gas demand from existing and new industrial customers.

(e) **Forward-looking statements**

Certain statements, information, estimates and reports in this Information Memorandum may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Issuer after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum, if any, should not be regarded as a representation or warranty by the Issuer, the Guarantor, the Principal Adviser, the Lead Arranger, the Facility Agent or the Joint Lead Manager, and there can be no assurance that the plans and objectives of the Issuer or the Guarantor will be achieved.

[The rest of this page has been intentionally left blank]

SECTION 8 ECONOMY AND INDUSTRY OVERVIEW

The information below is included for information purposes only and is relevant to the Issuer's prospects. All data and information stated below have been obtained from publicly available official sources of Malaysia and has not been independently verified by the Issuer, the Principal Adviser, the Lead Arranger or the Joint Lead Manager.

Words and expressions used and defined in this Section 8 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 8.

8.1 Overview and outlook of the Malaysian economy

Overview

The global economy contracted in 1Q 2020

The global economy experienced a sharp moderation in the first quarter of 2020. The rapid spread of the COVID-19 virus resulted in the introduction of lockdown and social distancing measures in many major economies. This also resulted in elevated volatility in global financial markets.

By the end of the quarter, most major economies globally had introduced containment measures of varying stringency, most of which remain in place. As a result, labour market conditions across major economies deteriorated sharply in 1Q 2020.

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020

At 0.7%, this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Following two months of steady expansion, economic activity experienced a sharp downshift in March as a result of MCO (18 – 31 March). This was evidenced by the decline in the Industrial Production Index and Index of Wholesale and Retail Trade which recorded an average growth of 3.4% and 5.5%, respectively, in January-February before contracting to -4.9% and -6.1% in March (1Q 2020: 0.4% and 1.5% respectively). The MCO comprised government closure of schools, universities and non-essential services, border closures and restrictions on public movement, work and operating hours, as well as mandatory social distancing and personal protection measures. Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, E&E, as well as selected industries in the primary and consumer clusters in the manufacturing sector. Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the E&E manufacturing sub-sector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investments.

The services sector moderated to 3.1% in 1Q 2020 (4Q 2019: 6.2%), the slowest growth since 2Q 2009. The sector was affected by the COVID-19 pandemic, particularly the tourism-related and non-food retail subsectors. The implementation of

the MCO substantially affected business activity, tourism and consumer spending. This led to a sharp slowdown in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors.

The manufacturing sector moderated further to 1.5% (4Q 2019: 3.0%). The lockdown in PR China to contain the pandemic disrupted the global supply chain for a broad range of products including electrical and electronics (E&E) and transport equipment. This resulted in a shortage of intermediate input for some domestic industries. Nevertheless, the impact was mitigated through a drawdown of inventory, which largely sustained domestic production activities. Manufacturing activity was however impacted by the imposition of the MCO. While the production of essential items and its supply chain were allowed to operate, it did so at significantly reduced capacity due to the 50% cap on labour utilisation to ensure sufficient social distancing at workplaces.

Growth in the mining sector remained in contraction (-2.0%; 4Q 2019: -3.4%), as crude oil and natural gas production was weighed by ongoing maintenance works and the gas pipeline incident in East Malaysia.

Domestic demand registered a modest growth of 3.7% in the first quarter (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was mainly attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence, given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag to growth during the quarter. Nonetheless, growth was supported by continued expansion in private and public consumption.

During the quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%). In January and February, retail and financing data indicated continued strength in consumption spending growth. The MCO in the second half of March affected spending to some extent, but mainly for big-ticket and leisure-related items such as car purchases and recreational services. Amid soft labour market conditions, stimulus measures such as bringing forward the Bantuan Sara Hidup disbursement from the second quarter to March, and the cut in the Overnight Policy Rate (OPR) particularly in January provided important support to spending. The availability of online delivery platforms also cushioned the impact of movement restrictions.

(Source: Bank Negara Malaysia Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020)

Outlook

The global economy to enter a severe recession in 2020

The IMF projects global growth in 2020 to be -3.0%, the weakest since the Great Depression. A recovery in 2021 is expected, conditional on the gradual dissipation of the COVID-19 pandemic in the second half of 2020, as well as its successful containment by end-2020.

The recovery in PR China will anchor growth in regional economies, whose domestic demand conditions are expected to experience a transitory slowdown. Nevertheless, policy responses have been timely and forthcoming, such as in Singapore where fiscal measures totalled 13.0% of GDP, allowing a sustained recovery to be secured as the pandemic begin to dissipate.

Major advanced economies have introduced unprecedented policy responses to limit the economic fallout from the COVID-19 pandemic. Policy rates were broadly reduced to the zero lower bound, while the magnitude of quantitative easing exceeded that of

the Global Financial Crisis within the first months of the pandemic, including the US, euro area and Japan.

Large fiscal stimulus packages were additionally introduced especially in the US and Japan. These measures were primarily aimed at preventing hysteresis in labour market and output, as well as limiting the deterioration in private sector balance sheet conditions, by sustaining income flows amid low economic activity. Downside risks to the growth outlook remain, arising from a more severe impact from the COVID-19 pandemic and the resurgence of COVID-19 cases. In vulnerable emerging economies, sharp and volatile two-way capital flows could lead to the unwinding of external sector imbalances.

In the US, the downgrades in corporate credit ratings and earnings weakness in severely affected sectors, may lead to a continued tightening of financial conditions. The materialisation of these financial sector vulnerabilities may further exacerbate the downturn in the global economy

The Malaysian economy to be significantly impacted by COVID-19

Malaysia's economic prospects for 2020 is being severely affected by the COVID-19 pandemic. Strict measures to contain the spread of the pandemic, both globally and domestically, will weigh considerably on both external demand and domestic growth. Domestically, the economic impact of the MCO is expected to be broad-based, with the largest impact likely felt by the consumer-oriented and labour intensive industries. This includes the services sector, particularly consumer services and construction sectors. Capital-intensive sectors such as mining and E&E are expected to be the least impacted.

In terms of employment, the impact from the slowdown would be larger on the self-employed and those working in small and medium enterprises. However, under the Conditional MCO that was effective 4 May 2020, most sectors of the economy were allowed to operate, albeit in a controlled and prudent setting and by observing stringent Standard Operating Procedures (SOPs). Notwithstanding the lifting of movement restrictions, international travel restrictions and social distancing measures are expected to continue for the remainder of the year.

Reflecting the longer duration of the MCO, followed by the Conditional MCO from 4 May to 9 June 2020, the Malaysian economy is expected to contract in the second quarter. However, economic activity is expected to gradually pick up in 2H 2020, following the lifting of the MCO, support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth.

The economic stimulus measures announced will provide sizeable assistance to households and businesses. This is further augmented by Bank Negara Malaysia (BNM)'s broad array of measures, including reductions in the OPR and SRR, deferment of loan and financing repayments for a period of six months for individual and SME borrowers, daily market operations to ensure ample liquidity and enhancements to existing financing facilities under BNM's Fund for SMEs. BNM has also allowed banks to utilise their regulatory buffers to further ensure continued financial intermediation.

The growth outlook is subject to significant downside risks. This arises mainly from the uncertainties surrounding the spread of COVID-19 and the duration of containment measures globally. This uncertainty may also result in delays in household spending and business investments. In addition, the risks of commodity supply shocks remain.

(Source: Bank Negara Malaysia Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020)

Markedly weaker global growth prospects

The global economy is projected to register a negative growth in 2020. The ongoing COVID-19 pandemic has significantly weakened global growth prospects, with the outlook heavily contingent on how countries across the world successfully contain the pandemic over the remainder of the year. The IMF is expecting a recession in 2020 that is at least as bad as during the global financial crisis in 2009, and is projecting a recovery in 2021. The COVID-19 pandemic has evolved into a global health crisis that is causing a sharp growth slowdown in the affected countries, including most major advanced and emerging market economies. The measures taken to contain the spread of COVID-19, including travel restrictions, enforced business closures and restricted social activities, while critical, are suppressing private sector activity, both in the domestic-oriented and tourism-related sectors, as well as in the manufacturing sector. The pandemic is simultaneously causing demand and supply shocks through weaker final demand and supply-chain disruptions. Prospects for global growth will depend on how fast the pandemic is contained and stopped. Latest indicators suggest that global growth in the first half of the year will be significantly weak.

Growth prospects for the regional economies, including PR China, are forecasted to be weak. Quarantine measures are expected to lead to poor consumption and investment activities, and may result in negative growth in some countries. In line with the projected contraction in the advanced economies, subdued external demand conditions and disruptions in the global supply chain will further weigh on growth in the trade-dependent Asian region. There is a possibility that the evolution of the COVID-19 pandemic globally would peak by the first half of 2020. The first epidemic in PR China started in January and has since tapered, with zero domestic cases by March. Elsewhere, COVID-19 entered a subsequent phase, with outbreaks observed in more than 100 countries, across Asia, the Middle East, the euro area, North America and most emerging economies. The economic impact of COVID-19 is, however, expected to be partly mitigated by the significant monetary and fiscal stimulus measures introduced by authorities across the world. Globally, fiscal spending has been promptly increased, with funds primarily channelled towards containing COVID-19, supporting affected households against income and employment losses and providing liquidity support for firms. Among the key measures that have been introduced are direct cash assistance, job retention programmes, tax relief and public guarantees to facilitate access to financing. These measures are complemented by monetary policy responses to provide further liquidity support for households, businesses and the banking sector, as well as to ensure continued smooth provision of credit to the real economy. The unprecedented nature and scale of policy intervention across economies is expected to cushion the economic disruptions caused by COVID-19 and support a gradual recovery in real economic activity upon the successful containment of the pandemic.

Malaysia's GDP projected to be between -2.0% and 0.5% in 2020

Global economic and financial conditions, which deteriorated sharply in the first quarter as the COVID-19 pandemic escalated, are expected to deteriorate further, with significant impact on the Malaysian economy. The domestic economy is also facing the economic effects from the necessary actions taken to contain COVID-19 locally and continued supply disruptions in the commodities sector. These shocks, particularly the significant economic repercussions induced by the unprecedented COVID-19 health crisis, are expected to weigh significantly on growth prospects for the year. The containment measures undertaken by authorities globally and domestically, which are critical and necessary, are projected to weigh on growth in the first half of the year. When the health crisis is eventually addressed, growth will be supported by the gradual improvement in household spending, further progress in the implementation of transport-related projects and higher public sector expenditure. The monetary policy

responses and economic stimulus measures undertaken in the first half of the year will provide additional support to growth. The economy is subsequently expected to normalise in 2021, in line with the projected recovery in the global economy.

Apart from the health crisis, the Malaysian economy is expected to be affected by the sharp decline and volatile shifts in crude oil prices. While this is partially a consequence of significantly softer global demand, crude oil prices are also weighed by the OPEC+ decision of not pursuing additional voluntary output adjustments. Prolonged low global oil prices will impact the income, employment and investment prospects in the mining-related sectors directly. Nonetheless, lower oil prices may alleviate cost pressures on consumers and businesses. Prices of other major commodities are projected to be lower. The price of LNG is forecasted to moderate, weighed mainly by slower demand from Japan and PR China following further progress in the restart of nuclear plants⁵ and production disruptions due to COVID-19, respectively. The price of crude palm oil (CPO) is projected to be relatively sustained, as weaker external demand is offset by the decline in CPO production.

The continued supply disruption in the commodities sector will continue to weigh on domestic growth. The low oil palm production since end-2019 is expected to extend to the early months of 2020, due mainly to the lagged impact of severe dry weather conditions experienced in 2019 as well as output constraints arising from the MCO. These disruptions are, however, anticipated to dissipate gradually as weather conditions normalise and oil palm production benefit from higher fertiliser application in early-2020. Meanwhile, crude oil and natural gas production will be affected by continued maintenance works and to a certain extent, reduced operating capacity due to the MCO. The operationalisation of new fields in Sarawak and the commencement of the PETRONAS Floating LNG Dua (PFLNG2) facility in Sabah will partially offset the decline in output of the mining sector.

On the external front, net exports of goods and services is expected to contract due mainly to a larger decline in exports. Gross merchandise exports are projected to register a larger negative growth, reflecting primarily weaker global demand conditions following the spread of COVID-19 across many major economies. Commodities exports are expected to contract further due mainly to lower prices of crude oil and LNG, as well as weaker commodities production. Gross imports performance is projected to register a larger contraction, mainly reflecting weaker external and domestic demand. Intermediate imports are projected to decline, mainly in line with the weakness in manufactured exports. Capital imports will register a smaller contraction as slower domestic investment activity will be partially offset by the delivery of the PFLNG2 in the first half of the year. Consumption imports are also likely to decline amid slower domestic demand conditions. Consequently, the current account surplus is projected to narrow to 1.0 - 2.0% of GDP in 2020 (2019: 3.3% of GDP).

Nonetheless, the Malaysian economy is expected to benefit from the projected improvement in global demand towards the end of the year, which will aid to lift growth in the export-oriented sectors. As risks from the pandemic subside, consumer sentiments can also be expected to gradually improve when travel restrictions are eased and tourism activities resume. In addition, production in the mining and agriculture sectors are projected to improve in the second half of the year amid the expected recovery from the supply disruptions. Malaysia's domestic growth prospects is therefore projected to improve towards the end of the year and subsequently in 2021.

Given the constantly evolving risks in the external and domestic environment, however, overall risks to the growth projection is tilted downside. The baseline growth forecast could be lifted by a stronger-than-expected impact from the various stimulus measures and the additional measures implemented by several state governments. Meanwhile, the main downside risk is a prolonged and wider spread of COVID-19 and its effect on the global and domestic economy. The baseline growth projection is therefore, highly

contingent on the effectiveness of efforts to contain COVID-19. Growth also remains susceptible to a recurrence of commodity supply shocks, which may adversely affect the production of oil palm, natural gas and crude oil. Low commodity prices pose additional risks to production in the commodities sector, exports and income growth. Meanwhile, periods of heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial conditions.

Subdued inflationary pressure in 2020

Headline inflation is forecasted to average within the range of -1.5 to 0.5% (2019: 0.7%). The downward pressure on inflation predominantly reflects the expectation of significantly lower global oil and commodity prices. The trajectory of headline inflation is contingent upon the developments surrounding global commodity prices, particularly global oil prices, which remain highly uncertain.

Without the direct downward impact from lower global oil prices, underlying inflation, as measured by core inflation, is projected to remain positive, averaging between 0.8 – 1.3%. This is amid subdued demand pressures and reflects the negative output gap that is expected this year. In addition, labour market conditions are expected to be weaker in 2020.

(Source: Bank Negara Malaysia Economic & Monetary Review 2019)

8.2 Industry overview and future prospects

Industry overview

Gas supply security would be ensured through the construction of pipelines from the Malaysia-Thailand Joint Development Area to Kerteh, Terengganu; construction of the RGT-2 in Pengerang, Johor; and the commissioning of two floating LNG units offshore Sabah and Sarawak with a capacity of 2.7 mtpa. In addition, to ensure undisrupted supply during emergencies, a swing field offshore east of Peninsular Malaysia will provide an additional 100-200 MMScfd of natural gas. These additional volumes, together with a 15% buffer of storage capacity from RGT-1 in Sungai Udang, Melaka, will cater for gas demand in Peninsular Malaysia.

Distribution of natural gas to scattered and uneconomic demand areas in Peninsular Malaysia and Sabah will be served through virtual pipelines, which is a method of distributing natural gas from city gate to consumers using trucks. This will reduce the cost of production for industries. Safe and economic alternative distribution methods for natural gas will also be explored.

Third party gas players will be able to utilise gas supply infrastructure through the enforcement of the amended Gas Supply Act in 2016. This will create a level playing field for new entrants to the domestic gas supply market complementing PETRONAS, which is currently the sole player. In addition, fair competition will be encouraged and a vibrant gas supply market will be created while local industries will be weaned off subsidies. The expected future gas industry growth is estimated to be worth RM2.86 billion.

(Source: Eleventh Malaysia Plan 2016-2020: Anchoring Growth on People)

Future prospects

The liberalisation of the gas market provides a new opportunity for the electricity supply industry in options to source for gas through the third party access arrangement, which allows Third Party gas suppliers to use Malaysia's gas facilities, namely, re-gasification terminals, transmission pipelines and distribution pipelines in a fair, equitable and non-discriminatory manner. The objective is to create a level playing field where players can

compete in a fair and healthy manner. Under this arrangement, licensed shippers will have access to gas infrastructure owned and operated by Petronas Gas (re-gasification terminals and transmission network) and Gas Malaysia (distribution network), which would allow them to sell gas into the Malaysian market.

(Source: Energy Commission - Peninsular Malaysia Electricity Supply Industry Outlook 2019)

Relative to other fuels, gas remains well-positioned as cost competitive, secure, and environmentally sustainable. Those attributes have helped to sustain strong market growth in recent years. Going forward, the latest releases of long-term energy outlooks from International Energy Agency, Institute of Energy Economics, Japan, DNV GL and International Gas Union have reaffirmed the potential for the sustained strong growth of natural gas in the world's primary energy supply mix. There is a consensus among various outlooks that gas is set to overtake coal in the global energy mix by the 2030s. There is strong alignment across reference case scenarios around an average annual growth rate for natural gas of approximately 1.7% per year through 2040. Natural gas has often been described as the "fuel of the future," and recent trends indicate that the future is here.

(Source: Malaysian Gas Association – MGA Quarterly Update for Q4 2019)

[The rest of this page has been intentionally left blank]

SECTION 9 OTHER INFORMATION

Words and expressions used and defined in this Section 9 shall, in the event of any inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 9.

9.1 Material litigation

As at the LPD, the Issuer is not engaged in any litigation, either as plaintiff or defendant which has a material effect on its financial position and, to the best of the Board's knowledge and belief, the directors of the Issuer are not aware of any pending or threatened proceedings against the Issuer or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Issuer.

9.2 Material contracts outside the ordinary course of business

Save as disclosed in this Information Memorandum, as at the LPD, the Issuer has not entered into any contracts which are or which may be material (not being contracts entered into in the ordinary course of business) within the past three (3) years.

9.3 Contingent liabilities

To the best of the Board's knowledge and belief, the Board is not as at the LPD aware of any significant contingent liabilities or guarantees which upon becoming enforceable, may have substantial impact on the financial position and/ or the business of the Issuer other than those arising in the ordinary course of business of the Issuer and/or the Group Entities and on these, no material losses are anticipated.

9.4 Conflict of interest

RHB Investment Bank Berhad

As at the date hereof and after making enquiries as were reasonable in the circumstances, RHB Investment Bank Berhad ("**RHB Investment Bank**") is not aware of any circumstances that would give rise to a potential conflict of interest in its capacity as the Principal Adviser/Lead Arranger /Lead Manager/Facility Agent in relation to the Sukuk Murabahah Programmes, save as disclosed below:

- (a) RHB Investment Bank, RHB Islamic Bank Berhad ("**RHB Islamic Bank**") and Malaysian Trustees Berhad ("**Malaysian Trustees**") are deemed to be related corporations by virtue of them being subsidiaries of RHB Bank Berhad ("**RHB Bank**");
- (b) RHB Bank is one of the sukukholders of the GMB IMTN;
- (c) the first issuance under the Sukuk Murabahah Programmes will be issued for the purpose of the Proposed Sukuk Exchange, which includes the exchange of the GMB IMTN held by RHB Bank;
- (d) RHB Islamic Bank is appointed by the Issuer as the Shariah Adviser of the Sukuk Murabahah Programmes;
- (e) Malaysian Trustees is appointed by the Issuer as the Sukuk Trustee of the Sukuk Murabahah Programmes.

