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PETRONAS

Petroliam Nasional Berhad (PETRONAS)
197401002911 (20076-K)
Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

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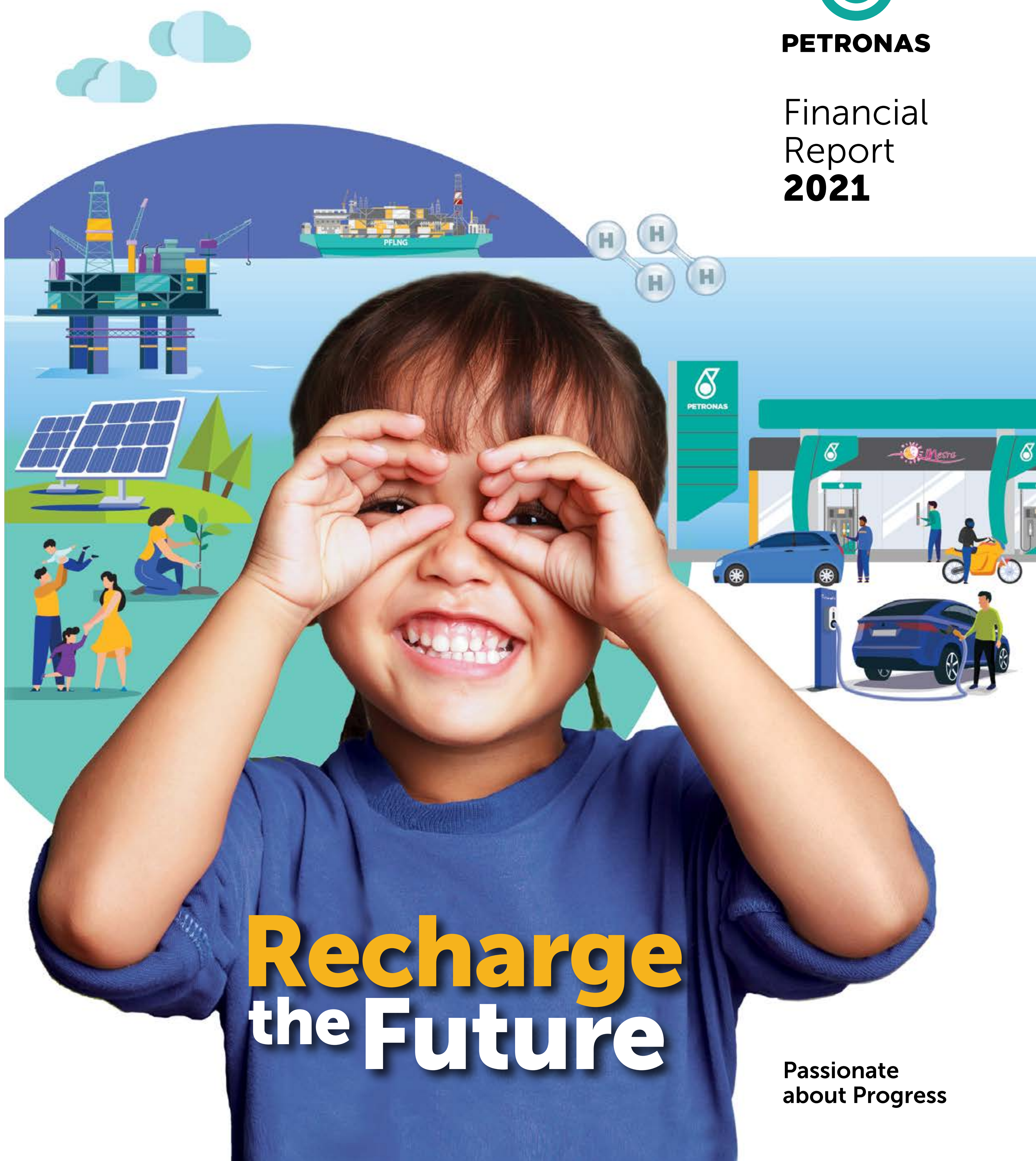
Financial Report **2021**

PETRONAS

Financial Report **2021**



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Financial Statements

DIRECTORS' REPORT
For the year ended 31 December 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of exploitation of oil and gas, the marketing of petroleum and petroleum products and investment holding. The principal activities of key subsidiaries, key associates and key joint arrangements are stated in Note 41, Note 42 and Note 43 to the financial statements respectively. The principal activities of other subsidiaries are available in the respective subsidiaries' Directors' Report or at the Company's registered office that the Board of Directors ("Board") deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

The Company is wholly-owned by the Government of Malaysia.