As a mitigating measure and to address the potential conflict-of-interest situation set out above, the following measures have been or will be taken:

- (a) the potential conflict-of-interest situations have been brought to the attention of the board of directors of the Issuer and hence they are fully aware of the same. Despite such potential conflict-of-interest situations, the board of directors of the Issuer has agreed to proceed with the implementation of the Sukuk Murabahah Programmes based on the present arrangement and terms;
- (b) RHB Investment Bank is a licensed investment bank and its appointment as the Principal Adviser/Lead Arranger/Lead Manager/Facility Agent for the Sukuk Murabahah Programmes are in its ordinary course of business;
- (c) RHB Investment Bank will fully disclose to the potential investor(s) the roles undertaken by RHB Investment Bank and its potential conflict-of-interest;
- (d) RHB Investment Bank will be governed by the relevant agreements and documentation, which shall clearly set out the rights, duties and responsibilities of RHB Investment Bank in its capacity as the Principal Adviser/Lead Arranger/Lead Manager/Facility Agent in relation to the Sukuk Murabahah Programmes, and shall be carried out on an arm's-length basis and independently by RHB Investment Bank;
- (e) a due diligence exercise pursuant to the Sukuk Murabahah Programmes has been or will be undertaken together with other independent and professional advisers;
- (f) RHB Banking Group maintains a strict physical separation of its divisions/departments pursuant to its Chinese Wall Policy to avoid the sharing of sensitive information. The conduct of RHB Investment Bank is regulated by BNM and the SC governed under, *inter alia*, the Financial Services Act 2013 ("FSA"), the CMSA and by its own internal controls and checks; and
- (g) notwithstanding that RHB Investment Bank, RHB Islamic Bank and Malaysian Trustees are related corporations, each entity is separate and well-regulated respectively.

Shearn Delamore & Co

After making enquiries as were reasonable in the circumstances, Shearn Delamore & Co is not aware of any circumstances that would give rise to a conflict of interest in its capacity as the solicitors to the Principal Adviser, the Lead Arranger or the Joint Lead Manager in relation to the Sukuk Murabahah Programmes.

RHB Islamic Bank Berhad

As at the date hereof and after making enquiries as were reasonable in the circumstances, RHB Islamic Bank is not aware of any circumstances that would give rise to a potential conflict of interest situation in its capacity as the Shariah Adviser in relation to the Sukuk Murabahah Programmes, save as disclosed below:

- (a) RHB Investment Bank, RHB Islamic Bank and Malaysian Trustees are deemed to be related corporations by virtue of them being subsidiaries of RHB Bank;
- (b) RHB Bank is one of the sukukholders of the GMB IMTN;
- (c) the first issuance under the Sukuk Murabahah Programmes will be issued for the purpose of the Proposed Sukuk Exchange, which includes the exchange of the GMB IMTN held by RHB Bank;
- (d) RHB Investment Bank is appointed by the Issuer as the Principal Adviser/Lead Arranger/Lead Manager/Facility Agent of the Sukuk Murabahah Programmes;

- (e) Malaysian Trustees is appointed by the Issuer as the Sukuk Trustee of the Sukuk Murabahah Programmes.

As a mitigating measure and to address the potential conflict-of-interest situation set out above, the following measures have been or will be taken:

- (a) the potential conflict-of-interest situations have been brought to the attention of the board of directors of the Issuer and hence they are fully aware of the same. Despite such potential conflict-of-interest situations, the board of directors of the Issuer has agreed to proceed with the implementation of the Sukuk Murabahah Programmes based on the present arrangement and terms;
- (b) RHB Islamic Bank is a licensed Islamic Bank and its appointment as the Shariah Adviser for the Sukuk Murabahah Programmes is in its ordinary course of business;
- (c) RHB Islamic Bank will fully disclose to the potential investor(s) the roles undertaken by RHB Islamic Bank and its potential conflict-of-interest;
- (d) RHB Islamic Bank will be governed by the relevant agreements and documentation, which shall clearly set out the rights, duties and responsibilities of RHB Islamic Bank in its capacity as the Shariah Adviser in relation to the Sukuk Murabahah Programmes, and shall be carried out on an arm's-length basis and independently by RHB Islamic Bank;
- (e) the conduct of RHB Islamic Bank is regulated by BNM and governed under, *inter alia*, the Islamic Financial Services Act 2013 and by its own internal controls and checks; and
- (f) notwithstanding that RHB Investment Bank, RHB Islamic Bank and Malaysian Trustees are related corporations, each entity is separate and well-regulated respectively.

Malaysian Trustees Berhad

As at the date hereof and after making enquiries as were reasonable in the circumstances, Malaysian Trustees is not aware of any circumstances that would give rise to a potential conflict of interest situation in its capacity as the Sukuk Trustee and as security trustee in relation to the Sukuk Murabahah Programmes, save as disclosed below:

- (a) RHB Investment Bank, RHB Islamic Bank and Malaysian Trustees are deemed to be related corporations by virtue of them being subsidiaries of RHB Bank;
- (b) RHB Bank is one of the sukukholders of the GMB IMTN;
- (c) the first issuance under the Sukuk Murabahah Programmes will be issued for the purpose of the Proposed Sukuk Exchange, which includes the exchange of the GMB IMTN held by RHB Bank;
- (d) RHB Investment Bank is appointed by the Issuer as the Principal Adviser/Lead Arranger/Lead Manager/Facility Agent of the Sukuk Murabahah Programmes;
- (e) RHB Islamic Bank is appointed by the Issuer as the Shariah Adviser of the Sukuk Murabahah Programmes.

As a mitigating measure and to address the potential conflict-of-interest situation set out above, the following measures have been or will be taken:

- (a) the potential conflict-of-interest situations have been brought to the attention of the board of directors of the Issuer and hence they are fully aware of the same. Despite such potential conflict-of-interest situations, the board of directors of the Issuer has agreed to proceed with the implementation of the Sukuk Murabahah Programmes based on the present arrangement and terms;
- (b) Malaysian Trustees is a licensed trustee company and its appointment as the Sukuk Trustee for the Sukuk Murabahah Programmes is in its ordinary course of business;
- (c) Malaysian Trustees will fully disclose to the potential investor(s) the roles undertaken by Malaysian Trustees and its potential conflict-of-interest;
- (d) the role of Malaysian Trustees will be governed by the relevant agreements and documentation, which shall clearly set out the rights, duties and responsibilities of Malaysian Trustees in its capacity as the Sukuk Trustee in relation to the Sukuk Murabahah Programmes, and shall be carried out on an arm's-length basis and independently by Malaysian Trustees;
- (e) Malaysian Trustees has acted as Sukuk trustee in transactions in the Malaysian sukuk market and is committed to upholding its professional integrity and responsibilities in relation to the Sukuk Murabahah Programmes;
- (f) the conduct of Malaysian Trustees is regulated by SC and governed under, *inter alia*, the Trust Deeds Guidelines revised on 12 July 2011 and effective on 12 August 2011 and by its own internal controls and checks; and
- (g) notwithstanding that RHB Investment Bank, RHB Islamic Bank and Malaysian Trustees are related corporations, each entity is separate and well-regulated respectively.

APPENDIX I

ISSUER'S AUDITED FINANCIAL STATEMENT FYE 31 DECEMBER 2019

Registration No.

201701042571 (1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

0076A0/py

Registration No.

201701042571 (1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of developing, operating and maintaining the distribution pipeline and to deliver gas through the distribution pipeline. There have been no changes to the principal activities of the Company during the current financial year.

FINANCIAL RESULTS

Net profit for the financial year

RM

124,834

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

SHARE CAPITAL

There were no changes in the issued and paid up capital of the Company during the financial year

Registration No.

201701042571 (1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial period to the date of the report are:

| | |
|-------------------------------------|---|
| Zafian bin Supiat | (Appointed on 21 June 2019) |
| Mohamed Sophie bin Mohamed Rashidi | (Resigned on 26 April 2019) |
| Ahmad Hashimi bin Abdul Manap | (Appointed on 21 June 2019 and resigned on 24 September 2019) |
| Raja Iskandar bin Raja Mukhtaruddin | (Resigned on 21 June 2019 and reappointed on 24 September 2019) |

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains liability insurance for the Directors and Officers of the Company throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Company. The insurance is maintained on a group basis by its holding company, Gas Malaysia Berhad and the amount of insurance premium paid for the financial year ended 31 December 2019 was RM24,000.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year had any interest in the shares of the Company and its related corporations during the financial year.

DIRECTOR'S REMUNERATION

No remuneration has been paid by the Company to any of its Directors.

HOLDING COMPANY

The Directors regard Gas Malaysia Berhad, a company incorporated in Malaysia, as the Company's holding company.

Registration No.

201701042571 (1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

SIGNIFICANT EVENT

Detail of the significant event is set out in Note 13 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (d) 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 Company to meet its obligations as and when they fall due.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 4 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept the re-appointment as auditors.

This report was approved by the Board of Directors on 24 April 2020. Signed on behalf of the Board of Directors:


ZAFIAN BIN SUPIAT
DIRECTOR

Shah Alam


RAJA ISKANDAR BIN RAJA MUKHTARUDDIN
DIRECTOR

Registration No.

201701042571 (1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Zafian bin Supiat and Raja Iskandar bin Raja Mukhtaruddin, the Directors of Gas Malaysia Distribution Sdn. Bhd., do hereby state that, in our opinion, the financial statements set out on pages 10 to 26 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance of the Company for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 April 2020



ZAFIAN BIN SUPIAT
DIRECTOR



RAJA ISKANDAR BIN RAJA MUKHTARUDDIN
DIRECTOR

Shah Alam

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Zafian Bin Supiat, the Director primarily responsible for the financial management of Gas Malaysia Distribution Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 26 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



ZAFIAN BIN SUPIAT
(MIA No. 46711)

Subscribed and solemnly declared by the above named Zafian bin Supiat at Shah Alam, in the State of Selangor Darul Ehsan on 24 April 2020.

Before me:

COMMISSIONER FOR OATHS



Alamat tempat perniagaan
Tetuan Nur Maidin & Co
Peguambela & Peguamcara
Tingkat No. 11A, Jalan Pinang E 18 E,
40200 Shah Alam, Selangor



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)
Registration No. 201701042571 (1256744-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Gas Malaysia Distribution Sdn. Bhd. ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its 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 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 26.

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 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.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GAS MALAYSIA DISTRIBUTION SDN. BHD. (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201701042571 (1256744-A)

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, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements 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 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 Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GAS MALAYSIA DISTRIBUTION SDN. BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201701042571 (1256744-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

- (a) Identify and assess the risks of material misstatement of the financial statements 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 Company's internal control.
- (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 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 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 Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GAS MALAYSIA DISTRIBUTION SDN. BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201701042571 (1256744-A)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

HEW CHOOI YOKE
03203/07/2021 J
Chartered Accountant

Kuala Lumpur
24 April 2020

Registration No.

201701042571(1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <u>Note</u> | Financial year ended <u>31.12.2019</u> RM | Financial period from 21.11.2017 (date of incorporation) to 31.12.2018 RM |
|--|-------------|--|---|
| Administrative expenses | | (7,108) | (1,500) |
| Finance income | | 150,914 | 137,051 |
| Profit before taxation | 4 | <u>143,806</u> | <u>135,551</u> |
| Taxation | 5 | <u>(18,972)</u> | <u>(32,532)</u> |
| Net profit/Total comprehensive income for the financial year/period | | <u>124,834</u> | <u>103,019</u> |

Registration No.

201701042571(1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

| | <u>Note</u> | <u>2019</u> RM | <u>2018</u> RM |
|--|-------------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Other receivables | 6 | 2,228,071 | 0 |
| Investment funds with a licensed financial institution | 7 | 1,132,000 | 0 |
| Cash and cash equivalents | 8 | 2,098,209 | 5,137,051 |
| Total assets | | <u>5,458,280</u> | <u>5,137,051</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital | 9 | 5,000,000 | 5,000,000 |
| Retained earnings | | 227,853 | 103,019 |
| Total equity | | <u>5,227,853</u> | <u>5,103,019</u> |
| CURRENT LIABILITIES | | | |
| Other payable | | 1,500 | 1,500 |
| Amount due to holding company | 10 | 210,163 | 0 |
| Taxation | | 18,764 | 32,532 |
| Total liabilities | | <u>230,427</u> | <u>34,032</u> |
| Total equity and liabilities | | <u>5,458,280</u> | <u>5,137,051</u> |

Registration No.

201701042571(1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| | <u>Note</u> | <u>Share capital</u> RM | <u>Retained earnings</u> RM | <u>Total</u> RM |
|--|-------------|--------------------------------|------------------------------------|--------------------|
| Balance at 1 January 2019 | | 5,000,000 | 103,019 | 5,103,019 |
| Total comprehensive income for the financial year | | 0 | 124,834 | 124,834 |
| At 31 December 2019 | | <u>5,000,000</u> | <u>227,853</u> | <u>5,227,853</u> |
| Balance at date of incorporation | | 2 | 0 | 2 |
| Issuance of share capital | 9 | 4,999,998 | 0 | 4,999,998 |
| Total comprehensive income for the financial period | | 0 | 103,019 | 103,019 |
| At 31 December 2018 | | <u>5,000,000</u> | <u>103,019</u> | <u>5,103,019</u> |

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Financial year ended 31.12.2019 RM | Financial period from 21.11.2017 (date of incorporation) to 31.12.2018 RM |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITY | | |
| Profit before taxation | 143,806 | 135,551 |
| Adjustment for: Finance income | (150,914) | (137,051) |
| | (7,108) | (1,500) |
| Changes in working capital: | | |
| - Payables | 0 | 1,500 |
| - Receivables | (2,227,063) | 0 |
| - Intercompany balances | 210,163 | 0 |
| Cash flows used in operations | (2,024,008) | 0 |
| Income tax paid | (32,740) | 0 |
| Net cash flows used in operating activities | (2,056,748) | 0 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additional of investment funds with a license financial institution | (1,132,000) | 0 |
| Finance income | 149,906 | 137,051 |
| Net cash flows (used in)/generated from investing activities | (982,094) | 137,051 |
| CASH FLOWS FROM FINANCING ACTIVITY | | |
| Proceeds from issuance of ordinary shares | 0 | 4,999,998 |
| Net cash flows generated from financing activity | 0 | 4,999,998 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (3,038,842) | 5,137,049 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD | 5,137,051 | 2 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD | 8 2,098,209 | 5,137,051 |

Registration No.

201701042571(1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Notes to the statement of cash flows:

- (a) The following principal non-cash transaction during the financial year has been set-off against other receivables:

| | <u>2019</u> RM'000 | <u>2018</u> RM'000 |
|--|-----------------------|-----------------------|
| Finance income receivable arising from deposits with financial institutions | <u>1,008</u> | <u>0</u> |

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

The principal activities of the Company consist of developing, operating and maintaining the distribution pipeline and to deliver gas through the distribution pipeline. There have been no changes to the principal activities of the Company during the current financial year.

The Company is a private 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.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, an insurance programme and adherence to the Company financial risk management policies.

(a) Interest rate risk

Interest rate risk arise mainly from the Company's deposits with financial institutions and investment funds with a financial institution, which are at floating rates. The following table provides the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before taxation:

| | Increase/(decrease) in <u>basis points</u> | Effect on profit before taxation RM |
|------------------|---|---|
| 31 December 2019 | +25 -25 | 12,225 (12,225) |
| 31 December 2018 | +25 -25 | 15,946 (15,946) |

(b) Credit risk

The Company's exposure to credit risk arises from cash and cash equivalents, deposit with financial institutions, investment funds with a financial institution, deposit with utility company and finance income receivable from the financial institutions. Risks arising therefrom are minimised through investing cash assets safely and profitably, which involves placement of cash and cash equivalents, short-term deposits and investment units with established banks or financial institutions. In addition, the Company sets exposure limits as well as limiting placement tenures to less than one year for each of the financial institutions.

Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

The Company's financial liabilities are due and payable within 12 months from the reporting date.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern while seeking to maximise benefits to its shareholders and other stakeholders. Capital is equity as shown in the statement of financial position.

The Company 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 Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities.

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 Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

There are no critical accounting estimates or judgements used in the preparation of the financial statements that have a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities of the Company within the next financial year.

(i) Standards, amendments to published standards and interpretations that are effective and relevant to the Company:

The Company has applied the following standard, amendments and interpretation for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment features with negative compensation"
- Amendments to MFRS 119 "Plan amendment, curtailment or settlement"
- IC Interpretation 23 "Uncertainty over income tax treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The adoption of the new standard and amendments to existing standards and interpretation listed above did not have any financial impact on the current period or any other period and is not likely to affect future periods.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation (continued)

(ii) Standards early adopted by the Company

There were no standards early adopted by the Company.

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective and have not been adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020. The Company intends to adopt the following pronouncements that are applicable to the Company when they become effective:

- The Conceptual Framework for Financial Reporting (Revised 2018). The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework involve, amongst others, clarifications on the objective of general purpose financial reporting as well as the primary source of information about an entity's financial performance for a reporting period, reinstatement of certain concepts, introducing/refining definitions on removal of the probability threshold for asset or liability recognition as well as additional guidance on de-recognition of assets and liabilities.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108). The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation (continued)

- (iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective and have not been adopted by the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2022. The Company intends to adopt the following pronouncements that are applicable to the Company when they become effective: (continued)

- Amendments to MFRS 101 on classification of liabilities as current or non-current (continued)

Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with MFRS 132 "Financial Instruments: Presentation". Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument.

These amendments should be applied retrospectively.

There is no material impact to the financial statements of the Company arising from the amendments to existing standards that are applicable, but yet to be effective.

(b) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective profit rate method, less loss allowance.

(c) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method.

(d) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents are 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.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(f) Current and deferred income tax

Tax expense for the period comprises of current tax. 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 Company operates and generates 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.

(g) Functional and presentation currency

Items included in the financial statements of the Company 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.

(h) Other income recognition

Finance income

Finance income is recognised in the profit or loss on an accrual basis, using the effective interest rate method of the underlying asset.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments

(i) Financial assets

(a) Classification

The Company classifies the financial assets as:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gain and losses will be recorded in profit or loss.

The Company reclassifies the debt investments when and only when the business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are derecognised when the rights to receive contractual cash flows from the financial assets have expired or have been transferred and the Company have transferred substantially all the risks and rewards of ownership.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(i) Financial assets (continued)

(c) Subsequent measurement – gains and losses

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset.

• Amortised cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expense).

• FVTPL:

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. Gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating income/(expense) in the period in which it arises.

(d) Subsequent measurement – impairment for debt instruments

The Company assesses on a forward looking basis the expected credit loss ("ECL") associated with its debts instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

While cash and cash equivalents are also subject to the impairment requirements as set out in MFRS 9, there is no impairment loss identified given the financial strength of the financial institutions in which the Company has a relationship with.

ECL represent a probability-weighted estimate of the difference between the present value of cash flows according to the contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(i) Financial assets (continued)

(d) Subsequent measurement – impairment for debt instruments (continued)

The measurement of the ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(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.

Financial liabilities are recognised initially at fair value subsequently measured at amortised cost using the effective interest method. Financial liabilities are classified as current liabilities for those having maturity dates of less than twelve months after the reporting date, otherwise, the balances are classified as non-current.

(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.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting)

| | Financial year ended 31.12.2019 RM | Financial period from 21.11.2017 (date of incorporation) to 31.12.2018 RM |
|------------------------|---|---|
| Auditors' remuneration | 1,500 | 1,500 |
| Telephone charges | 4,545 | 0 |
| Finance income | (150,914) | (137,051) |

Registration No.

201701042571(1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 TAXATION

| | Financial year ended 31.12.2019 RM | Financial period from 21.11.2017 (date of incorporation) to 31.12.2018 RM |
|--|---|---|
| Income tax: | | |
| - Current financial year | 34,513 | 32,532 |
| - Over accrual in prior financial year | (15,541) | 0 |
| | <u>18,972</u> | <u>32,532</u> |

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

| | Financial year ended 31.12.2019 RM | Financial period from 21.11.2017 (date of incorporation) to 31.12.2018 RM |
|---|---|---|
| Profit before taxation | 143,806 | 135,551 |
| Tax calculated at the Malaysian income tax rate of 24% (2018: 24%) | 34,513 | 32,532 |
| Tax effects of: | | |
| - Over accrual of tax in prior financial year | (15,541) | 0 |
| Tax expense | <u>18,972</u> | <u>32,532</u> |

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

6 OTHER RECEIVABLES

| | <u>2019</u> RM | <u>2018</u> RM |
|----------------------------|-------------------|-------------------|
| Refundable deposit | 1,000 | 0 |
| Finance income receivables | 1,008 | 0 |
| Prepayments | 2,226,063 | 0 |
| | <u>2,228,071</u> | <u>0</u> |

The Company has carried out an assessment on the recoverability of these balances and management believes that no impairment is required.

As at the reporting date, other receivables that are neither past due nor impaired comprise deposits placed with a utility company and finance income receivable from the financial institutions and are deemed to be performing.

7 INVESTMENT FUNDS WITH A LICENSE FINANCIAL INSTITUTION

The investments are in relation to the following:

| | <u>2019</u> RM | <u>2018</u> RM |
|---|-------------------|-------------------|
| Investment funds with a licensed financial institution - Unquoted | 1,132,000 | 0 |

The unquoted investment funds with a licensed financial institution are measured at fair value and classified as financial assets at fair value through profit or loss. The fair values of these financial assets are based on dealers' quote as at the reporting date.

8 CASH AND CASH EQUIVALENTS

| | <u>2019</u> RM | <u>2018</u> RM |
|-------------------------------------|-------------------|-------------------|
| Deposits placed with licensed banks | 1,132,000 | 2,567,403 |
| Cash and bank balances | 966,209 | 2,569,648 |
| | <u>2,098,209</u> | <u>5,137,051</u> |

The effective interest rate at the end of the reporting date is 3.25% (2018: 3.65%) per annum. Deposits placed with licensed banks have an average maturity period of 31 days. Bank balances are deposits held at call with licensed banks.

Registration No.

201701042571(1256744-A)

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9 SHARE CAPITAL

| | 2019 | | 2018 | |
|--|-----------------------------|---------------------|-----------------------------|---------------------|
| | <u>Number of shares</u> | <u>Value RM</u> | <u>Number of shares</u> | <u>Value RM</u> |
| Ordinary shares issued and fully paid: | | | | |
| At 1 January/date of incorporation | 5,000,000 | 5,000,000 | 2 | 2 |
| Issuance of share capital | 0 | 0 | 4,999,998 | 4,999,998 |
| At 31 December – Ordinary shares with no par value | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> |

10 AMOUNT DUE TO HOLDING COMPANY

Amount due to holding company is unsecured, interest free and repayable on demand.

11 SIGNIFICANT RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties in addition to related party disclosures mentioned elsewhere in the financial statements:

Related parties with which the Company transacted with and their relationships with the Company are as follows:

| <u>Related parties</u> | <u>Relationship</u> | <u>Country of incorporation</u> | <u>Financial year ended 31.12.2019</u> | <u>Financial period from 21.11.2017 (date of incorporation) to 31.12.2018</u> |
|--|---------------------|-------------------------------------|--|---|
| Gas Malaysia Berhad ("GMB") | Holding company | Malaysia | | |
| Settlement of liabilities: - Payment on behalf of GMB | | | <u>210,163</u> | <u>0</u> |

The transactions have been entered into the normal course of business and have been established under negotiated terms agreed by both parties.

GAS MALAYSIA DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The assets and liabilities carried at fair value are categorised into different levels of fair value hierarchy as follows:

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

As at 31 December 2019, the Company's financial instruments measured and recognised at fair value are presented in the table below:

| | <u>Level 1</u> RM | <u>Level 2</u> RM | <u>Level 3</u> RM | <u>Total</u> RM |
|--|----------------------|----------------------|----------------------|--------------------|
| <u>Financial asset</u> | | | | |
| Investment funds with a licensed financial institution | 0 | 1,132,000 | 0 | 1,132,000 |

There were no transfers between Level 1 and Level 2 during the current financial year.

The carrying amounts of all other financial assets and liabilities of the Company at the reporting date approximated their fair values.

13 SIGNIFICANT EVENT DURING THE CURRENT FINANCIAL YEAR

During the current financial year, the Energy Commission has granted, via a letter dated 26 December 2019, the Distribution License to the Company, valid for a period of 20 years, which permits the Company to carry out the activity of developing, operating and maintaining the distribution pipeline to deliver gas through the distribution pipeline, pursuant to the implementation of the Third Party Access regime.

The license has been granted under the Gas Supply Act 1993 (as amended by the Gas Supply (Amendment) Act 2016) and will be effective from 1 January 2020 onwards.

14 APPROVAL FOR FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 April 2020.

APPENDIX II

GUARANTOR'S AUDITED FINANCIAL STATEMENT FYE 31 DECEMBER 2019

Registration No.

199201008906 (240409-T)

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

0040A0/nr

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Haji Hasni bin Harun
Dato' Sri Che Khalib bin Mohamad Noh
Nobuhisa Kobayashi (Appointed on 1 April 2019)
(Alternate Tomoaki Yokoyama – Appointed on 1 April 2019)
Shigeru Muraki (Resigned on 1 April 2019)
(Alternate Tomoaki Yokoyama – Resigned on 1 April 2019)
Kamalbahrin bin Ahmad
(Alternate Shariza Sharis binti Mohd Yusof)
Datuk Puteh Rukiah binti Abd. Majid
Datuk Syed Abu Bakar bin S Mohsin Almohdzar
Tan Lye Chong
Datuk Ooi Teik Huat
Sharifah Sofia binti Syed Mokhtar Shah (Resigned on 30 November 2019)

In accordance with Clause 101 of the Company's constitution, Datuk Haji Hasni bin Harun, Dato' Sri Che Khalib bin Mohamad Noh and Datuk Puteh Rukiah binti Abd. Majid shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election as Directors.

DIRECTORS OF SUBSIDIARIES

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report for the subsidiaries in the Group are:

Ahmad Hashimi bin Abdul Manap
Shahrir bin Shariff
Mohd Nisharuddin bin Mohd Noor
Zafian bin Supiat
Raja Iskandar bin Raja Mukhtaruddin
Mohamad Farid bin Ghazali

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

| | <u>Group</u> RM'000 | <u>Company</u> RM'000 |
|-----------------------------------|------------------------|--------------------------|
| Net profit for the financial year | <u>190,105</u> | <u>168,156</u> |

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

SHARE CAPITAL

There were no changes in the issued and paid up capital of the Company during the financial year.

DIRECTORS' BENEFITS

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 9 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.

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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a liability insurance for the Directors and Officers of the Group and of the Company throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group and of the Company. The amount of insurance premium paid for the financial year ended 31 December 2019 was RM24,000.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

| | Balance at 1.1.2019 | Acquired | Disposed | Number of ordinary shares Balance at 31.12.2019 |
|---|------------------------|----------|----------|---|
| <u>Director with</u> | | | | |
| <u>direct interest in the Company</u> | | | | |
| Tan Lye Chong | 50,000 | 0 | 0 | 50,000 |
| <u>Directors of the subsidiaries with</u> | | | | |
| <u>direct interest in the Company</u> | | | | |
| Ahmad Hashimi bin Abdul Manap | 21,500 | 0 | 0 | 21,500 |
| Mohd Nisharuddin bin Mohd Noor | 15,000 | 0 | 0 | 15,000 |

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2018 are as follows:

In respect of the financial year ended 31 December 2018, as reported in the Directors' Report for the previous financial year:

| | |
|--|----------------|
| | RM'000 |
| Second interim dividend paid on 28 March 2019: | |
| - 4.50 sen per ordinary share | 57,780 |
| Final dividend paid on 3 July 2019: | |
| - 4.50 sen per ordinary share | 57,780 |
| | <u>115,560</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

DIVIDENDS (CONTINUED)

In respect of the financial year ended 31 December 2019:

RM'000

First interim dividend paid on 30 October 2019:
- 4.80 sen per ordinary share

61,632

Second interim dividend declared on 13 February 2020*:
- 4.80 sen per ordinary share

61,632

123,264

* The above second interim dividend declared subsequent to the financial year ended 31 December 2019 will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

On 7 April 2020, the Board of Directors has approved and declared a final dividend of 4.50 sen per ordinary share on the 1,284,000,000 ordinary shares, amounting to 57,780,000 in respect of the financial year ended 31 December 2019. The final dividend will be accounted for in shareholders' equity as appropriation of retained profits in the financial year ending 31 December 2020.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 9 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statement of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations as and when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

Details of the significant and subsequent events are set out in Notes 35 and 36 to the financial statements.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

SUBSIDIARIES

(a) Details of subsidiaries

Details of subsidiaries are set out in Note 15 to the financial statements.

(b) Auditors' reports on the financial statements of the subsidiaries

None of the subsidiaries' financial statements were qualified for the financial year ended 31 December 2019.

(c) Subsidiaries' holding of shares in the holding company and other related corporations

None of the subsidiaries hold any shares in the holding company and other related corporations for the financial year ended 31 December 2019.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 24 April 2020.

Signed on behalf of the Board of Directors:



DATUK HAJI HASNI BIN HARUN
CHAIRMAN

Shah Alam



TAN LYE CHONG
DIRECTOR

Registration No.

199201008906 (240409-T)

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016**

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 16 to 98 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 2019 and of the financial performance of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 April 2020.



DATUK HAJI HASNI BIN HARUN
CHAIRMAN

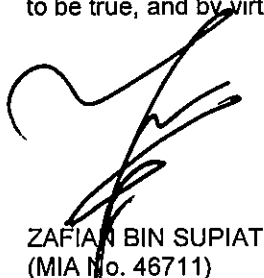


TAN LYE CHONG
DIRECTOR

Shah Alam

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Zafian bin Supiat, 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 16 to 98 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

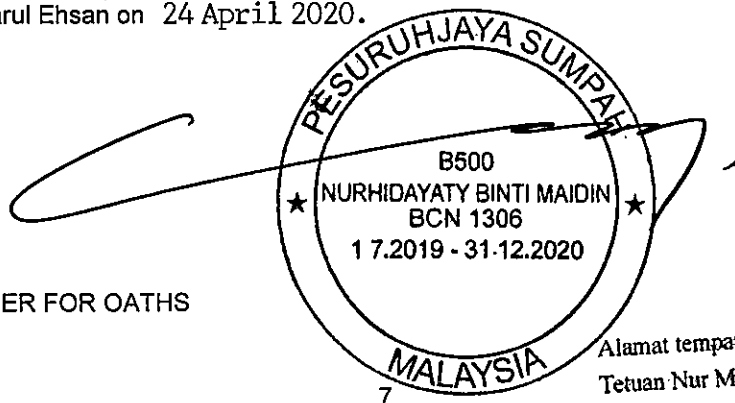


ZAFIAN BIN SUPIAT
(MIA No. 46711)

Subscribed and solemnly declared by the abovenamed Zafian bin Supiat at Shah Alam, in the State of Selangor Darul Ehsan on 24 April 2020.

Before me:

COMMISSIONER FOR OATHS



Alamat tempat perniagaan
Tetuan Nur Maidin & Co
Peguambela & Peguamcara
Tingkat 1 No. 11A, Jalan Pinang E 18 E,
40200 Shah Alam, Selangor



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration No. 199201008906 (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 2019, 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 2016 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 2019, 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 on pages 16 to 98.

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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 of 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.

| 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 of the Company's revenue is regulated by tariffs imposed by the Regulator, the Energy Commission ("EC"). As explained in Note 3(aa)(iv) to the financial statements, the EC implemented the Incentive Based Regulation ("IBR") framework on 1 January 2017, whereby tariffs are revised every six months using the GCPT mechanism.</p> | <p>We performed the following procedures:</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 the Government under the IBR framework and the application of GCPT mechanism by reading supporting documentations such as the relevant meetings' minutes, licensing conditions, and applicable legislation governing the IBR framework. |



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

| Key audit matters | How our audit addressed the key audit matters |
|--|--|
| <p>Impact of Gas Cost Pass-Through ("GCPT") mechanism (continued)</p> <p>Effective from 1 January 2020, the IBR framework would be replaced with the Third Party Access ("TPA") regime, which entails the liberalisation of the Malaysian gas market whereby third parties are expected to be involved in the retailing of gas to end customers.</p> <p>We focused on this area to obtain an understanding of the Group's and of the Company's rights and obligations under the IBR framework which was effective during the financial year and the TPA regime subsequent to the reporting date and the impact of these arrangements on the revenue recognition of the Group and of the Company during the financial year, and recovery of the outstanding balance at the reporting date.</p> | <p>We performed the following procedures: (continued)</p> <ul style="list-style-type: none"> Given the impending implementation of the TPA regime, we also obtained an understanding of the rights and obligations between the Group and the Company with the customers and Government under the TPA regime by reading the supporting documentations such as the relevant meetings' minutes, licensing conditions, and applicable legislation governing the TPA regime. <p>In addition, we have also discussed with the Group's senior management, external legal counsel, representatives from the EC and the 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.</p> <ul style="list-style-type: none"> We tested the design and operating effectiveness of the 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, gas cost and the related contributions to be earned by the Group and agreed these to the submissions to the EC. We checked the gas cost variance between the estimates used in determining the tariffs and the actual gas cost incurred by the Group and by the Company and the related contributions. <p>Based on the above procedures performed, there were no material exceptions.</p> |



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| <p>Accrual for gas costs</p> <p>The Group and the Company recognised gas cost accrual of RM331.7 million as at 31 December 2019 as disclosed in Note 27 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(aa)(ii) to the financial statements.</p> | <p>We performed the following procedures:</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 in 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 the prior year, and compared these to actual results. • For billings that have been issued by the supplier and received by management subsequent to the reporting date, we traced these billings to the accrual recorded at the reporting date. <p>Based on the above procedures performed, there were no material exceptions.</p> |



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (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, Audit Committee Report, Management Discussion and Analysis, Sustainability Report and Chairman's Statement and the other sections of the 2019 annual report. 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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 of the Company's internal control.
- (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 on 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (240409-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201008906 (240409-T)

OTHER MATTERS

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

A handwritten signature in black ink, appearing to read 'Punita', followed by a horizontal line and the number '147'.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Hew Chooi Yoke', followed by a large, stylized loop.

HEW CHOOI YOKE
03203/07/2021 J
Chartered Accountant

Kuala Lumpur
24 April 2020

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| | | <u>Group</u> | | <u>Company</u> | |
|--|-------------|--------------|-------------|----------------|-------------|
| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 5 | 6,886,453 | 6,233,243 | 6,852,635 | 6,197,479 |
| Cost of sales | 6 | (6,595,159) | (5,940,538) | (6,568,430) | (5,911,442) |
| Gross profit | | 291,294 | 292,705 | 284,205 | 286,037 |
| Administrative expenses | 6 | (60,005) | (58,220) | (55,899) | (53,542) |
| Selling and distribution expenses | 6 | (1,288) | (1,273) | 0 | 0 |
| Other operating income | | 2,046 | 1,542 | 2,088 | 2,461 |
| Profit from operations | 7 | 232,047 | 234,754 | 230,394 | 234,956 |
| Finance costs | 10 | (15,366) | (12,310) | (14,475) | (11,609) |
| Share of results in joint ventures | | 21,230 | 4,853 | 0 | 0 |
| Finance income | | 4,234 | 6,822 | 3,491 | 6,140 |
| Profit before zakat and taxation | | 242,145 | 234,119 | 219,410 | 229,487 |
| Zakat | | (3,500) | (3,500) | (3,500) | (3,500) |
| Tax expense | 11 | (48,540) | (50,227) | (47,754) | (49,052) |
| Net profit for the financial year | | 190,105 | 180,392 | 168,156 | 176,935 |
| Other comprehensive income (net of tax): | | | | | |
| <i>Items that will be reclassified to profit or loss</i> | | | | | |
| Share of other comprehensive income of a joint venture | | | | | |
| - Cash flow hedge | | 6,458 | 234 | 0 | 0 |
| Total comprehensive income for the financial year | | 196,563 | 180,626 | 168,156 | 176,935 |
| Net profit attributable to: | | | | | |
| - Owners of the Parent | | 190,105 | 180,392 | 168,156 | 176,935 |
| Total comprehensive income attributable to: | | | | | |
| - Owners of the Parent | | 196,563 | 180,626 | 168,156 | 176,935 |
| Earnings per ordinary share attributable to the equity holders of the Company: | | | | | |
| - Basic and diluted earnings per share (RM) | 12 | 0.15 | 0.14 | | |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | | <u>Group</u> | | <u>Company</u> | |
|---|-------------|------------------|------------------|------------------|------------------|
| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 13 | 1,361,431 | 1,313,169 | 1,345,851 | 1,297,082 |
| Right-of-use assets | 14 | 16,903 | 0 | 12,868 | 0 |
| Investment in subsidiaries | 15 | 0 | 0 | 20,005 | 20,005 |
| Investment in joint ventures | 16 | 67,308 | 36,120 | 33,000 | 33,000 |
| Amounts due from subsidiaries | 17 | 0 | 0 | 36,465 | 28,956 |
| Other receivables | 19 | 87,612 | 0 | 87,612 | 0 |
| Prepaid lease payments | 18 | 0 | 16,026 | 0 | 11,936 |
| | | <u>1,533,254</u> | <u>1,365,315</u> | <u>1,535,801</u> | <u>1,390,979</u> |
| CURRENT ASSETS | | | | | |
| Trade and other receivables | 19 | 796,384 | 750,735 | 788,972 | 744,943 |
| Investment funds with a licensed financial institution | 20 | 123,281 | 171,750 | 112,763 | 170,470 |
| Cash and cash equivalents | 21 | 169,145 | 232,754 | 147,737 | 218,741 |
| | | <u>1,088,810</u> | <u>1,155,239</u> | <u>1,049,472</u> | <u>1,134,154</u> |
| Total assets | | <u>2,622,064</u> | <u>2,520,554</u> | <u>2,585,273</u> | <u>2,525,133</u> |
| EQUITY AND LIABILITIES | | | | | |
| Share capital | 22 | 642,000 | 642,000 | 642,000 | 642,000 |
| Cash flow hedge reserve | | 4,414 | (2,044) | 0 | 0 |
| Retained profits | 23 | 396,641 | 384,176 | 381,683 | 391,167 |
| Total equity | | <u>1,043,055</u> | <u>1,024,132</u> | <u>1,023,683</u> | <u>1,033,167</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Redeemable preference share | 24 | 0* | 0* | 0* | 0* |
| Deferred tax liabilities | 25 | 163,535 | 157,322 | 163,131 | 156,871 |
| Contract liabilities | 26 | 11,911 | 15,205 | 11,911 | 15,205 |
| Borrowings | 28 | 181,000 | 181,000 | 181,000 | 181,000 |
| Lease liabilities | 29 | 1,778 | 0 | 1,778 | 0 |
| | | <u>358,224</u> | <u>353,527</u> | <u>357,820</u> | <u>353,076</u> |