SUBSIDIARIES

The details of the Company's key subsidiaries are disclosed in Note 41 to the financial statements.

RESULTS

In RM Mil	**Group**	**Company**
Profit for the year	48,600	14,489
Profit attributable to:		
Shareholders of the Company	41,792	14,489
Non-controlling interests	6,808	–

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

- a dividend of RM180,000 per ordinary share amounting to RM18 billion was declared to shareholders and paid in instalments between March and November 2021.
- a dividend of RM70,000 per ordinary share amounting to RM7 billion was declared to shareholders and paid in instalments between August and December 2021.

The Directors had on 28 February 2022 declared a dividend of RM250,000 per ordinary share amounting to RM25 billion. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

Further details on dividends are disclosed in Note 29.

DIRECTORS' REPORT

For the year ended 31 December 2021 (continued)

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements.

DIRECTORS

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri Mohd Bakke bin Salleh (Chairman)
Datuk Tengku Muhammad Taufik
Ainul Azhar bin Ainul Jamal
Zakiah binti Jaafar
Tan Sri Zaharah binti Ibrahim
Dato Hj Ibrahim bin Baki
Dato' Razali bin Mohd Yusof
Liza binti Mustapha (appointed on 1 June 2021)
Thayaparan a/l S Sangarapillai (appointed on 24 September 2021)
Datuk K.Y. Mustafa (appointed on 19 January 2022)
Tan Sri Ahmad Nizam bin Salleh (resigned on 1 August 2021)

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are available in the respective subsidiaries' Directors' Report or at the Company's registered office that the Board deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

DIRECTORS' INTERESTS

The Director in office at the end of the year who has interest and deemed interest in the shares of the Company and of its related corporations other than wholly-owned subsidiaries (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings is as follows:

	Number of ordinary shares in KLCC Property Holdings Berhad			
Name	Balance at 1.1.2021	Bought	Sold	Balance at 31.12.2021
Ainul Azhar bin Ainul Jamal	4,500	–	–	4,500

None of the other Directors holding office at 31 December 2021 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
For the year ended 31 December 2021 (continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 35 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Petroliam Nasional Berhad ("PETRONAS") and its subsidiaries (hereinafter referred to as "PETRONAS Group"), maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million (2020: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM1,480,681 (2020: RM1,140,530) and RM539,520 (2020: RM415,578) respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) the necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

For the year ended 31 December 2021 (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any material contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No material contingent liability or other liability, other than as disclosed in financial statements, of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature other than those that have been disclosed in the financial statements, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

In respect of the Directors or past Directors of the Company:

(i) the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiary companies as remuneration for their services to the Company or its subsidiary companies; and

(ii) the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries;

are disclosed in Note 35.

There are no amounts paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiary companies by any Director or past Director of the Company.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

Tan Sri Dato' Seri Mohd Bakke bin Salleh
Chairman

Datuk Tengku Muhammad Taufik
Director

Kuala Lumpur,
Date: 28 February 2022

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 6 to 160, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

Tan Sri Dato' Seri Mohd Bakke bin Salleh
Chairman

Datuk Tengku Muhammad Taufik
Director

Kuala Lumpur,
Date: 28 February 2022

STATUTORY DECLARATION

I, **Liza binti Mustapha**, the Director primarily responsible for the financial management of **PETRONAS**, do solemnly and sincerely declare that the financial statements set out on pages 6 to 160 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Liza binti Mustapha
MIA Membership Number: 47410
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 28 February 2022.

BEFORE ME:

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2022-30/9/2022
MALAYSIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In RM Mil	Note	2021	2020
ASSETS			
Property, plant and equipment	3	**282,898**	291,717
Investment properties	4	**10,169**	10,468
Land held for development	5	**2,998**	2,986
Investments in associates	7	**2,103**	5,755
Investments in joint ventures	8	**7,126**	6,844
Intangible assets	9	**19,394**	20,044
Long-term receivables	10	**33,751**	21,232
Fund and other investments	11	**2,955**	1,009
Deferred tax assets	13	**20,983**	20,622
TOTAL NON-CURRENT ASSETS		**382,377**	380,677
Trade and other inventories	14	**14,477**	12,491
Trade and other receivables	15	**48,324**	40,583
Fund and other investments	11	**10,479**	9,779
Cash and cash equivalents	16	**164,556**	130,523
		237,836	193,376
Assets classified as held for sale	17	**14,791**	18
TOTAL CURRENT ASSETS		**252,627**	193,394
TOTAL ASSETS		**635,004**	574,071
EQUITY			
Share capital	18	**100**	100
Reserves	19	**350,756**	330,521
Total equity attributable to shareholders of the Company		**350,856**	330,621
Non-controlling interests	20	**53,484**	50,413
TOTAL EQUITY		**404,340**	381,034
LIABILITIES			
Borrowings	21	**86,619**	76,808
Deferred tax liabilities	13	**9,543**	8,455
Other long-term liabilities and provisions	23	**50,620**	51,056
TOTAL NON-CURRENT LIABILITIES		**146,782**	136,319
Trade and other payables	24	**51,825**	43,728
Borrowings	21	**21,212**	11,421
Taxation		**6,913**	1,569
		79,950	56,718
Liabilities classified as held for sale	17	**3,932**	–
TOTAL CURRENT LIABILITIES		**83,882**	56,718
TOTAL LIABILITIES		**230,664**	193,037
TOTAL EQUITY AND LIABILITIES		**635,004**	574,071

The notes set out on pages 18 to 160 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Mil	Note	2021	2020
Revenue	25	**247,962**	178,741
Cost of revenue		**(158,646)**	(134,958)
Gross profit		**89,316**	43,783
Selling and distribution expenses		**(9,423)**	(8,174)
Administration expenses		**(11,536)**	(9,675)
Net impairment write-back/(losses)[1]		**2,307**	(32,681)
Other expenses		**(3,136)**	(5,871)
Other income		**4,904**	4,102
Operating profit/(loss)	26	**72,432**	(8,516)
Financing costs	27	**(5,069)**	(4,133)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		**1,882**	328
Profit/(Loss) before taxation		**69,245**	(12,321)
Tax expense	28	**(20,645)**	(8,708)
Profit/(Loss) for the year		**48,600**	(21,029)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")		**639**	13
Items that may be reclassified subsequently to profit or loss			
Net movements from exchange differences		**3,533**	(452)
Cash flow hedge		**(174)**	(1,447)
Others		**170**	28
Total other comprehensive income/(loss) for the year, net of tax		**4,168**	(1,858)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**52,768**	(22,887)
Profit/(Loss) attributable to:			
Shareholders of the Company		**41,792**	(23,851)
Non-controlling interests		**6,808**	2,822
PROFIT/(LOSS) FOR THE YEAR		**48,600**	(21,029)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		**45,010**	(25,019)
Non-controlling interests		**7,758**	2,132
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**52,768**	(22,887)