* Denotes RM0.50

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

| | | <u>Group</u> | | <u>Company</u> | |
|------------------------------|-------------|------------------|------------------|------------------|------------------|
| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 27 | 1,010,641 | 1,023,116 | 992,897 | 1,005,599 |
| Contract liabilities | 26 | 4,529 | 4,655 | 4,529 | 4,655 |
| Amount due to a subsidiary | 17 | 0 | 0 | 869 | 13,605 |
| Borrowings | 28 | 201,839 | 102,966 | 201,839 | 102,966 |
| Lease liabilities | 29 | 494 | 0 | 494 | 0 |
| Tax payable | | 3,282 | 12,158 | 3,142 | 12,065 |
| | | <u>1,220,785</u> | <u>1,142,895</u> | <u>1,203,770</u> | <u>1,138,890</u> |
| Total liabilities | | <u>1,579,009</u> | <u>1,496,422</u> | <u>1,561,590</u> | <u>1,491,966</u> |
| Total equity and liabilities | | <u>2,622,064</u> | <u>2,520,554</u> | <u>2,585,273</u> | <u>2,525,133</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| <u>Group</u> | <u>Note</u> | <u>Share capital RM'000</u> | <u>Cash flow hedge reserve* RM'000</u> | <u>Retained profits RM'000</u> | <u>Total RM'000</u> |
|---|-------------|-------------------------------------|--|--|-------------------------|
| At 1 January 2019, as previously reported | | 642,000 | (2,044) | 384,176 | 1,024,132 |
| Effects of adoption of MFRS 16 | 4 | 0 | 0 | (448) | (448) |
| At 1 January 2019, as restated | | 642,000 | (2,044) | 383,728 | 1,023,684 |
| Net profit for the financial year | | 0 | 0 | 190,105 | 190,105 |
| Other comprehensive income for the financial year | | 0 | 6,458 | 0 | 6,458 |
| Total comprehensive income for the financial year | | 0 | 6,458 | 190,105 | 196,563 |
| Transactions with owners: | | | | | |
| Dividend: financial year ended 31 December 2019 | 30 | 0 | 0 | (61,632) | (61,632) |
| Dividend: financial year ended 31 December 2018 | 30 | 0 | 0 | (115,560) | (115,560) |
| Total transactions with owners | | 0 | 0 | (177,192) | (177,192) |
| At 31 December 2019 | | 642,000 | 4,414 | 396,641 | 1,043,055 |

* The cash flow hedge reserve is in respect of the Group's share of the cash flow hedge reserve of its joint venture.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

| <u>Group</u> | <u>Note</u> | <u>Share capital RM'000</u> | <u>Cash flow hedge reserve* RM'000</u> | <u>Retained profits RM'000</u> | <u>Total RM'000</u> |
|---|-------------|-------------------------------------|--|--|-------------------------|
| At 1 January 2018 | | 642,000 | (2,278) | 377,124 | 1,016,846 |
| Net profit for the financial year | | 0 | 0 | 180,392 | 180,392 |
| Other comprehensive income for the financial year | | 0 | 234 | 0 | 234 |
| Total comprehensive income for the financial year | | 0 | 234 | 180,392 | 180,626 |
| Transactions with owners: | | | | | |
| Dividend: financial year ended 31 December 2018 | 30 | 0 | 0 | (57,780) | (57,780) |
| Dividend: financial year ended 31 December 2017 | 30 | 0 | 0 | (115,560) | (115,560) |
| Total transactions with owners | | 0 | 0 | (173,340) | (173,340) |
| At 31 December 2018 | | 642,000 | (2,044) | 384,176 | 1,024,132 |

* The cash flow hedge reserve is in respect of the Group's share of the cash flow hedge reserve of its joint venture.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

| <u>Company</u> | <u>Note</u> | <u>Share capital</u> RM'000 | <u>Retained profits</u> RM'000 | <u>Total</u> RM'000 |
|---|-------------|--------------------------------|-----------------------------------|------------------------|
| At 1 January 2019, as previously reported | | 642,000 | 391,167 | 1,033,167 |
| Effects of adoption of MFRS 16 | 4 | 0 | (448) | (448) |
| At 1 January 2019, as restated | | 642,000 | 390,719 | 1,032,719 |
| Net profit for the financial year/Total comprehensive income for the financial year | | 0 | 168,156 | 168,156 |
| Transactions with owners: | | | | |
| Dividend: financial year ended 31 December 2019 | 30 | 0 | (61,632) | (61,632) |
| Dividend: financial year ended 31 December 2018 | 30 | 0 | (115,560) | (115,560) |
| Total transactions with owners | | 0 | (177,192) | (177,192) |
| At 31 December 2019 | | 642,000 | 381,683 | 1,023,683 |

| <u>Company</u> | <u>Note</u> | <u>Share capital</u> RM'000 | <u>Retained profits</u> RM'000 | <u>Total</u> RM'000 |
|---|-------------|--------------------------------|-----------------------------------|------------------------|
| At 1 January 2018 | | 642,000 | 387,572 | 1,029,572 |
| Net profit for the financial year/Total comprehensive income for the financial year | | 0 | 176,935 | 176,935 |
| Transactions with owners: | | | | |
| Dividend: financial year ended 31 December 2018 | 30 | 0 | (57,780) | (57,780) |
| Dividend: financial year ended 31 December 2017 | 30 | 0 | (115,560) | (115,560) |
| Total transactions with owners | | 0 | (173,340) | (173,340) |
| At 31 December 2018 | | 642,000 | 391,167 | 1,033,167 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <u>Note</u> | <u>Group</u> | | <u>Company</u> | |
|---|-------------|--------------|-------------|----------------|-------------|
| | | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| OPERATING ACTIVITIES | | | | | |
| Profit before zakat and taxation | | 242,145 | 234,119 | 219,410 | 229,487 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | | 79,160 | 66,127 | 78,233 | 65,271 |
| Impairment loss on trade receivables | | 77 | 20 | 23 | 0 |
| Write back of impairment loss on trade receivables | | (1,836) | (9,407) | (1,814) | (9,407) |
| Loss/(Gain) on disposal of property, plant and equipment | | 121 | (295) | (46) | (272) |
| Property, plant and equipment written off | | 7,548 | 0 | 7,548 | 0 |
| Gain on disposal of a subsidiary | | 0 | 0 | 0 | (1,160) |
| Amortisation of prepaid lease payment | | 0 | 403 | 0 | 349 |
| Share of results in joint ventures | | (21,230) | (4,853) | 0 | 0 |
| Finance costs | | 15,366 | 12,310 | 14,475 | 11,609 |
| Finance income | | (4,234) | (6,822) | (3,491) | (6,140) |
| | | 317,117 | 291,602 | 314,338 | 289,737 |
| Changes in working capital: | | | | | |
| Receivables | | (131,574) | 50,109 | (129,921) | 50,116 |
| Payables and contract liabilities | | (12,363) | 135,917 | (12,590) | 151,246 |
| Intercompany balances | | 0 | 0 | (12,736) | 0 |
| Cash flows generated from operations | | 173,180 | 477,628 | 159,091 | 491,099 |
| Zakat paid | | (3,500) | (3,500) | (3,500) | (3,500) |
| Income tax paid | | (51,232) | (30,862) | (50,446) | (30,478) |
| Tax refund | | 171 | 0 | 171 | 0 |
| Net cash flows generated from operating activities | | 118,619 | 443,266 | 105,316 | 457,121 |
| INVESTING ACTIVITIES | | | | | |
| Government grant received | | 40,000 | 10,000 | 40,000 | 10,000 |
| Proceeds from disposal of property, plant and equipment | | 111 | 313 | 46 | 290 |
| Purchase of property, plant and equipment | | (176,860) | (158,106) | (176,264) | (157,856) |
| Additions of prepaid lease payment | | 0 | (9) | 0 | (9) |
| Finance income | | 4,269 | 6,700 | 3,526 | 6,046 |
| Addition/(Withdrawal) of investment funds with a licensed financial institution | | 48,469 | (171,750) | 57,707 | (170,470) |
| Advances to subsidiaries | | 0 | 0 | (7,509) | (13,051) |
| Investment in a joint venture | | (3,500) | 0 | 0 | 0 |
| Net cash flows used in investing activities | | (87,511) | (312,852) | (82,494) | (325,050) |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

| | <u>Note</u> | <u>Group</u> | | <u>Company</u> | |
|--|-------------|--------------|-------------|----------------|-------------|
| | | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| FINANCING ACTIVITIES | | | | | |
| Dividends paid | | (177,192) | (173,340) | (177,192) | (173,340) |
| Issuance of Islamic Medium Term Notes ("iMTN") and Islamic Commercial Papers ("iCP") | | 950,000 | 631,000 | 950,000 | 631,000 |
| Repayment of loan, iMTN and iCP | | (850,000) | (561,960) | (850,000) | (550,000) |
| Lease liabilities paid | | (1,724) | 0 | (1,724) | 0 |
| Finance cost paid | | (15,801) | (11,558) | (14,910) | (10,857) |
| Net cash flows used in financing activities | | (94,717) | (115,858) | (93,826) | (103,197) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | (63,609) | 14,556 | (71,004) | 28,874 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | 232,754 | 218,198 | 218,741 | 189,867 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 21 | 169,145 | 232,754 | 147,737 | 218,741 |

Notes to the statements of cash flows:

- a. The following principal non-cash transactions during the financial year have been set-off against other receivables and amounts due from subsidiaries respectively:

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (i) Finance income receivable arising from deposits with financial institutions | 87 | 122 | 87 | 122 |
| (ii) Proceeds from disposal of investments in unquoted shares in a subsidiary and a joint venture | 0 | 0 | 0 | 5,699 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Notes to the statements of cash flows: (continued)

- b. The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

| | <u>Short-term borrowings</u> RM'000 | <u>Long-term borrowings</u> RM'000 | <u>Dividend payable</u> RM'000 | <u>Lease liabilities</u> RM'000 | <u>Total</u> RM'000 |
|---------------------------------|--|---|---------------------------------------|--|------------------------|
| <u>Group</u> | | | | | |
| At 1 January 2019 | 102,966 | 181,000 | 0 | 2,708* | 286,674 |
| Cash flows | 84,199 | 0 | (177,192) | (1,724) | (94,717) |
| Non-cash items: | | | | | |
| - Dividends declared | 0 | 0 | 177,192 | 0 | 177,192 |
| - Finance costs | 14,674 | 0 | 0 | 1,270 | 15,944 |
| - Addition of lease liabilities | 0 | 0 | 0 | 18 | 18 |
| At 31 December 2019 | <u>201,839</u> | <u>181,000</u> | <u>0</u> | <u>2,272</u> | <u>385,111</u> |
| At 1 January 2018 | 4,741 | 208,970 | 0 | 0 | 213,711 |
| Cash flows | 85,452 | (27,970) | (173,340) | 0 | (115,858) |
| Non-cash items: | | | | | |
| - Dividends declared | 0 | 0 | 173,340 | 0 | 173,340 |
| - Finance costs | 12,773 | 0 | 0 | 0 | 12,773 |
| At 31 December 2018 | <u>102,966</u> | <u>181,000</u> | <u>0</u> | <u>0</u> | <u>283,966</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Notes to the statements of cash flows: (continued)

- b. The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows: (continued)

| | Short-term borrowings RM'000 | Long-term borrowings RM'000 | Dividend payable RM'000 | Lease liabilities RM'000 | Total RM'000 |
|---------------------------------------|------------------------------------|-----------------------------------|-------------------------------|--------------------------------|-----------------|
| <u>Company</u> | | | | | |
| At 1 January 2019 | 102,966 | 181,000 | 0 | 2,708* | 286,674 |
| Cash flows | 85,090 | 0 | (177,192) | (1,724) | (93,826) |
| Non-cash items: | | | | | |
| - Dividends declared | 0 | 0 | 177,192 | 0 | 177,192 |
| - Finance costs | 13,783 | 0 | 0 | 1,270 | 15,053 |
| - Addition of lease liabilities | 0 | 0 | 0 | 18 | 18 |
| At 31 December 2019 | <u>201,839</u> | <u>181,000</u> | <u>0</u> | <u>2,272</u> | <u>385,111</u> |
| At 1 January 2018 | 1,751 | 200,000 | 0 | 0 | 201,751 |
| Cash flows | 89,143 | (19,000) | (173,340) | 0 | (103,197) |
| Non-cash items: | | | | | |
| - Dividends declared | 0 | 0 | 173,340 | 0 | 173,340 |
| - Finance costs | 12,072 | 0 | 0 | 0 | 12,072 |
| At 31 December 2018 | <u>102,966</u> | <u>181,000</u> | <u>0</u> | <u>0</u> | <u>283,966</u> |

*After effects of adoption of MFRS 16. See Note 4 for details.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019**

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, sale, supply and transport of Compressed Natural Gas ("CNG") 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 24 April 2020.

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 rate exposure arises from the Group's and the Company's deposits and borrowings, and are not material to the operations of the Group and of the Company.

(b) Credit risk

Risk management

The Group's exposure to credit risk arises from cash and cash equivalents, deposit with financial institutions and investment funds in a licensed financial institution, as well as credit exposures to customers, including outstanding receivable balances. The Company's exposure to credit risk arises from amounts due from subsidiaries and joint ventures, cash and cash equivalents, deposit with financial institutions and investment funds in a financial institution, as well as credit exposure on outstanding receivable balances. Risks arising therefrom are minimised through:

- Performing regular reviews of the aging profiles of amounts due from subsidiaries and joint ventures.
- Investing cash assets safely and profitably, which involves placement of cash and cash equivalents and short-term deposits with established banks or financial institutions. In addition, the Group and the Company set exposure limits as well as limiting placement tenures to less than one year for each of the financial institutions.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Risk management (continued)

- Performing credit evaluations on customers and assessing the credit quality of the customers by taking into account their financial positions, past experience and other factors.
- Ensuring the collection risk arising from trade receivables is minimised by imposing a requirement for a 2-month financial guarantee on its customers. A credit review committee meets regularly and closely monitors the trade receivables.

Measurement of Expected Credit Loss ("ECL")

The Group and the Company set out two categories of receivables that reflect their credit risks and loss allowance is determined for these categories.

(i) Trade receivables using simplified approach

The expected loss rates are based on the payment profiles of sales over a period of 12 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as crude oil prices and gross domestic product growth) affecting the ability of the customers to settle the receivables. The historical loss rates will be adjusted based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

In determining the expected loss rates, the Group and the Company also take into consideration the following:

- The collection of a 2-month financial guarantee (e.g. collection in the form of cash deposits, issuance of bank guarantees by the customers in the name of the Group, etc.) from the customers prior to the commencement of supply of gas. These financial guarantees are reviewed periodically to ensure that the amounts remain appropriate vis-à-vis the value of the gas supplied.
- Issuance of suspension notice to the customers with payments past due 1 day from the credit terms. Thereafter, customers are given a grace period of 7 days from the issuance of the suspension notice, and failure to make payments will entail the disconnection of gas supply to the customer's premise.

The Group's and the Company's maximum exposure to credit risk and loss allowance recognised as at 31 December 2019 are disclosed in Note 19. The remaining amount in which no ECL allowance was recognised is deemed to be recoverable, with low probability of default.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

- (ii) Debt instruments at amortised cost other than trade receivables, using the 3-stage general approach

The Group and the Company use four categories to reflect their credit risk and how the loss allowance is determined for each of the categories. A summary of the assumptions underpinning the Group's and the Company's expected credit loss is as follows:

| Category | Definition of category | Basis of recognition of ECL provision |
|-----------------|--|---|
| Performing | Debtors have a low risk of default and a strong capacity to meet the contractual cash flows. | 12 months expected losses. Where the expected lifetime on an asset is less than 12 months, expected losses are measured at its expected lifetime. |
| Underperforming | Debtors for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. | Lifetime expected losses |
| Non-performing | There is evidence indicating the assets is credit-impaired. | Lifetime expected losses |
| Write-off | There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. | Asset is written-off |

Based on the above, loss allowance is measured on either 12-month ECL or lifetime ECL using a PD ("Probability of Default") x LGD ("Loss Given Default") x EAD ("Exposure at Default") methodology.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

- (ii) Debt instruments at amortised cost other than trade receivables, using the 3-stage general approach (continued)

In deriving the PD and the LGD, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as crude oil prices and gross domestic product growth) affecting the ability of the customers to settle the receivables. The historical loss rates will be adjusted based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

For intercompany balances that are repayable on demand, the Company's ECL is based on the following assumptions:

- If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the ECL is likely to be immaterial.
- If the borrower could not repay the loan if demanded at the reporting date, the Company considers the expected manner of recovery to measure the ECL. The recovery manner could be either through 'repayment over time' or a fire sale of less liquid assets by the borrower.
- If the recovery strategies indicate that the Company would fully recover the outstanding balance of the loan, the ECL would be limited to the effect of the discounting of the amount due on the loan, at the loan's effective interest rates, over the period until the amount is fully recovered.

All of the Group's and of the Company's debt instruments at amortised cost other than trade receivables are considered to have low credit risks, as these were considered to be performing, have low risks of default and historically there were minimal instances where contractual cash flow obligations have not been met.

The maximum exposure to credit risks for debt instruments at amortised cost other than trade receivables are represented by the carrying amounts recognised in the statements of financial position.

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and investment funds with a licensed financial institution that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (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's 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 flows:

| | Less than 3 months RM'000 | Between 4 months to 1 year RM'000 | Between 1 to 2 years RM'000 | More than 2 years RM'000 | Total RM'000 |
|----------------------------|---------------------------------|--|-----------------------------------|--------------------------------|-----------------|
| 2019 | | | | | |
| <u>Group</u> | | | | | |
| Trade and other payables | 867,110 | 143,531 | 0 | 0 | 1,010,641 |
| Borrowings | 100,289 | 109,887 | 80,340 | 121,254 | 411,770 |
| Lease liabilities | 417 | 1,081 | 1,105 | 3,186 | 5,789 |
| | | | | | |
| <u>Company</u> | | | | | |
| Trade and other payables | 862,392 | 130,505 | 0 | 0 | 992,897 |
| Amount due to a subsidiary | 0 | 869 | 0 | 0 | 869 |
| Borrowings | 100,289 | 109,887 | 80,340 | 121,254 | 411,770 |
| Lease liabilities | 417 | 1,081 | 1,105 | 3,186 | 5,789 |
| | | | | | |
| 2018 | | | | | |
| <u>Group</u> | | | | | |
| Trade and other payables | 891,570 | 131,546 | 0 | 0 | 1,023,116 |
| Borrowings | 0 | 114,289 | 103,218 | 86,854 | 304,361 |
| | | | | | |
| <u>Company</u> | | | | | |
| Trade and other payables | 888,905 | 116,694 | 0 | 0 | 1,005,599 |
| Amount due to a subsidiary | 9,991 | 3,614 | 0 | 0 | 13,605 |
| Borrowings | 0 | 114,289 | 103,218 | 86,854 | 304,361 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 based on 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 well as lease liabilities as shown in the statements of financial position). Total capital is calculated as the sum of total equity and total debt.