[1] Includes certain amount relating to loss on remeasurement of finance lease receivables and write-off of assets.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		Attributable to shareholders of the Company				
		Non-distributable				
In RM Mil	**Note**	**Share Capital**	**Capital and Other Reserves**	**Foreign Currency Translation Reserve**	**Fair Value through OCI Reserve**	**Hedging Reserve**
Balance at 1 January 2021		**100**	**15,685**	**30,557**	**(65)**	**(1,221)**
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		—	—	—	639	—
Net movements from exchange differences		—	—	2,813	—	—
Cash flow hedge		—	—	—	—	(387)
Other comprehensive income		—	153	—	—	—
Total other comprehensive income/ (loss) for the year, net of tax		—	153	2,813	639	(387)
Profit for the year		—	—	—	—	—
Total comprehensive income/ (loss) for the year		—	153	2,813	639	(387)
Changes in ownership interests in subsidiaries		—	—	—	—	—
Redemption of redeemable preference shares in subsidiaries		—	—	—	—	—
Dividends	29	—	—	—	—	—
Total transactions with owners of the Group		—	—	—	—	—
Balance at 31 December 2021		**100**	**15,838**	**33,370**	**574**	**(1,608)**

continue to next page

The notes set out on pages 18 to 160 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	Note	General Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2021		12,000	273,565	330,621	50,413	381,034
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		–	–	639	–	639
Net movements from exchange differences		–	–	2,813	720	3,533
Cash flow hedge		–	–	(387)	213	(174)
Other comprehensive income		–	–	153	17	170
Total other comprehensive income/(loss) for the year, net of tax		–	–	3,218	950	4,168
Profit for the year		–	41,792	41,792	6,808	48,600
Total comprehensive income/(loss) for the year		–	41,792	45,010	7,758	52,768
Changes in ownership interests in subsidiaries		–	225	225	–	225
Redemption of redeemable preference shares in subsidiaries		–	–	–	(4)	(4)
Dividends	29	–	(25,000)	(25,000)	(4,683)	(29,683)
Total transactions with owners of the Group		–	(24,775)	(24,775)	(4,687)	(29,462)
Balance at 31 December 2021		12,000	290,582	350,856	53,484	404,340

continued from previous page

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

		Attributable to shareholders of the Company				
		Non-distributable				
In RM Mil	Note	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Hedging Reserve
Balance at 1 January 2020		100	14,496	30,014	(78)	13
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		—	—	—	13	—
Net movements from exchange differences		—	—	184	—	—
Cash flow hedge		—	—	—	—	(1,234)
Other comprehensive (loss)/income		—	(131)	—	—	—
Total other comprehensive (loss)/ income for the year, net of tax		—	(131)	184	13	(1,234)
(Loss)/Profit for the year		—	—	—	—	—
Total comprehensive (loss)/ income for the year		—	(131)	184	13	(1,234)
Changes in ownership interests in subsidiaries		—	—	359	—	—
Acquisition of a subsidiary		—	—	—	—	—
Redemption of redeemable preference shares in subsidiaries		—	1,320	—	—	—
Dividends	29	—	—	—	—	—
Total transactions with owners of the Group		—	1,320	359	—	—
Balance at 31 December 2020		100	15,685	30,557	(65)	(1,221)

continue to next page

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	Note	General Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2020		12,000	332,551	389,096	49,819	438,915
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		—	—	13	–	13
Net movements from exchange differences		—	—	184	(636)	(452)
Cash flow hedge		—	—	(1,234)	(213)	(1,447)
Other comprehensive (loss)/income		—	—	(131)	159	28
Total other comprehensive (loss)/income for the year, net of tax		—	—	(1,168)	(690)	(1,858)
(Loss)/Profit for the year		—	(23,851)	(23,851)	2,822	(21,029)
Total comprehensive (loss)/income for the year		—	(23,851)	(25,019)	2,132	(22,887)
Changes in ownership interests in subsidiaries		—	185	544	2,533	3,077
Acquisition of a subsidiary		—	—	—	632	632
Redemption of redeemable preference shares in subsidiaries		—	(1,320)	—	—	—
Dividends	29	—	(34,000)	(34,000)	(4,703)	(38,703)
Total transactions with owners of the Group		—	(35,135)	(33,456)	(1,538)	(34,994)
Balance at 31 December 2020		12,000	273,565	330,621	50,413	381,034