The gearing ratios as at 31 December 2019 and 2018 are as follows:

| | <u>Group</u> | |
|---------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Total debt | 385,111 | 283,966 |
| Total equity | 1,043,055 | 1,024,132 |
| Total capital | <u>1,428,166</u> | <u>1,308,098</u> |
| Gearing ratio | 27.0% | 21.7% |

The gearing ratio increased from 21.7% to 27.0% as at 31 December 2019 following the adoption of MFRS 16 Leases. Both total debt and gross assets increased following the recognition of rights of use lease assets and lease liabilities on 1 January 2019. See Note 4 for further information.

The Group maintains a debt to equity ratio that complied with debt covenants in respect of borrowings undertaken by the Group.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value hierarchy

The assets and liabilities carried at fair value are categorised into different levels of fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amounts of all financial assets and liabilities of the Group and of the Company at the end of the reporting period approximated their fair values.

The Group's and the Company's financial instruments measured and recognised at fair value are presented in the table below:

| | <u>Level 1</u> RM'000 | <u>Level 2</u> RM'000 | <u>Level 3</u> RM'000 | <u>Total</u> RM'000 |
|--|--------------------------|--------------------------|--------------------------|------------------------|
| <u>2019</u> | | | | |
| <u>Group</u> | | | | |
| <u>Financial asset</u> | | | | |
| - Investment funds with a licensed financial institution | 0 | 123,281 | 0 | 123,281 |
| <u>Company</u> | | | | |
| <u>Financial asset</u> | | | | |
| - Investment funds with a licensed financial institution | 0 | 112,763 | 0 | 112,763 |
| <u>2018</u> | | | | |
| <u>Group</u> | | | | |
| <u>Financial asset</u> | | | | |
| - Investment funds with a licensed financial institution | 0 | 171,750 | 0 | 171,750 |
| <u>Company</u> | | | | |
| <u>Financial asset</u> | | | | |
| - Investment funds with a licensed financial institution | 0 | 170,470 | 0 | 170,470 |

There were no transfers between Level 1 and Level 2 during the financial years.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

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 2016 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(aa).

(i) Standards, amendments to published standards and interpretations that are effective and relevant to the Group and to the Company:

The Group has applied the following standard, amendments and interpretation for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment features with negative compensation"
- Amendments to MFRS 128 "Long-term interests in associates and joint ventures"
- Amendments to MFRS 119 "Plan amendment, curtailment or settlement"
- IC Interpretation 23 "Uncertainty over income tax treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in the accounting policies. The detailed impact arising from the adoption of MFRS 16 are set out in Note 4.

Other than the above, the adoption of the amendments to existing standards and interpretation listed above did not have any financial impact on the current period or any other period and is not likely to affect future periods.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards early adopted by the Group and by the Company

There were no standards early adopted by the Group and by the Company.

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and to the Company but not yet effective and have not been adopted by the Group and by the Company

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020. The Group and the Company intend to adopt the following pronouncements that are applicable to the Group and to the Company when they become effective:

Effective for financial year beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018) (effective 1 January 2020). The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS and does not override any IFRSs.

Key changes to the Framework involve, amongst others, clarifications on the objective of general purpose financial reporting as well as the primary source of information about an entity's financial performance for a reporting period, reinstatement of certain concepts, introducing/refining definitions on removal of the probability threshold for asset or liability recognition as well as additional guidance on de-recognition of assets and liabilities.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) (effective 1 January 2020). The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (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 to the Company but not yet effective and have not been adopted by the Group and by the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020. The Group and the Company intend to adopt the following pronouncements that are applicable to the Group and to the Company when they become effective: (continued)

Effective for financial year beginning on or after 1 January 2020 (continued)

- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) (effective 1 January 2020). The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting. (continued)

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

- Amendments to MFRS 3 "Definition of a Business"

The amendments revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focuses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

GAS MALAYSIA BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (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 to the Company but not yet effective and have not been adopted by the Group and by the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020. The Group and the Company intend to adopt the following pronouncements that are applicable to the Group and to the Company when they become effective: (continued)

Effective for financial year beginning on or after 1 January 2020 (continued)

- Amendments to MFRS 3 "Definition of a Business" (continued)

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

- Amendments to MFRS 9, 139 and 7 on interest rate benchmark reform

Interbank Offered Rate ("IBOR") reforms

The amendments to MFRS 9, 139 and 7 provide guidance on the relief available, assumptions to be applied when performing the prospective assessment as well as exceptions to the MFRS 139 retrospective effectiveness test.

Risk components

For hedge accounting to be applied, both MFRS 9 and MFRS 139 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship.

Disclosures

The amendment requires disclosure of the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (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 to the Company but not yet effective and have not been adopted by the Group and by the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020. The Group and the Company intend to adopt the following pronouncements that are applicable to the Group and to the Company when they become effective: (continued)

Effective for financial year beginning on or after 1 January 2020 (continued)

- Amendments to MFRS 9, 139 and 7 on interest rate benchmark reform (continued)

An entity shall apply the amendments retrospectively. This retrospective application applies only to the following:

- hedging relationships that existed at the beginning of the reporting period in which an entity first applies those amendments or were designated thereafter; and
- the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements.

Effective for financial year beginning on or after 1 January 2022

- Amendments to MFRS 101 on classification of liabilities as current or non-current

The MFRS 101 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period.

The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (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 to the Company but not yet effective and have not been adopted by the Group and by the Company (continued)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020. The Group and the Company intend to adopt the following pronouncements that are applicable to the Group and to the Company when they become effective: (continued)

Effective for financial year beginning on or after 1 January 2022 (continued)

- Amendments to MFRS 101 on classification of liabilities as current or non-current (continued)

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with MFRS 132 "Financial Instruments: Presentation". Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument.

These amendments should be applied retrospectively.

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" on Sales or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments resolve a current inconsistency between MFRS 10 and MFRS 128.

The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'.

Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. In other words, the elimination of profits or losses resulting from 'upstream' and 'downstream' transactions between an investor and its associate or a joint venture rule is only applicable if the asset is not a business.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (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 to the Company but not yet effective and have not been adopted by the Group and by the Company (continued)

Effective date yet to be determined by the Malaysian Accounting Standards Board (continued)

- Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" on Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. (continued)

The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

There is no material impact to the financial statements of the Group and of the Company arising from the amendments to existing standards that are applicable, but yet to be effective.

(b) Consolidation

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 profit or loss.

Acquisition-related costs are expensed as incurred.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (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 statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

When necessary, amounts reported by the subsidiaries have been adjusted to conform to 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.

GAS MALAYSIA BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(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, import duties, non-refundable purchase taxes 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.

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 the net proceeds with the 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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of non-financial assets

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.

(g) Investments

In the Company's separate financial statements, investments 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 a subsidiary which the subsidiary has no repayment obligation is considered as part of the Company's investment in the subsidiary.

(h) Leases

(i) Accounting by lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group or the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

GAS MALAYSIA BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

(ii) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(a) Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and of the Company and affects whether the Group and the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See note 3(h)(i)(d) on reassessment of lease liabilities.

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The upfront payment represents prepaid lease payments for lease of land and is amortised on the straight-line basis over the lease period of 20 to 99 years.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

(i) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within finance costs in profit or loss in the statements of comprehensive income.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

(i) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(d) Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(e) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting policies on lessee accounting applied until 31 December 2018

Operating leases

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 (net of any incentives received from the lessor) 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 upfront payment represents prepaid lease payments for lease of land and is amortised on the straight-line basis over the lease period of 20 to 99 years.

(ii) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

(ii) Accounting by lessor (continued)

(a) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 3(t) on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(b) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

(ii) Accounting by lessor (continued)

(c) Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(d) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

(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 the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy note 3(t) on impairment of financial assets.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents are 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.

(k) 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

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(l) 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, in which they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Trade payables are subsequently measured at amortised cost using the effective profit rate method.

(m) 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.

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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group and the Company have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings and borrowing costs (continued)

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.

(n) Current and deferred income tax

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the financial year is the tax payable on the current financial year'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 Company, its 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.

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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Current and deferred income tax (continued)

Generally, the joint venturer is unable to control the reversal of the temporary difference for joint ventures. Only where there is an agreement in place that gives the joint venturer 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.

(o) 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.

(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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods and services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Sale of gas

The Group's and the Company's revenue is mainly derived from the sales of natural gas to industrial, commercial and residential customers. The Group and the Company sell gas to the customers in various forms, namely natural gas, LPG and CNG.

As part of the customer's process to obtain gas supply from the Group and the Company, customers may be required to pay a connectivity charge to the Group and the Company (i.e. payment of capital contribution in order for the Group and the Company to connect the customer's premise to the natural gas distribution system ("NGDS") network). In the case of the Group and the Company, as the connectivity charge and the supply of gas are highly interdependent on one another to produce the output that the customer requires (i.e. the supply of gas), hence, it is not being capable to be distinct in the context of the supply of goods and services. Therefore, it is treated as one single performance obligation.

Revenue from gas sales is recognised (net of discount and taxes collected on behalf) as and when the Group's and the Company's customers simultaneously receive and consume the benefits (i.e. the customers are able to utilise the gas for their benefit as and when the gas is being supplied) arising from the Group and the Company performing their obligations based on the terms of the contracts with the customers. Accordingly, revenue from the supply of gas is recognised over time; i.e. as and when the gas supplied is consumed by the customers.

There is no element of financing present as the Group's and Company's sales are based on a credit term of 25 days from the date of the invoice.

(ii) Provision for tolling services

Revenue from provision of tolling services is recognised in the period in which the tolling activities are performed. There is no element of financing present as sales is based on a credit term of 30 days from the date of invoice.

GAS MALAYSIA BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(q) Revenue recognition (continued)****(iii) Provision for metered services**

Revenue from metered services are charges imposed to retail license holders, who are also the customers of the Group, for billing and payment collection services provided on behalf of the retail license holders to the respective customers. It is recognised in the period in which the activities are performed. There is no element of financing present as sales is based on a credit term of 30 days from the date of invoice.

Revenue from other sources**(iv) Finance income**

Finance income is recognised in profit or loss on an accrual basis, using the effective profit rate method of the underlying asset.

Finance income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(v) Other income

Other income includes rental income, tender related income, gain/(loss) on disposal of assets and late payment charges, which is recognised on an accrual basis.

(r) Accounting for zakat

The Group and the Company recognise the obligations towards the payment of zakat on business. Zakat for the current financial year is recognised as and when the Group and the Company have 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 Lembaga Zakat Selangor for 2019 is 2.5% of the zakat base. The zakat base of the Group and of the Company are determined based on the profit after tax of eligible companies within the Group and the Company 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 financial year in which it is incurred.

GAS MALAYSIA BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Contingent liabilities

The Group and the Company do not recognise a contingent liability other than those arising from business, but disclose 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 and of the Company 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.

(t) Financial instruments

(i) Financial assets

(a) Classification

The Group and the Company classify the financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on Group's and on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

The Group and the Company reclassify the debt investments when and only when the business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(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 commit to purchase or sell the asset.

At initial recognition, the Group and the Company measure a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are derecognised when the rights to receive contractual cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(c) Subsequent measurement – gains and losses

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are two measurement categories into which the Group and the Company classify the debt instruments:

- **Amortised cost:**

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expense).

- **FVTPL:**

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. Gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating income/(expense) in the period in which it arises.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(d) Subsequent measurement – impairment

Impairment for debt instruments

The Group and the Company assess on a forward-looking basis the ECL associated with its debts instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group and the Company have two types of financial assets that are subject to the ECL model:

- Trade receivables for sales of goods and services; and
- Debt instruments carried at amortised cost.

In the Company's separate financial statements, intercompany balances are also subject to ECL.

While cash and cash equivalents are also subject to the impairment requirements as set out in MFRS 9, there is no impairment loss identified given the financial strength of the financial institutions in which the Group and the Company have a relationship with.

ECL represent a probability-weighted estimate of the difference between the present value of cash flows according to the contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of the ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(d) Subsequent measurement – impairment (continued)

Impairment for debt instruments (continued)

The financial assets of the Group and the Company and the related ECL measurement models are set out below:

Trade receivables using the simplified approach

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 2(b) sets out the measurement details of the ECL.

Debt instruments at amortised cost other than trade receivables, using the 3-stage general approach

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12-month ECL if the credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 2(b) sets out the measurement details of the ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information, such as:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; or
- significant changes in the expected performance or behaviour of the debtor, including changes in the payment status of debtor.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(d) Subsequent measurement – impairment (continued)

Significant increase in credit risk (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants.
- concessions have been made by the lender relating to the debtor's financial difficulty.
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(i) Financial assets (continued)

(d) Subsequent measurement – impairment (continued)

Groupings of instruments for ECL measured on collective basis

Collective assessment

To measure ECL, trade receivables arising from the sale of gas have been grouped based on shared risk characteristics and the days past due.

Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Write-off

Trade receivables

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments for a period greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt instruments at amortised cost other than trade receivables

The Group and the Company write off financial assets, in whole or in part, when all partial recovery efforts have been exhausted and there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtors' sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited against the same line item.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(ii) Financial liabilities

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.

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities for those having maturity dates of less than twelve months after the reporting date, otherwise, the balances are classified as non-current.

(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.

(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 and the Company recognise 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 and the Company recognise 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 and the Company pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Company have 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.

The Group's and the Company'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 and the Company have 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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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 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.

(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 at fair value through profit or loss. Changes in the fair value are recognised immediately in profit or loss and are included in other gains/(losses). Derivatives that qualify for hedge accounting are designated as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

GAS MALAYSIA BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(x) Derivatives and hedging activities (continued)**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 within other gains/(losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance income/cost at the same time as the interest expense on the hedged borrowings.

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, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss within other gains/(losses).

(y) Contract liabilities

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or have billed the customer. In the case of the supply of gas, contract liabilities represents the consideration received from customers which had made contributions to the Group and to the Company for the connecting the premises to the Group's and to the Company's natural gas distribution network.

(z) Government grant

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group and the Company will comply with all attached conditions.

Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) 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.

Critical accounting estimates, assumptions and judgements

(i) Depreciation policy

The depreciation policy of the pipelines system adopted by the Directors, given the change in validity of the distribution licence under Third Party Access ("TPA") regime effective from 1 January 2020 onwards, is on the basis that there are no changes expected to the technology and legal environment in the industry the Group and the Company operate in, as well as the manner of which the assets are being used. In addition, given the significance of the pipeline network used to supply gas to end customers, the competitive advantage would be difficult for any new entrant to replicate, therefore the current useful life continues to be reasonable. Estimates and judgements are continuously 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.

(ii) Accrual for unbilled gas costs

In determining the accrual for unbilled gas costs as disclosed in Note 27 to the financial statements, estimates are made by management on the gas volume supplied to its gas network as at the reporting date. These estimates are based on past experience of the customers' consumption patterns in the prior financial years.

(iii) Revenue recognition

The Directors have applied judgement in applying the revenue recognition policy based on the Group's and the Company's business model and its relationships and contracts with its customers. The judgement includes assessment of the obligation that the Group and the Company have in dealing with its customers, in which the Group and the Company are responsible for securing and expanding their customer base and bears the credit risks. The Directors have also taken into account the terms of business which the Group and the Company have with its gas suppliers where the title and ownership of the gas shall be transferred to the Group and to the Company after delivery to the Group's and to the Company's pipeline.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Critical accounting estimates and judgements (continued)

(iv) Rights and obligations under the Incentive Based Regulation ("IBR") framework and Third Party Access ("TPA") regime

The Energy Commission ("EC") implemented the IBR framework on 1 January 2017 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 remain financially neutral from fluctuations in gas price. Under the IBR framework, 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. Effective from 1 January 2020, the IBR framework would be replaced with the TPA regime, which entails the liberalisation of the Malaysian gas market whereby third parties are expected to be involved in the retailing of gas to end customers. The Directors have ascertained the extent of the Group's and of the Company's rights and obligations with the customers and the Government under the IBR framework which was effective during the financial year and TPA regime subsequent to the reporting date and have determined the implication to revenue recognition during the financial year and recovery of the outstanding balance as at the reporting date.

4 EFFECTS OF ADOPTION OF MFRS 16 "LEASES"

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117 "Leases".

The Group and the Company as lessors

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117 and did not have an impact for leases where the Group and the Company are the lessors.

The Group and the Company as lessees

Leases previously accounted for as operating leases

The Group and the Company recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases of less than 1 year and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. On a lease-by-lease basis, the Group and the Company measure the associated ROU asset on a retrospective basis at its carrying amount as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

4 EFFECTS OF ADOPTION OF MFRS 16 "LEASES" (CONTINUED)

The Group and the Company have also applied the available practical expedients wherein it:

- (i) used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (ii) relied on its assessment of whether leases are onerous before the date of initial application;
- (iii) excluded the initial direct costs from the measurement of the ROU asset at the date of initial application; and
- (iv) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In applying MFRS 16 for all leases, the Group and the Company as lessees:

- (i) recognise ROU assets and lease liabilities in the statement of financial position;
- (ii) recognise amortisation and impairment losses, if any, of ROU assets and finance cost on lease liabilities in profit or loss; and
- (iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and finance cost arising from lease liabilities (presented within financing activities) in the statement of cash flows.

Financial impact of the adoption of MFRS 16

The Group and the Company have applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

In addition, the Group and the Company have assessed whether a contract is or contains a lease based on the definition of a lease and related guidance set out in MFRS 16. However, for contracts entered into before the transition date, the Group and the Company relied on its assessment made applying MFRS 117 and IC Interpretation 4.

The impact to the opening balance as at 1 January 2019 is set out below:

(a) Statements of financial position

| | Carrying amount as at 1 January 2019 | Remeasurement | MFRS 16 carrying amount as at 1 January 2019 |
|--------------------------|--|---------------|---|
| <u>Group</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Right-of-use assets | 0 | 18,144 | 18,144 |
| Prepaid lease payments | 16,026 | (16,026) | 0 |
| Retained profits | (384,176) | 448 | (383,728) |
| Deferred tax liabilities | (157,322) | 142 | (157,180) |
| Lease liabilities: | | | |
| - short term | 0 | (434) | (434) |
| - long term | 0 | (2,274) | (2,274) |
| | | | |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

4 EFFECTS OF ADOPTION OF MFRS 16 "LEASES" (CONTINUED)

Financial impact of the adoption of MFRS 16 (continued)

(a) Statements of financial position (continued)

| <u>Company</u> | Carrying amount as at <u>1 January 2019</u> RM'000 | <u>Remeasurement</u> RM'000 | MFRS 16 carrying amount as at <u>1 January 2019</u> RM'000 |
|--------------------------|---|--------------------------------|--|
| Right-of-use assets | 0 | 14,054 | 14,054 |
| Prepaid lease payments | 11,936 | (11,936) | 0 |
| Retained profits | (391,167) | 448 | (390,719) |
| Deferred tax liabilities | (156,871) | 142 | (156,729) |
| Lease liabilities: | | | |
| - short term | 0 | (434) | (434) |
| - long term | 0 | (2,274) | (2,274) |

(b) Reconciliation between the operating lease commitments disclosed when applying MFRS 117 as at 31 December 2018 to the lease liabilities recognised at 1 January 2019 as follows:

| | <u>Group and Company</u> RM'000 |
|--|------------------------------------|
| Contract reassessed as lease contracts upon initial application of MFRS 16: | |
| - Lease liabilities recognised as at 1 January 2019 | 2,708 |
| Analysed into: | |
| Current | 434 |
| Non-current | 2,274 |
| | 2,708 |

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.15% per annum.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

5 REVENUE

| | <u>Group</u> | | <u>Company</u> | |
|---|------------------|------------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Sale of gas:</u> | | | | |
| - Sale of natural gas | 6,836,695 | 6,175,654 | 6,838,254 | 6,177,129 |
| - Sale of LPG | 32,339 | 34,167 | 0 | 0 |
| - Sale of CNG | 2,947 | 3,072 | 0 | 0 |
| - Cash contribution for pipelines construction | 3,420 | 6,157 | 3,420 | 6,157 |
| Provision for tolling services | 10,961 | 14,193 | 10,961 | 14,193 |
| Provision for metered services | 91 | 0 | 0 | 0 |
| | <u>6,886,453</u> | <u>6,233,243</u> | <u>6,852,635</u> | <u>6,197,479</u> |
| Timing of revenue from contracts with customers – over time | <u>6,886,453</u> | <u>6,233,243</u> | <u>6,852,635</u> | <u>6,197,479</u> |

6 EXPENSES BY NATURE

| | <u>Group</u> | | <u>Company</u> | |
|--|------------------|------------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost of natural gas | 6,440,508 | 5,800,220 | 6,440,508 | 5,800,220 |
| Cost of LPG | 22,525 | 25,473 | 0 | 0 |
| Staff costs (Note 8) | 71,257 | 69,663 | 66,473 | 64,563 |
| Depreciation and amortisation: | | | | |
| - Property, plant and equipment | 77,864 | 66,127 | 76,993 | 65,271 |
| - Right-of-use assets | 1,296 | 0 | 1,240 | 0 |
| Net write back of impairment loss on trade receivables | (1,759) | (9,387) | (1,791) | (9,407) |
| Property, plant and equipment written off | 7,548 | 0 | 7,548 | 0 |
| Gas licence fee | 2,213 | 2,149 | 2,210 | 2,137 |
| Sales commission expenses | 1,288 | 1,273 | 0 | 0 |
| Contribution to charitable organisations | 5,800 | 4,820 | 5,800 | 4,820 |
| Other expenses | 27,912 | 39,693 | 25,348 | 37,380 |
| | <u>6,656,452</u> | <u>6,000,031</u> | <u>6,624,329</u> | <u>5,964,984</u> |

The above is a combination of cost of sales, administrative expenses and selling and distribution expenses in the statements of comprehensive income.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

7 PROFIT FROM OPERATIONS

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|--------------|----------------|--------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit from operations is arrived at after crediting: | | | | |
| Gain on disposal of property, plant and equipment | 46 | 295 | 46 | 272 |
| Gain on disposal of a subsidiary | 0 | 0 | 0 | 1,160 |
| Rental income | 0 | 3 | 0 | 0 |
| Write back of impairment loss on trade receivables (Note 19) | 1,836 | 9,407 | 1,814 | 9,407 |
| | <u>1,836</u> | <u>9,407</u> | <u>1,814</u> | <u>9,407</u> |
| and after charging: | | | | |
| Auditors' remuneration: | | | | |
| - statutory audit | 241 | 180 | 186 | 134 |
| - other audit related services | 123 | 116 | 123 | 116 |
| - non-audit services | 3 | 4 | 3 | 4 |
| Loss on disposal of property, plant and equipment | 167 | 0 | 0 | 0 |
| Amortisation of prepaid lease payments (Note 18) | 0 | 403 | 0 | 349 |
| Impairment loss on trade receivables (Note 19) | 77 | 20 | 23 | 0 |
| Property, plant and equipment written off | 7,548 | 0 | 7,548 | 0 |
| Rental of equipment | 58 | 86 | 46 | 75 |
| Rental of premises | 306 | 1,383 | 136 | 1,169 |
| | <u>7,548</u> | <u>1,383</u> | <u>7,548</u> | <u>1,169</u> |

8 STAFF COSTS

| | <u>Group</u> | | <u>Company</u> | |
|--|---------------|---------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages, bonuses and salaries | 62,158 | 59,444 | 58,552 | 55,513 |
| Defined contribution plan - contributions | 9,191 | 8,836 | 8,653 | 8,227 |
| Other employee benefits | 8,777 | 9,177 | 8,137 | 8,617 |
| | <u>80,126</u> | <u>77,457</u> | <u>75,342</u> | <u>72,357</u> |
| Less: Staff costs capitalised in property, plant and equipment | (8,869) | (7,794) | (8,869) | (7,794) |
| | <u>71,257</u> | <u>69,663</u> | <u>66,473</u> | <u>64,563</u> |

The staff costs include Directors' remuneration as disclosed in Note 9.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

9 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received by the Directors of the Company during the financial year is as follows:

| | <u>Group and Company</u> | |
|----------------|--------------------------|--------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Fees | 918 | 889 |
| Other benefits | 802 | 707 |
| | <u>1,720</u> | <u>1,596</u> |

10 FINANCE COSTS

| | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bank charges | 812 | 580 | 417 | 366 |
| Profit rate: | | | | |
| - iMTN | 11,487 | 10,210 | 10,991 | 9,723 |
| - iCP | 2,375 | 1,983 | 2,375 | 1,983 |
| Lease liabilities | 1,270 | 0 | 1,270 | 0 |
| | <u>15,944</u> | <u>12,773</u> | <u>15,053</u> | <u>12,072</u> |
| Less: Finance costs capitalised in property, plant and equipment | <u>(578)</u> | <u>(463)</u> | <u>(578)</u> | <u>(463)</u> |
| | <u>15,366</u> | <u>12,310</u> | <u>14,475</u> | <u>11,609</u> |

11 TAX EXPENSE

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax: | | | | |
| - current financial year | 45,246 | 50,087 | 44,584 | 49,581 |
| - over accrual in prior financial year | <u>(3,061)</u> | <u>(1,904)</u> | <u>(3,232)</u> | <u>(1,904)</u> |
| | <u>42,185</u> | <u>48,183</u> | <u>41,352</u> | <u>47,677</u> |
| Deferred taxation (Note 25) | | | | |
| - origination and reversal of temporary difference | <u>6,355</u> | <u>2,044</u> | <u>6,402</u> | <u>1,375</u> |
| | <u>48,540</u> | <u>50,227</u> | <u>47,754</u> | <u>49,052</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

11 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 of the Company is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation and after zakat | 238,645 | 230,619 | 215,910 | 225,987 |
| Tax calculated at the Malaysian income tax rate of 24% (2018: 24%) | 57,275 | 55,349 | 51,818 | 54,237 |
| Tax effects of: | | | | |
| Income not subject to tax | (5,330) | (1,991) | (5,199) | (2,140) |
| Expenses not deductible for tax | 1,847 | 2,994 | 1,786 | 2,752 |
| Share of results in joint ventures | (5,095) | (1,165) | 0 | 0 |
| Over accrual of taxes in prior financial year | (527) | (5,139) | (651) | (5,797) |
| Temporary differences for which no deferred tax had been recognised | 370 | 179 | 0 | 0 |
| Tax expense | <u>48,540</u> | <u>50,227</u> | <u>47,754</u> | <u>49,052</u> |

12 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.

| | <u>2019</u> | <u>Group</u> <u>2018</u> |
|--|-------------|-----------------------------|
| Net profit for the financial year attributable to equity holders of the Company (RM'000) | 190,105 | 180,392 |
| Weighted average number of ordinary shares ('000) | 1,284,000 | 1,284,000 |
| Basic earnings per share (RM) | <u>0.15</u> | <u>0.14</u> |
| Diluted earnings per share (RM) | <u>0.15</u> | <u>0.14</u> |

The Group has no dilutive potential ordinary shares and therefore the diluted EPS is the same as the basic EPS.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT

| <u>Group</u> | <u>Freehold land</u> RM'000 | <u>Leasehold buildings</u> RM'000 | <u>Motor vehicles</u> RM'000 | <u>Office and gas equipment</u> RM'000 | <u>Furniture and fittings</u> RM'000 | <u>Office renovation</u> RM'000 | <u>Pipeline and distribution systems</u> RM'000 | <u>Capital work-in-progress</u> RM'000 | <u>Total</u> RM'000 |
|---------------------------------|--------------------------------|--------------------------------------|---------------------------------|---|---|------------------------------------|--|---|------------------------|
| <u>2019 Cost</u> | | | | | | | | | |
| At 1 January | 9,894 | 19,531 | 8,266 | 65,911 | 2,037 | 16,844 | 1,775,967 | 201,141 | 2,099,591 |
| Additions | 0 | 2,480 | 325 | 4,423 | 0 | 85 | 37,817 | 94,472* | 139,602 |
| Disposals | 0 | 0 | (478) | (10) | 0 | 0 | (541) | 0 | (1,029) |
| Write-off | 0 | 0 | (358) | (16,879) | (1,282) | (6,694) | (22,048) | 0 | (47,261) |
| Reclassifications | 0 | 0 | 0 | 309 | 0 | 809 | 120,447* | (121,565) | 0 |
| Adjustment*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,696) | (5,696) |
| At 31 December | 9,894 | 22,011 | 7,755 | 53,754 | 755 | 11,044 | 1,911,642 | 168,352 | 2,185,207 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| At 1 January | 0 | 8,210 | 5,235 | 52,980 | 2,022 | 10,730 | 707,245 | 0 | 786,422 |
| Charge for the financial year | 0 | 596 | 1,270 | 3,888 | 8 | 2,212 | 69,890 | 0 | 77,864 |
| Disposals | 0 | 0 | (478) | (11) | 0 | 0 | (308) | 0 | (797) |
| Write-off | | | (358) | (16,879) | (1,281) | (6,694) | (14,501) | 0 | (39,713) |
| At 31 December | 0 | 8,806 | 5,669 | 39,978 | 749 | 6,248 | 762,326 | 0 | 823,776 |
| <u>Net book value</u> | | | | | | | | | |
| At 31 December | 9,894 | 13,205** | 2,086 | 13,776 | 6 | 4,796 | 1,149,316 | 168,352 | 1,361,431 |

Registration No.

199201008906 (240409-T)

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| <u>Group</u> | <u>Freehold land</u> RM'000 | <u>Leasehold buildings</u> RM'000 | <u>Motor vehicles</u> RM'000 | <u>Office and gas equipment</u> RM'000 | <u>Furniture and fittings</u> RM'000 | <u>Office renovation</u> RM'000 | <u>Pipeline and distribution systems</u> RM'000 | <u>Capital work-in-progress</u> RM'000 | <u>Total</u> RM'000 |
|---------------------------------|--------------------------------|--------------------------------------|---------------------------------|---|---|------------------------------------|--|---|------------------------|
| <u>2018</u> | | | | | | | | | |
| <u>Cost</u> | | | | | | | | | |
| At 1 January | 9,894 | 19,531 | 8,727 | 55,306 | 2,037 | 10,643 | 1,620,460 | 220,728 | 1,947,326 |
| Additions | 0 | 0 | 637 | 2,045 | 0 | 0 | 23,755 | 126,926* | 153,363 |
| Disposals | 0 | 0 | (1,098) | 0 | 0 | 0 | 0 | 0 | (1,098) |
| Reclassifications | 0 | 0 | 0 | 8,560 | 0 | 6,201 | 131,752* | (146,513) | 0 |
| At 31 December | 9,894 | 19,531 | 8,266 | 65,911 | 2,037 | 16,844 | 1,775,967 | 201,141 | 2,099,591 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| At 1 January | 0 | 7,763 | 5,058 | 50,892 | 2,010 | 10,642 | 645,010 | 0 | 721,375 |
| Charge for the financial year | 0 | 447 | 1,257 | 2,088 | 12 | 88 | 62,235 | 0 | 66,127 |
| Disposals | 0 | 0 | (1,080) | 0 | 0 | 0 | 0 | 0 | (1,080) |
| At 31 December | 0 | 8,210 | 5,235 | 52,980 | 2,022 | 10,730 | 707,245 | 0 | 786,422 |
| <u>Net book value</u> | | | | | | | | | |
| At 31 December | 9,894 | 11,321** | 3,031 | 12,931 | 15 | 6,114 | 1,068,722 | 201,141 | 1,313,169 |

* Included in the Group's addition of pipeline and distribution systems during the financial year was finance costs capitalised at 4.04% amounting to RM578,000 (2018: RM463,000).

** Includes a leasehold building with a net book value of RM5,690,000 (2018: RM5,888,000) which resides on leasehold land owned by a subsidiary company.

*** The amount of RM5,696,000 (2018: RM nil) has been reclassified to non-current other receivables during the financial year as it relates to refundable deposits.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| <u>Company</u> | <u>Freehold land</u> RM'000 | <u>Leasehold buildings</u> RM'000 | <u>Motor vehicles</u> RM'000 | <u>Office and gas equipment</u> RM'000 | <u>Furniture and fittings</u> RM'000 | <u>Office renovation</u> RM'000 | <u>Pipeline and distribution systems</u> RM'000 | <u>Capital work-in-progress</u> RM'000 | <u>Total</u> RM'000 |
|---------------------------------|--------------------------------|--------------------------------------|---------------------------------|---|---|------------------------------------|--|---|------------------------|
| <u>2019 Cost</u> | | | | | | | | | |
| At 1 January | 9,894 | 19,531 | 8,265 | 64,123 | 1,902 | 16,508 | 1,758,110 | 199,089 | 2,077,422 |
| Additions | 0 | 2,480 | 325 | 4,424 | 0 | 85 | 37,321 | 94,371* | 139,006 |
| Disposals | 0 | 0 | (478) | 0 | 0 | 0 | 0 | 0 | (478) |
| Write-off | 0 | 0 | (358) | (16,879) | (1,282) | (6,694) | (22,049) | 0 | (47,262) |
| Reclassifications | 0 | 0 | 0 | 309 | 0 | 809 | 120,447* | (121,565) | 0 |
| Adjustments*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,696) | (5,696) |
| At 31 December | 9,894 | 22,011 | 7,754 | 51,977 | 620 | 10,708 | 1,893,829 | 166,199 | 2,162,992 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| At 1 January | 0 | 8,210 | 5,234 | 51,200 | 1,887 | 10,394 | 703,415 | 0 | 780,340 |
| Charge for the financial year | 0 | 596 | 1,270 | 3,879 | 8 | 2,212 | 69,028 | 0 | 76,993 |
| Disposals | 0 | 0 | (478) | 0 | 0 | 0 | 0 | 0 | (478) |
| Write-off | 0 | 0 | (358) | (16,879) | (1,281) | (6,694) | (14,502) | 0 | (39,714) |
| At 31 December | 0 | 8,806 | 5,668 | 38,200 | 614 | 5,912 | 757,941 | 0 | 817,141 |
| <u>Net book value</u> | | | | | | | | | |
| At 31 December | 9,894 | 13,205** | 2,086 | 13,777 | 6 | 4,796 | 1,135,888 | 166,199 | 1,345,851 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| <u>Company</u> | <u>Freehold land</u> RM'000 | <u>Leasehold buildings</u> RM'000 | <u>Motor vehicles</u> RM'000 | <u>Office and gas equipment</u> RM'000 | <u>Furniture and fittings</u> RM'000 | <u>Office renovation</u> RM'000 | <u>Pipeline and distribution systems</u> RM'000 | <u>Capital work-in-progress</u> RM'000 | <u>Total</u> RM'000 |
|---------------------------------|--------------------------------|--------------------------------------|---------------------------------|---|---|------------------------------------|--|---|------------------------|
| <u>2018 Cost</u> | | | | | | | | | |
| At 1 January | 9,894 | 19,531 | 8,615 | 53,523 | 1,902 | 10,307 | 1,602,848 | 218,676 | 1,925,296 |
| Additions | 0 | 0 | 637 | 2,040 | 0 | 0 | 23,510 | 126,926* | 153,113 |
| Disposals | 0 | 0 | (987) | 0 | 0 | 0 | 0 | 0 | (987) |
| Reclassifications | 0 | 0 | 0 | 8,560 | 0 | 6,201 | 131,752* | (146,513) | 0 |
| At 31 December | 9,894 | 19,531 | 8,265 | 64,123 | 1,902 | 16,508 | 1,758,110 | 199,089 | 2,077,422 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| At 1 January | 0 | 7,763 | 4,946 | 49,123 | 1,875 | 10,306 | 642,025 | 0 | 716,038 |
| Charge for the financial year | 0 | 447 | 1,257 | 2,077 | 12 | 88 | 61,390 | 0 | 65,271 |
| Disposals | 0 | 0 | (969) | 0 | 0 | 0 | 0 | 0 | (969) |
| At 31 December | 0 | 8,210 | 5,234 | 51,200 | 1,887 | 10,394 | 703,415 | 0 | 780,340 |
| <u>Net book value</u> | | | | | | | | | |
| At 31 December | 9,894 | 11,321** | 3,031 | 12,923 | 15 | 6,114 | 1,054,695 | 199,089 | 1,297,082 |

* Included in the Company's addition of pipeline and distribution systems during the financial year was finance costs capitalised at 4.04% amounting to RM578,000 (2018: RM463,000).

** Includes a leasehold building with a net book value of RM5,690,000 (2018: RM5,888,000) which resides on leasehold land owned by a subsidiary company.

*** The amount of RM5,696,000 (2018: RM nil) has been reclassified to non-current other receivables during the financial year as it relates to refundable deposits.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net cash outflows for the acquisition of property, plant and equipment during the financial year is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Acquisition during the financial year | 139,602 | 153,363 | 139,006 | 153,113 |
| <u>Add:</u> | | | | |
| - Payment for property, plant and equipment acquired in the prior financial year | 38,731 | 33,937 | 38,731 | 33,937 |
| - Government grant received during the current financial year, which was offsetted against the additions of property, plant and equipment | 40,000 | 10,000 | 40,000 | 10,000 |
| <u>Less:</u> | | | | |
| - Acquisition of property, plant and equipment not paid as at the reporting date | (40,895) | (38,731) | (40,895) | (38,731) |
| - Finance cost capitalised during the financial year | (578) | (463) | (578) | (463) |
| Net cash outflows for the acquisition of property, plant and equipment | <u>176,860</u> | <u>158,106</u> | <u>176,264</u> | <u>157,856</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

14 RIGHT-OF-USE ASSETS

The Group leases several assets including district land, office buildings and office equipment for a period of between 1 to 30 years, but may include extension options.