continued from previous page

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Mil	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		**69,245**	(12,321)
Adjustments for:			
Amortisation of intangible assets and contract costs		**1,767**	1,446
Depreciation of property, plant and equipment and investment properties		**32,650**	34,580
Net impairment (write-back)/losses on:			
– intangible assets		**(1,310)**	5,648
– investment in associates		**(155)**	151
– investment in a joint venture		**414**	–
– loans and advances to a joint venture		**61**	71
– property, plant and equipment and investment properties	26	**(3,172)**	25,714
– trade and other receivables		**1,791**	(37)
Net impairment/write-off on well costs		**1,809**	2,246
Net inventories written down to net realisable value/written off		**188**	37
Net write-off on:			
– bad debts		**11**	65
– intangible assets		**–**	20
– property, plant and equipment/project-in-progress		**54**	234
Write-off of trade receivables and loss on remeasurement of finance lease receivables		**–**	846
Net gain on disposal of property, plant and equipment, investments in subsidiaries, an associate, joint ventures and other investments		**(656)**	(388)
Gain on bargain purchase		**–**	(247)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		**(1,882)**	(328)
Net change in contract liabilities		**166**	(481)
Net change in provisions		**392**	769
Net unrealised (gain)/loss on derivatives		**(670)**	275
Unrealised gain on foreign exchange		**(862)**	(6)
Interest income		**(2,998)**	(4,838)
Financing costs		**5,069**	4,133
Other non-cash items		**(12)**	(70)
Operating profit before changes in working capital		**101,900**	57,519

continue to next page

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

In RM Mil	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Operating profit before changes in working capital (continued)		**101,900**	57,519
Change in trade and other receivables		**(17,351)**	2,732
Change in trade inventories		**(1,986)**	1,956
Change in trade and other payables		**10,524**	(8,885)
Cash generated from operations		**93,087**	53,322
Interest income		**2,998**	4,838
Interest expenses paid		**(3,584)**	(2,689)
Taxation paid, net of refund		**(13,904)**	(14,726)
Net cash generated from operating activities		**78,597**	40,745
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	30	**(29,504)**	(32,914)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	**(16,056)**	(17,467)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,037**	(9,636)
DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS RESTRICTED		**304**	(322)
NET FOREIGN EXCHANGE DIFFERENCES		**1,692**	(1,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**128,141**	139,851
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**163,174**	128,141
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	16	**164,556**	130,523
Bank overdrafts	21	**(2)**	(698)
		164,554	129,825
Less: Cash and cash equivalents restricted	16	**(1,380)**	(1,684)
		163,174	128,141

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In RM Mil	Note	2021	2020
ASSETS			
Property, plant and equipment	3	**16,559**	19,400
Investments in subsidiaries	6	**148,792**	155,496
Investments in associates	7	**302**	302
Investments in joint ventures	8	**843**	843
Intangible assets	9	**44**	36
Long-term receivables	10	**113,171**	120,429
Fund and other investments	11	**73**	393
Deferred tax assets	13	**7,646**	6,443
TOTAL NON-CURRENT ASSETS		**287,430**	303,342
Trade and other inventories	14	**91**	22
Trade and other receivables	15	**17,496**	14,310
Fund and other investments	11	**6,979**	5,072
Cash and cash equivalents	16	**72,691**	54,111
TOTAL CURRENT ASSETS		**97,257**	73,515
TOTAL ASSETS		**384,687**	376,857
EQUITY			
Share capital	18	**100**	100
Reserves	19	**263,757**	274,394
TOTAL EQUITY		**263,857**	274,494
LIABILITIES			
Borrowings	21	**58,651**	52,282
Other long-term liabilities and provisions	23	**37,968**	36,806
TOTAL NON-CURRENT LIABILITIES		**96,619**	89,088
Trade and other payables	24	**14,751**	11,954
Borrowings	21	**7,926**	572
Taxation		**1,534**	749
TOTAL CURRENT LIABILITIES		**24,211**	13,275
TOTAL LIABILITIES		**120,830**	102,363
TOTAL EQUITY AND LIABILITIES		**384,687**	376,857

The notes set out on pages 18 to 160 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Mil	Note	2021	2020
Revenue	25	**97,792**	73,460
Cost of revenue		**(63,771)**	(51,264)
Gross profit		**34,021**	22,196
Selling and distribution expenses		**(466)**	(437)
Administration expenses		**(5,529)**	(4,650)
Net impairment losses/write-off		**(12,148)**	(2,483)
Other expenses		**(184)**	(2,830)
Other income		**6,557**	9,394
Operating profit	26	**22,251**	21,190
Financing costs	27	**(2,894)**	(3,535)
Profit before taxation		**19,357**	17,655
Tax expense	28	**(4,868)**	(8,945)
Profit for the year		**14,489**	8,710
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge		**(126)**	–
Total other comprehensive loss for the year, net of tax		**(126)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,363**	8,710

The notes set out on pages 18 to 160 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		Non-distributable		Distributable		
In RM Mil	Note	Share Capital	Hedging Reserve	General Reserve	Retained Profits	Total Equity
Balance at 1 January 2021		**100**	**—**	**12,000**	**262,394**	**274,494**
Cash flow hedge		**—**	**(126)**	**—**	**—**	**(126)**
Profit for the year		**—**	**—**	**—**	**14,489**	**14,489**
Total comprehensive (loss)/ income for the year		**—**	**(126)**	**—**	**14,489**	**14,363**
Dividend representing transaction with owners of the Company	29	**—**	**—**	**—**	**(25,000)**	**(25,000)**
Balance at 31 December 2021		**100**	**(126)**	**12,000**	**251,883**	**263,857**
Balance at 1 January 2020		100	—	12,000	287,684	299,784
Profit for the year		—	—	—	8,710	8,710
Total comprehensive income for the year		—	—	—	8,710	8,710
Dividend representing transaction with owners of the Company	29	—	—	—	(34,000)	(34,000)
Balance at 31 December 2020		100	—	12,000	262,394	274,494

The notes set out on pages 18 to 160 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Mil	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**19,357**	17,655
Adjustments for:			
Amortisation of intangible assets and contract costs		**10**	10
Depreciation of property, plant and equipment		**1,942**	2,114
Net impairment losses/(write-back) on:			
– intangible assets		**11**	—
– investment in subsidiaries		**11,458**	51
– property, plant and equipment		**596**	2,092
– trade and other receivables		**139**	(13)
– loan and advances to subsidiaries		**(59)**	353
Net write-off on:			
– other receivables		**—**	12
– intangible assets		**—**	20
– property, plant and equipment/project-in-progress		**3**	—
Gain on disposal of property, plant and equipment		**(9)**	(2)
Gain on partial disposal of subsidiaries and other investments		**(225)**	(1,546)
Net change in contract liabilities		**560**	(858)
Net changes in fair value of cess receivables		**(387)**	(694)
Net change in provisions		**(484)**	(1,095)
Net unrealised loss on derivatives		**21**	193
Unrealised (gain)/loss on foreign exchange		**(1,762)**	1,162
Interest income		**(3,444)**	(5,328)
Financing costs		**2,894**	3,535
Dividend income		**(15,406)**	(11,148)
Operating profit before changes in working capital		**15,215**	6,513
Change in trade and other receivables		**(4,924)**	1,561
Change in trade inventories		**(68)**	151
Change in trade and other payables		**2,346**	(5,321)
Cash generated from operations		**12,569**	2,904
Interest income received		**3,367**	5,359
Interest expenses paid		**(2,375)**	(1,856)
Taxation paid		**(5,286)**	(6,394)
Net cash generated from operating activities		**8,275**	13
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities	30	**22,953**	12,314
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	**(13,556)**	(14,076)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**17,672**	(1,749)
NET FOREIGN EXCHANGE DIFFERENCES		**908**	(101)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**54,111**	55,961
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**72,691**	54,111
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	16	**72,691**	54,111

The notes set out on pages 18 to 160 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

1. BASIS OF PREPARATION

1.1 Statement of compliance

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

As of 1 January 2021, the Group and the Company had adopted amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 40.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 40. Revised pronouncements that are not relevant to the operations of the Group and the Company are set out in Note 40.