Lease terms on the rental contracts are negotiated on an individual basis and contain various terms and conditions. The rental contracts do not impose any covenants.

| | Land and <u>buildings</u> RM'000 | Office <u>equipment</u> RM'000 | <u>Total</u> RM'000 |
|---|--|--------------------------------------|------------------------|
| <u>Group</u> | | | |
| <u>2019</u> | | | |
| Effects of adoption of MFRS 16 at 1 January (Note 4) | 18,111 | 33 | 18,144 |
| Addition during the financial year | 36 | 19 | 55 |
| Depreciation during the financial year | (1,252) | (44) | (1,296) |
| At 31 December | <u>16,895</u> | <u>8</u> | <u>16,903</u> |
| <u>Company</u> | | | |
| <u>2019</u> | | | |
| Effects of adoption of MFRS 16 at 1 January (Note 4) | 14,021 | 33 | 14,054 |
| Addition during the financial year | 36 | 18 | 54 |
| Depreciation during the financial year | (1,196) | (44) | (1,240) |
| At 31 December | <u>12,861</u> | <u>7</u> | <u>12,868</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

15 INVESTMENT IN SUBSIDIARIES

| | <u>Company</u> | |
|--------------------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Unquoted shares, at cost | 20,005 | 20,005 |

Details of the subsidiaries are as follows:

| <u>Name of company</u> | <u>Principal activities</u> | <u>Country of incorporation</u> | <u>Group's effective interest</u> | |
|---|---|-------------------------------------|-----------------------------------|-------------|
| | | | <u>2019</u> | <u>2018</u> |
| | | | % | % |
| <u>Direct subsidiaries</u> | | | | |
| Gas Malaysia (LPG) Sdn. Bhd. ("GMLPG")* | Selling of liquefied petroleum gas via a reticulation system | Malaysia | 100 | 100 |
| Pelantar Teknik (M) Sdn. Bhd. ("PTSB")* | Property holding | Malaysia | 100 | 100 |
| Gas Malaysia Ventures Sdn. Bhd.* | Investment holding | Malaysia | 100 | 100 |
| Gas Malaysia Distribution Sdn. Bhd. ("GMD")* | Developing, operating and maintaining the distribution pipeline and to deliver gas through the distribution pipeline. GMD has not commenced operation during the financial year 2019. | Malaysia | 100 | 100 |
| Gas Malaysia Energy and Services Sdn. Bhd. ("GMES")* | Selling, marketing and promotion of natural gas, liquefied petroleum gas and other gaseous fuel and providing related services and energy solution to industrial, commercial and residential sector. GMES has not commenced operation during the financial year 2019. | Malaysia | 100 | 100 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| <u>Name of company</u> | <u>Principal activities</u> | <u>Country of incorporation</u> | <u>Group's effective interest</u> | |
|---|-----------------------------|-------------------------------------|-----------------------------------|------------------|
| | | | <u>2019</u> % | <u>2018</u> % |
| <u>Indirect subsidiaries</u> | | | | |
| Gas Malaysia Virtual Pipeline Sdn. Bhd. ("GMVP")* | Virtual pipeline | Malaysia | 100 | 100 |
| Gas Malaysia Venture 1 Sdn. Bhd.* | Investment holding | Malaysia | 100 | 100 |
| Gas Malaysia Venture 2 Sdn. Bhd. ("GMV2")* | Investment holding | Malaysia | 100 | 100 |

* Audited by PricewaterhouseCoopers PLT, Malaysia.

In the previous financial year, the Company had, on 9 February 2018, disposed all of its equity interest in GMVP, comprising 5,209,240 ordinary shares, representing the entire issued share capital of GMVP, to its wholly-owned subsidiary, GMV2, for a cash consideration of RM5,209,240.

16 INVESTMENT IN JOINT VENTURES

| | <u>Group</u> | | <u>Company</u> | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> RM'000 | <u>2018</u> RM'000 | <u>2019</u> RM'000 | <u>2018</u> RM'000 |
| Unquoted shares, at cost | 36,990 | 33,490 | 33,000 | 33,000 |
| Share of post-acquisition reserves | 30,318 | 2,630 | 0 | 0 |
| | <u>67,308</u> | <u>36,120</u> | <u>33,000</u> | <u>33,000</u> |

Details of the joint ventures are as follows:

| <u>Name of company</u> | <u>Principal activities</u> | <u>Country of incorporation</u> | <u>Group's effective interest</u> | |
|--|-----------------------------|-------------------------------------|-----------------------------------|------------------|
| | | | <u>2019</u> % | <u>2018</u> % |
| Gas Malaysia Energy Advance Sdn. Bhd. ("GMEA") | Combined Heat and Power | Malaysia | 66 | 66 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

16 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

| <u>Name of company</u> | <u>Principal activities</u> | <u>Country of incorporation</u> | <u>Group's effective interest</u> | |
|--|---|-------------------------------------|-----------------------------------|------------------|
| | | | <u>2019</u> % | <u>2018</u> % |
| Sime Darby Gas Malaysia BioCNG Sdn. Bhd. ("SDGMB") | Sale and supply of bio-compressed natural gas | Malaysia | 49 | 49 |
| Gas Malaysia Synergy Drive Sdn. Bhd. ("GMSD") | Combined Heat and Power | Malaysia | 70 | 50 |

During the current financial year, the Group's indirect subsidiary, Gas Malaysia Venture 1 ("GMV1") had subscribed to its proportion of equity interest in GMSD. The subscription of 3,499,999 shares at a consideration of RM3,499,999 on 3 September 2019 had consequently increased the Group's effective equity interest in GMSD from 50% to 70%.

The Group has applied the equity method of accounting for these joint ventures. The joint ventures are unquoted companies and therefore there are no quoted market prices available for their shares.

The following table summarises the financial information of the Group's material joint venture, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint venture:

| | <u>2019</u> RM'000 | <u>GMEA</u> <u>2018</u> RM'000 |
|--|-----------------------|--------------------------------------|
| <u>Summarised statement of financial position</u> | | |
| As at 31 December | | |
| Non-current assets | 178,479 | 164,639 |
| Non-current liabilities | (82,287) | (99,771) |
| Current assets | 53,234 | 50,623 |
| Current liabilities | (52,755) | (61,249) |
| Net current assets/(liabilities) | 479 | (10,626) |
| Net assets | 96,671 | 54,242 |
| Included in the statement of financial position are: | | |
| - Deposits, cash and bank balances | 9,663 | 13,953 |
| - Current financial liabilities (excluding trade and other payables and provisions) | 20,402 | 30,251 |
| - Non-current financial liabilities (excluding trade and other payables and provisions) | 82,287 | 99,771 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

16 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the financial information of the Group's material joint venture, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint venture: (continued)

| | <u>2019</u> RM'000 | <u>GMEA</u> <u>2018</u> RM'000 |
|--|-----------------------|--------------------------------------|
| <u>Summarised statement of comprehensive income</u> | | |
| Financial year ended 31 December | | |
| Revenue | 150,256 | 151,452 |
| Cost of sales (excluding depreciation) | (136,895) | (134,525) |
| Administrative expenses | (12,254) | (2,839) |
| Depreciation | (29) | (28) |
| Finance cost | (5,493) | (6,854) |
| Finance income | 161 | 302 |
| Other income | 12,035 | 0 |
| Taxation | 24,863 | (72) |
| Profit after taxation | 32,644 | 7,436 |
| Other comprehensive income | 9,785 | 355 |
| Total comprehensive income | <u>42,429</u> | <u>7,791</u> |
| <u>Reconciliation of net assets to carrying amount</u> | | |
| Group's share of net assets/Carrying amount in the statement of financial position at 31 December | | |
| | <u>63,803</u> | <u>35,800</u> |
| <u>Group's share of results</u> | | |
| Group's share of results for the financial year | <u>21,545</u> | <u>4,908</u> |
| Group's share of other comprehensive income for the financial year | <u>6,458</u> | <u>234</u> |

Set out below are the financial information of all individually immaterial joint ventures on an aggregate basis:

| | <u>2019</u> RM'000 | <u>2018</u> RM'000 |
|--|-----------------------|-----------------------|
| Group's share of net assets/Carrying amount in the statement of financial position at 31 December | <u>3,505</u> | <u>320</u> |
| Group's share of loss for the financial year | <u>(315)</u> | <u>(55)</u> |

There are no outstanding commitments or contingent liabilities in respect of the joint ventures.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

17 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | <u>Company</u> | |
|-------------------------------|----------------|-----------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Amounts due from subsidiaries | | |
| - Non-current | <u>36,465</u> | <u>28,956</u> |
| Amount due to a subsidiary | | |
| - Current | <u>(869)</u> | <u>(13,605)</u> |

The amount due from subsidiaries also includes an advance given to a subsidiary in the previous financial year. The advance of RM11,000,000 is unsecured and carries a profit rate at 4.56% (2018: 4.56%) as at the reporting date for a tenure of 5 years.

The remaining amounts due from subsidiaries are unsecured, profit rate free and repayable on demand. The Company does not expect any repayment within the next twelve months.

18 PREPAID LEASE PAYMENTS

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|---------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January, as previously reported | 16,026 | 16,420 | 11,936 | 12,276 |
| Effects of adoption of MFRS 16 (Note 4) | (16,026) | 0 | (11,936) | 0 |
| At 1 January, as restated | <u>0</u> | <u>16,420</u> | <u>0</u> | <u>12,276</u> |
| Addition | 0 | 9 | 0 | 9 |
| Amortisation for the financial year | 0 | (403) | 0 | (349) |
| At 31 December | <u>0</u> | <u>16,026</u> | <u>0</u> | <u>11,936</u> |
| Cost | 0 | 23,167 | 0 | 17,775 |
| Accumulated amortisation | 0 | (7,141) | 0 | (5,839) |
| Net book value | <u>0</u> | <u>16,026</u> | <u>0</u> | <u>11,936</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

19 TRADE AND OTHER RECEIVABLES

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current: | | | | |
| - Trade receivables | 659,633 | 596,917 | 655,813 | 592,683 |
| - Accumulated impairment loss allowance on trade receivables | (6,567) | (8,346) | (6,511) | (8,304) |
| | 653,066 | 588,571 | 649,302 | 584,379 |
| - Other receivables | 133,962 | 135,952 | 131,367 | 135,917 |
| - Prepayments | 2,863 | 2,232 | 2,863 | 2,232 |
| - Deposits | 1,803 | 2,178 | 844 | 836 |
| - GST input tax | 4,690 | 21,802 | 4,596 | 21,579 |
| | 796,384 | 750,735 | 788,972 | 744,943 |
| Non-current: | | | | |
| - Other receivables | 87,612 | 0 | 87,612 | 0 |
| | 883,996 | 750,735 | 876,584 | 744,943 |

Included in the Group's and in the Company's trade and other receivables as at the reporting date is an amount of RM3,147,000 (2018: RM981,000) due from joint venture companies, GMEA and SDGMB.

Included in the Group's and in the Company's other receivables is an amount of RM195,757,000 (2018: RM131,078,000) which arises from the differences between the market prices on the gas supplied arising from the Group's and from the Company's contractual obligations to the gas supplier and the forecast market prices applied in the determination of the tariff, for which the Government has confirmed its support to the Group and to the Company under the Gas Cost Pass Through ("GCPT") mechanism. See Note 3(aa)(iv) for the rights and obligations of the Group and of the Company under the IBR framework. There is minimal risk of default in payment in respect of this amount.

As at 31 December 2019, trade receivables of RM32,015,000 (2018: RM31,215,000) for the Group and of RM30,997,000 (2018: RM29,774,000) 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) are as follows:

| | <u>Group</u> | | <u>Company</u> | |
|-------------------------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Neither past due nor impaired | 621,051 | 557,356 | 618,305 | 554,605 |
| Past due but not impaired: | | | | |
| Up to 2 months (overdue) | 25,103 | 30,343 | 24,495 | 29,664 |
| Over 2 months (overdue) | 6,912 | 872 | 6,502 | 110 |
| Impaired | 6,567 | 8,346 | 6,511 | 8,304 |
| | 659,633 | 596,917 | 655,813 | 592,683 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 and the Company require the customers to pledge a bank guarantee or place cash deposit as collateral. Due to these factors, the Group's and the Company's historical experience shows that the impairment loss allowance on trade receivables has been adequate.

As at 31 December 2019, trade receivables amounting to RM6,567,000 (2018: RM8,346,000) for the Group and RM6,511,000 (2018: RM8,304,000) for the Company were impaired and provided for. The individually impaired receivables mainly relate to customers which have defaulted in payment.

Movements on the impairment loss allowance on trade receivables are as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|--------------|----------------|--------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 8,346 | 17,733 | 8,304 | 17,711 |
| Impairment loss on trade receivables (Note 7) | 77 | 20 | 23 | 0 |
| Write back of impairment loss on trade receivables (Note 7) | (1,836) | (9,407) | (1,814) | (9,407) |
| Trade receivables written off | (20) | 0 | (2) | 0 |
| At 31 December | <u>6,567</u> | <u>8,346</u> | <u>6,511</u> | <u>8,304</u> |

Other than as disclosed above, the remaining other receivables were neither past due nor impaired and are deemed to be performing.

20 INVESTMENT FUNDS WITH A LICENSED FINANCIAL INSTITUTION

The investments are in relation to the following:

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Investment funds with a licensed financial institution - Unquoted | <u>123,281</u> | <u>171,750</u> | <u>112,763</u> | <u>170,470</u> |

The unquoted investment funds with a licensed financial institution are measured at fair value and classified as financial assets at fair value through profit or loss. The fair values of these financial assets are based on dealers' quote as at the reporting date.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

21 CASH AND CASH EQUIVALENTS

| | <u>Group</u> | | <u>Company</u> | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits placed with licensed banks | 149,775 | 213,771 | 130,037 | 205,366 |
| Cash and bank balances | 19,370 | 18,983 | 17,700 | 13,375 |
| | <u>169,145</u> | <u>232,754</u> | <u>147,737</u> | <u>218,741</u> |

The weighted average profit rates per annum of deposits placed with licensed banks that were effective during the reporting period are as follows:

| | <u>Group</u> | | <u>Company</u> | |
|-------------------------------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | % | % | % | % |
| | per annum | per annum | per annum | per annum |
| Deposits placed with licensed banks | 3.26 | 3.56 | 3.25 | 3.57 |

Deposits placed with licensed banks of the Group and of the Company have an average maturity period of 12 days (2018: 14 days). Bank balances are deposits held at call with licensed banks.

22 SHARE CAPITAL

| | <u>2019</u> | | <u>Company</u> | |
|--|-------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | Number of | Value | Number of | Value |
| | shares | RM'000 | shares | RM'000 |
| | '000 | | '000 | |
| Ordinary shares with no par value that is issued and fully paid: | | | | |
| At 1 January/31 December | 1,284,000 | 642,000 | 1,284,000 | 642,000 |

23 RETAINED PROFITS

The Company may distribute dividends from its entire retained profits under the single-tier tax system. Dividends paid under this system are tax exempt in the hands of shareholders.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

24 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 Petroliaam Nasional Berhad ("Special Shareholder" or "PETRONAS") which adopted the special rights attached to the RPS via amendments to the Constitution of the Company ("Constitution").

Salient points of the RPS stated in the Constitution 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 Constitution 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 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 Constitution, the RPS shall confer no other rights to participate in the capital or profits of the Company;

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

24 REDEEMABLE PREFERENCE SHARE (CONTINUED)

Salient points of the RPS stated in the Constitution are: (continued)

- (h) In the Constitution, 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 Constitution:
 - (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 "percentage 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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

25 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 statements of financial position:

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax liabilities | 163,535 | 157,322 | 163,131 | 156,871 |
| At beginning of reporting period, as previously reported | 157,322 | 155,278 | 156,871 | 155,496 |
| Effects of adoption of MFRS 16 (Note 4) | (142) | 0 | (142) | 0 |
| At beginning of reporting period, as restated | 157,180 | 155,278 | 156,729 | 155,496 |
| Charged/(credited) to profit or loss (Note 11): | | | | |
| - Unutilised tax losses | 0 | 198 | 0 | 0 |
| - Property, plant and equipment | 3,363 | 4,232 | 3,410 | 3,758 |
| - Provisions | 2,992 | (2,386) | 2,992 | (2,383) |
| | 6,355 | 2,044 | 6,402 | 1,375 |
| At end of reporting period | 163,535 | 157,322 | 163,131 | 156,871 |
| Subject to income tax: | | | | |
| Deferred tax assets (before offsetting) | | | | |
| - Provisions | 5,001 | 7,993 | 4,978 | 7,970 |
| - Lease liabilities | 142 | 0 | 142 | 0 |
| | 5,143 | 7,993 | 5,120 | 7,970 |
| Offsetting | (5,143) | (7,993) | (5,120) | (7,970) |
| Deferred tax assets (after offsetting) | 0 | 0 | 0 | 0 |
| Deferred tax liabilities (before offsetting) | | | | |
| - Property, plant and equipment | 168,678 | 165,315 | 168,251 | 164,841 |
| Offsetting | (5,143) | (7,993) | (5,120) | (7,970) |
| Deferred tax liabilities (after offsetting) | 163,535 | 157,322 | 163,131 | 156,871 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

25 DEFERRED TAXATION (CONTINUED)

Subject to the agreement of the Inland Revenue Board, the estimated amount of deferred tax assets calculated at the current tax rate which have not been recognised in the Group's and the Company's financial statements, as the Directors are of the view that it is not probable that sufficient future taxable profits will be available against which the temporary differences and tax losses can be utilised, are as follows:

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|--------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| No expiry period: | | | | |
| - Unabsorbed capital allowances | 2,065 | 1,375 | 0 | 0 |
| - Other deductible temporary difference | 47 | 161 | 0 | 0 |
| | <u>2,112</u> | <u>1,536</u> | <u>0</u> | <u>0</u> |
| Unutilised tax losses expiring in the following financial years: | | | | |
| - 2025 | 3,799 | 3,799 | 0 | 0 |
| - 2026 | 967 | 0 | 0 | 0 |
| | <u>4,766</u> | <u>3,799</u> | <u>0</u> | <u>0</u> |
| | <u>6,878</u> | <u>5,335</u> | <u>0</u> | <u>0</u> |

26 CONTRACT LIABILITIES

| | <u>Group and Company</u> | |
|--|--------------------------|---------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Contract liabilities: | | |
| - Capital contribution received from customers | <u>16,440</u> | <u>19,860</u> |
| Analysed as follows: | | |
| - Current liabilities | 4,529 | 4,655 |
| - Non-current liabilities | 11,911 | 15,205 |
| | <u>16,440</u> | <u>19,860</u> |

Capital contribution received from customers is considered as part of the process to obtain gas supply from the Group and the Company and therefore, this is considered as one performance obligation. The capital contribution received from the customer will be accounted for as a contract liability which will be recognised as revenue over the contract of the gas supply with the customers.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

26 CONTRACT LIABILITIES (CONTINUED)

Movement in the contract liabilities balances are set out below:

| | <u>Group and Company</u> | |
|---|--------------------------|---------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| As at 1 January | 19,860 | 16,877 |
| Revenue recognised that was included in the contract liability balance at the beginning of the financial year | (3,420) | (3,375) |
| Increases due to cash received, excluding amounts recognised as revenue during the financial year | 0 | 6,358 |
| As at 31 December | <u>16,440</u> | <u>19,860</u> |

There is no unsatisfied performance obligation as the customers simultaneously receive and consume the benefits as and when the Group and the Company perform the obligation arising from the contracts entered into with the customers.

27 TRADE AND OTHER PAYABLES

| | <u>Group</u> | | <u>Company</u> | |
|---------------------|------------------|------------------|----------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 873,054 | 893,499 | 868,336 | 888,905 |
| Other payables | 4,155 | 6,301 | 2,239 | 4,561 |
| Customers' deposits | 60,819 | 48,766 | 50,941 | 38,573 |
| Accruals | 72,613 | 74,550 | 71,381 | 73,560 |
| | <u>1,010,641</u> | <u>1,023,116</u> | <u>992,897</u> | <u>1,005,599</u> |

Included in the trade payables of the Group and of the Company at the end of the reporting period is an amount of RM331,725,000 (2018: RM429,997,000) in respect of the accruals due to the Group's and the Company's gas supplier, which is a related party, for the purchase of natural gas.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

28 BORROWINGS

| | <u>Group</u> | | <u>Company</u> | |
|--|----------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current (unsecured): | | | | |
| - iMTN | 101,839 | 102,966 | 101,839 | 102,966 |
| - iCP | 100,000 | 0 | 100,000 | 0 |
| | <u>201,839</u> | <u>102,966</u> | <u>201,839</u> | <u>102,966</u> |
| Non-current (unsecured): | | | | |
| - iMTN | 181,000 | 181,000 | 181,000 | 181,000 |
| | <u>382,839</u> | <u>283,966</u> | <u>382,839</u> | <u>283,966</u> |
| Analysis of repayment schedule: | | | | |
| - not later than 1 year | 201,839 | 102,966 | 201,839 | 102,966 |
| - later than 1 year but not later than 2 years | 70,000 | 100,000 | 70,000 | 100,000 |
| - later than 2 years | 111,000 | 81,000 | 111,000 | 81,000 |
| | <u>382,839</u> | <u>283,966</u> | <u>382,839</u> | <u>283,966</u> |

During the financial year, the Group and the Company have issued the following under the Sukuk Murabahah Programme ("SMP"):

- (i) Eight iCPs amounting to RM850.0 million during July, August, October, November and December 2019 for a tenure of one month; and
- (ii) iMTN of RM100.0 million for a tenure of three years on 13 December 2019

The Group and the Company have also repaid the iCPs amounting to RM750.0 million and iMTN of RM100.0 million respectively during the financial year.

The iCPs and iMTNs carry profit rates of 3.40% to 3.50% (2018: 3.63% to 3.98%) per annum and 3.52% (2018: 4.15% to 4.56%) per annum respectively as at the reporting date.

29 LEASE LIABILITIES

| | <u>Group and Company</u> | |
|-------------|--------------------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Current | 494 | 0 |
| Non-current | 1,778 | 0 |
| | <u>2,272</u> | <u>0</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

29 LEASE LIABILITIES (CONTINUED)

| | <u>Group and Company</u> | |
|--|--------------------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 |
| Maturity analysis of lease liabilities: | | |
| - not later than 1 year | 494 | 0 |
| - later than 1 year but not later than 2 years | 929 | 0 |
| - later than 2 years | 849 | 0 |
| | <u>2,272</u> | <u>0</u> |

Total cash outflow for leases in the financial year ended 31 December 2019 for the Group and for the Company amounted to RM1,724,000.

The Group and the Company have elected not to recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payment made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:

| | <u>Group</u> | | <u>Company</u> | |
|----------------------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short-term leases | 306 | 0 | 136 | 0 |
| Leases of low-value assets | 58 | 0 | 46 | 0 |
| | <u>364</u> | <u>0</u> | <u>182</u> | <u>0</u> |

30 DIVIDENDS

| <u>Company</u> | <u>Per share</u> | | <u>Total amount</u> | |
|--|------------------|--------------|---------------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | sen | sen | RM'000 | RM'000 |
| Dividends paid during the financial year: | | | | |
| 1) First interim dividend per ordinary share – in respect of: | | | | |
| - financial year ended 2019 | 4.80 | 0.00 | 61,632 | 0 |
| - financial year ended 2018 | 0.00 | 4.50 | 0 | 57,780 |
| 2) Second interim dividend per ordinary share – in respect of: | | | | |
| - financial year ended 2018 | 4.50 | 0.00 | 57,780 | 0 |
| - financial year ended 2017 | 0.00 | 4.00 | 0 | 51,360 |
| 3) Final dividend per ordinary share, – in respect of: | | | | |
| - financial year ended 2018 | 4.50 | 0.00 | 57,780 | 0 |
| - financial year ended 2017 | 0.00 | 5.00 | 0 | 64,200 |
| | <u>13.80</u> | <u>13.50</u> | <u>177,192</u> | <u>173,340</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

30 DIVIDENDS (CONTINUED)

| <u>Company</u> | <u>Per share</u> | | <u>Total amount</u> | |
|--|--------------------|--------------------|-----------------------|-----------------------|
| | <u>2019</u> sen | <u>2018</u> sen | <u>2019</u> RM'000 | <u>2018</u> RM'000 |
| Dividends declared/proposed subsequent to year end: | | | | |
| 1) Second interim dividend per ordinary share – in respect of: | | | | |
| - financial year ended 2019* | 4.80 | 0.00 | 61,632 | 0 |
| - financial year ended 2018 | 0 | 4.50 | 0 | 57,780 |
| 2) Final dividend per ordinary share, – in respect of: | | | | |
| - financial year ended 2019* | 4.50 | 0.00 | 57,780 | 0 |
| - financial year ended 2018 | 0 | 4.50 | 0 | 57,780 |

* The above second interim and the final dividend declared subsequent to the financial year ended 31 December 2019 will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

31 CAPITAL COMMITMENTS

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> RM'000 | <u>2018</u> RM'000 | <u>2019</u> RM'000 | <u>2018</u> RM'000 |
| In respect of purchase of property, plant and equipment: | | | | |
| Authorised by the Board: | | | | |
| - Not contracted for | 101,777 | 16,534 | 101,777 | 16,534 |
| - Contracted but not provided for in the financial statements | 133,400 | 171,949 | 133,400 | 171,949 |

32 SIGNIFICANT RELATED PARTIES DISCLOSURES

Related parties that the Group and the Company transacted with and their relationships with the Group and the Company are as follows:

| <u>Related parties</u> | <u>Relationship</u> | <u>Country of incorporation</u> |
|----------------------------------|---|---------------------------------|
| Petronas Gas Berhad ("PGB") | Shareholder with significant influence over the Group | Malaysia |
| Petronas Dagangan Berhad ("PDB") | A related party to PGB, a shareholder with significant influence over the Group | Malaysia |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

32 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

Related parties that the Group and the Company transacted with and their relationships with the Group and the Company are as follows: (continued)

| <u>Related parties</u> | <u>Relationship</u> | <u>Country of incorporation</u> |
|---|--|---------------------------------|
| 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 |
| HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd. ("HICOM") | A wholly owned subsidiary of DRB- Hicom 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") | 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 |
| JP Logistic Sdn. Bhd. ("JPL") | A wholly owned subsidiary of Johor Port Berhad, a subsidiary of MMC | Malaysia |

* PETRONAS owns 1 RPS in the Company. The rights of this RPS state that any variation to the matters within the Constitution shall be effective only with written consent of the holder of the RPS as disclosed in Note 24.

PETRONAS is wholly owned by the 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.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

32 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

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.

The following transactions were carried out with related parties in addition to related parties disclosures mentioned elsewhere in the financial statements:

(a) Transactions with a subsidiary

| | <u>Group</u> | | <u>Company</u> | |
|-----------------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Natural gas sales to: | | | | |
| GMVP*** | 0 | 0 | 1,389 | 1,476 |
| Advances to: | | | | |
| GMVP** | 0 | 0 | 2,500 | 16,000 |

(b) Transactions with a joint venture

| | <u>Group</u> | | <u>Company</u> | |
|-----------------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Natural gas sales to: | | | | |
| GMEA*** | 115,447 | 117,571 | 115,447 | 117,571 |

(c) Transactions with other related parties

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Natural gas sales to: | | | | |
| CSR*** | 90,773 | 79,628 | 90,773 | 79,628 |
| GPT*** | 27,176 | 24,469 | 27,176 | 24,469 |
| HICOM*** | 2,635 | 3,072 | 0 | 0 |
| Purchase of LPG from PDB** | 11,116 | 14,138 | 0 | 0 |
| Purchase of natural gas from PETRONAS**** | 6,440,508 | 5,800,220 | 6,440,508 | 5,800,220 |
| Tolling fee income earned from PETRONAS** | 10,961 | 14,193 | 10,961 | 14,193 |
| Cash contribution for Citygate construction paid to PETRONAS** | 20,085 | 19,859 | 20,085 | 19,859 |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

32 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

The following transactions were carried out with related parties in addition to related parties disclosures mentioned elsewhere in the financial statements: (continued)

(c) Transactions with other related parties (continued)

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Provision for repair and purchase of motor vehicle from EON** | 0 | 60 | 0 | 60 |
| Rental fee on leased land payable to PGB** | 215 | 230 | 215 | 230 |
| Logistic services by JPL** | 814 | 480 | 0 | 0 |

The significant outstanding balances with a related party is disclosed in Note 27.

** 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 EC of Malaysia.

**** The transactions have been entered into based on regulated and market prices.

(d) Key management compensation

| | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries and bonuses | 10,289 | 10,779 | 9,974 | 9,954 |
| Directors' fees | 918 | 889 | 918 | 889 |
| Defined contribution plan - contributions | 1,680 | 1,799 | 1,627 | 1,659 |
| Other benefits | 802 | 723 | 802 | 721 |
| | <u>13,689</u> | <u>14,190</u> | <u>13,321</u> | <u>13,223</u> |

Key management compensation includes remuneration of the Directors and senior management of the Group and of the Company.

The Group and the Company define the Executive Directors, General Manager, Deputy General Manager, Head of Departments and Senior Managers as key management personnel.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

33 SEGMENT REPORTING

The chief operating decision-maker, which consists of members of the Management Committee consider that the Group's business consists of two operating segments. The reportable operating segment is an aggregation of the two operating segments as these segments primarily derive the revenue from sales of natural gas as well as contribution from liquefied petroleum gas and tolling fee for transportation of gas. The Board assesses the performance of the operating segment based on a measure of earnings before finance income, zakat, taxation, depreciation and amortisation.

Segments assets consist primarily of property, plant and equipment, right-of-use assets (2018: prepaid lease payments), investment in joint ventures, trade and other receivables, investment funds with a licensed financial institution and cash and cash equivalents.

Segment liabilities comprise contract liabilities, borrowings and lease liabilities and excludes tax payables and deferred tax liabilities.

| <u>Group</u> <u>2019</u> | <u>Natural</u> <u>Gas & LPG</u> <u>RM'000</u> | <u>Others</u> <u>RM'000</u> | <u>Elimination</u> <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|--|---|--------------------------------|-------------------------------------|-------------------------------|
| <u>Revenue:</u> | | | | |
| Total segment revenue - external | 6,886,453 | 0 | 0 | 6,886,453 |
| Inter-segment revenue | 0 | 140 | (140) | 0 |
| | <u>6,886,453</u> | <u>140</u> | <u>(140)</u> | <u>6,886,453</u> |
| <u>Results:</u> | | | | |
| Profit before zakat and taxation | 220,856 | 21,289 | 0 | 242,145 |
| Finance income | (3,924) | (310) | 0 | (4,234) |
| Depreciation and amortisation | 79,106 | 54 | 0 | 79,160 |
| Earnings before finance income, zakat, taxation, depreciation and amortisation (segment results) | <u>296,038</u> | <u>21,033</u> | <u>0</u> | <u>317,071</u> |
| <u>Other information:</u> | | | | |
| Segment assets | 2,550,697 | 4,059 | 0 | 2,554,756 |
| Investment in joint ventures | 282 | 67,026 | 0 | 67,308 |
| Total assets | | | | <u>2,622,064</u> |
| Segment liabilities | (1,412,177) | (15) | 0 | (1,412,192) |
| Tax payable | (3,281) | (1) | 0 | (3,282) |
| Deferred tax liabilities | (163,535) | 0 | 0 | (163,535) |
| Total liabilities | | | | <u>(1,579,009)</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

33 SEGMENT REPORTING (CONTINUED)

| <u>Group</u> | <u>Natural</u> | <u>Others</u> | <u>Elimination</u> | <u>Total</u> |
|--|----------------------|-------------------|--------------------|--------------------|
| <u>2019</u> | <u>Gas & LPG</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| | <u>RM'000</u> | | | |
| <u>Other disclosure:</u> | | | | |
| Capital expenditure incurred | 139,602 | 0 | 0 | 139,602 |
| Depreciation and amortisation | 79,105 | 55 | 0 | 79,160 |
| Impairment loss on trade receivables | 77 | 0 | 0 | 77 |
| Write back of impairment loss on trade receivables | (1,836) | 0 | 0 | (1,836) |
| Share of results in joint ventures | (38) | 21,268 | 0 | 21,230 |
| Finance costs | 15,366 | 0 | 0 | 15,366 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>2018</u> | | | | |
| <u>Revenue:</u> | | | | |
| Total segment revenue - external | 6,233,243 | 0 | 0 | 6,233,243 |
| Inter-segment revenue | 0 | 140 | (140) | 0 |
| | <u>6,233,243</u> | <u>140</u> | <u>(140)</u> | <u>6,233,243</u> |
| <u>Results:</u> | | | | |
| Profit before zakat and taxation | 230,289 | 4,990 | (1,160) | 234,119 |
| Finance income | (6,548) | (274) | 0 | (6,822) |
| Depreciation and amortisation | 66,476 | 54 | 0 | 66,530 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Earnings before finance income, zakat, taxation, depreciation and amortisation (segment results) | <u>290,217</u> | <u>4,770</u> | <u>(1,160)</u> | <u>293,827</u> |
| <u>Other information:</u> | | | | |
| Segment assets | 2,469,577 | 14,857 | 0 | 2,484,434 |
| Investment in joint ventures | 0 | 36,120 | 0 | 36,120 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | | | | <u>2,520,554</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Segment liabilities | (1,326,923) | (19) | 0 | (1,326,942) |
| Tax payable | (12,157) | (1) | 0 | (12,158) |
| Deferred tax liabilities | (157,322) | 0 | 0 | (157,322) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | | | | <u>(1,496,422)</u> |

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

33 SEGMENT REPORTING (CONTINUED)

| <u>Group</u> <u>2018</u> | <u>Natural</u> <u>Gas & LPG</u> <u>RM'000</u> | <u>Others</u> <u>RM'000</u> | <u>Elimination</u> <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|--|---|--------------------------------|-------------------------------------|-------------------------------|
| <u>Other disclosure:</u> | | | | |
| Capital expenditure incurred | 153,363 | 0 | 0 | 153,363 |
| Depreciation | 66,127 | 0 | 0 | 66,127 |
| Amortisation of prepaid lease payments | 349 | 54 | 0 | 403 |
| Impairment loss on trade receivables | 20 | 0 | 0 | 20 |
| Write back of impairment loss on trade receivables | (9,407) | 0 | 0 | (9,407) |
| Share of results in joint ventures | 0 | 4,853 | 0 | 4,853 |
| Finance costs | 12,310 | 0 | 0 | 12,310 |

There is 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 (2018: nil).

The Group's operations are conducted within Peninsular Malaysia.

34 CHANGES TO COMPARATIVES – RECLASSIFICATION

To better reflect the nature and substance of the transactions, the Group and the Company have reclassified finance cost payable from trade and other payables to borrowings (current) to conform with the current year's presentation.

Statements of financial position
As at 31 December 2018

| | <u>As previously</u> <u>reported</u> <u>RM'000</u> | <u>Reclassification</u> <u>RM'000</u> | <u>As restated</u> <u>RM'000</u> |
|--------------------------|--|--|-------------------------------------|
| <u>Group</u> | | | |
| Current liabilities: | | | |
| Trade and other payables | 1,026,082 | (2,966) | 1,023,116 |
| Borrowings | 100,000 | 2,966 | 102,966 |
| <u>Company</u> | | | |
| Current liabilities: | | | |
| Trade and other payables | 1,008,565 | (2,966) | 1,005,599 |
| Borrowings | 100,000 | 2,966 | 102,966 |

The reclassification does not have a material impact on the financial position of the Group and of the Company as at 1 January 2018.

GAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019 (CONTINUED)**

35 SIGNIFICANT EVENT DURING THE CURRENT FINANCIAL YEAR

During the current financial year, the Energy Commission has granted, via a letter dated 26 December 2019, the following licences to the Company's wholly-owned subsidiaries pursuant to the implementation of the TPA regime:

- (a) Shipping Licence to Gas Malaysia Energy and Services Sdn. Bhd. ("GMES"), valid for a period of 10 years, which allows GMES to carry out activity of a shipping licensee including making an arrangement with a regasification, transportation or distribution licensee for gas to be processed or delivered through a regasification terminal, transmission pipeline or distribution pipeline to consumers' premises; and
- (b) Distribution Licence to Gas Malaysia Distribution Sdn. Bhd. ("GMD"), valid for a period of 20 years, which permits GMD to carry out the activity of developing, operating and maintaining the distribution pipeline to deliver gas through the distribution pipeline.

These licences have been granted under the Gas Supply Act 1993 (as amended by the Gas Supply (Amendment) Act 2016) and both licences will be effective from 1 January 2020 onwards. Nonetheless, the Energy Commission has also granted an extension up to 31 March 2020 in respect of the Company's existing Gas Utility Licence to facilitate the transition from existing IBR framework to the TPA regime.

36 SUBSEQUENT EVENT

The widespread of the Covid-19 since the beginning of 2020 is a challenging situation facing all industries. The Group and the Company expect the current situation to have an adverse impact on their results for the financial year ending 31 December 2020. However, at this juncture, management is unable to reliably estimate the financial impact arising from this situation and will continue to monitor and take appropriate and timely actions to minimise the impact.

ISSUER

Gas Malaysia Distribution Sdn Bhd
(Registration No. 201701042571 (1256744-A))
No. 5, Jalan Serendah 26/17,
Seksyen 26,
40732, Shah Alam, Selangor
Malaysia

PRINCIPAL ADVISER / LEAD ARRANGER / FACILITY AGENT/ JOINT LEAD MANAGER

RHB Investment Bank Berhad
(Registration No. 197401002639 (19663-P))
Level 11, Tower Three, RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Malaysia

SHARIAH ADVISER

RHB Islamic Bank Berhad
(Registration No. 200501003283 (680329-V))
Level 11, Tower Three, RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Malaysia

SUKUK TRUSTEE

Malaysian Trustees Berhad
(Registration No. 197501000080 (21666-V))
Level 11, Tower Three, RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Malaysia

SOLICITORS TO PRINCIPAL ADVISER / LEAD ARRANGER / JOINT LEAD MANAGER

Shearn Delamore & Co.
7th Floor, Wisma Hamzah-Kwong Hing
No. 1, Leboh Ampang
50100 Kuala Lumpur
Malaysia