These financial statements were approved and authorised for issue by the Board of Directors on 28 February 2022.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items are measured at fair value, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company has been determined as Ringgit Malaysia ("RM"). The Group's and the Company's financial statements are presented in Ringgit Malaysia, which is the Company's reporting currency.

All financial information is presented in Ringgit Malaysia and has been rounded to the nearest million, unless otherwise stated.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following Notes:

(i) Note 3 : Property, plant and equipment
(ii) Note 9 : Intangible assets
(iii) Note 13 : Deferred tax
(iv) Note 21 : Borrowings
(v) Note 23 : Other long-term liabilities and provisions
(vi) Note 25 : Revenue
(vii) Note 28 : Tax expense
(viii) Note 38 : Financial instruments

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill arising from business combinations prior to 1 October 2009 is stated at the previous carrying amount less subsequent impairments, pursuant to the adoption of MFRS framework by the Group in the financial year ended 31 December 2012.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company.

Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position except when the retained interest is a joint operation where the Group's retained interest in the assets and liabilities of the former subsidiary are not derecognised. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost except when the retained interest is a joint operation where such interest is measured at its carrying amount. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments such as loans and advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Associates (continued)

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.2.

2.4 Property, plant and equipment and depreciation

Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment and depreciation (continued)

Depreciation

Depreciation for property, plant and equipment other than freehold land, oil and gas properties (excluding oil and gas infrastructures) and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Amortisation of producing oil and gas properties is computed based on the unit of production method using total proved reserves for capitalised acquisition cost, certain facilities and wells. For other capitalised exploration and development costs, facilities and wells, total proved developed reserves are used. Infrastructures are depreciated over a period of not more than 25 years.

The estimated useful lives of the other property, plant and equipment are as follows:

• Buildings	5-100 years
• Plant and equipment	2-67 years
• Office equipment, furniture and fittings	2-10 years
• Computer software and hardware	2-10 years
• Motor vehicles	2-15 years
• Vessels	20-30 years

The right-of-use asset (including buildings) is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on reserve cut-off at expiry of lease contract).

Estimates in respect of certain items of property, plant and equipment were revised during the year (refer Note 3).

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.5 Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Freehold land and projects-in-progress are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 2.4.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Investment properties (continued)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Depreciation is recognised in the profit or loss on a straight-line basis over their estimated useful lives ranging between 10 and 50 years for buildings.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in the profit or loss in the period in which the item is derecognised.

2.6 Land held for development

Land held for development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value consistent with the accounting policy for inventories as stated in Note 2.16.

Cost includes acquisition cost of land and attributable development expenditure. Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Development expenditure includes the cost for development of main infrastructure works.

Land held for development is reclassified as properties under development at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle. Properties under development are, in turn, reclassified as developed properties held for sale upon completion of the development activities.

Properties under development and developed properties held for sale are recognised as trade and other inventories in current assets. The accounting policy is described separately in Note 2.16.

2.7 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

The Group as the operator of a joint operation

A finance sub-lease will typically exist when the Group enters into a contract in its own name, where it has the primary responsibility for the external lease payments, and the leased asset is to be used on one specific joint operation, and the costs and risks related to the use of this asset are carried by that specific joint operation.

Where the use of the leased asset on a joint operation is not considered a finance sub-lease, the Group will recognise the related right-of-use asset and lease liability on a gross basis. Such expenses have under the previous lease accounting rules been reflected net by the Group, on the basis of the Group's net participation interest in the joint operation. Expenses which are not included in a recognised lease obligation, such as payments for short-term leases, non-lease components and variable lease payments will continue to be reported net in the Group's statement of profit or loss, on the basis of the Group's net participation interest.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group as a non-operator of a joint operation

As a non-operator of a joint operation, the Group will recognise its proportionate share of a lease when the Group shares the primary responsibility for lease payments under a contract. This includes contracts where the Group has co-signed a lease contract and contracts for which the operator has been given a legally binding mandate to sign the external lease contract on behalf of the licence partners.

The Group will also recognise its proportionate share when a lease contract is entered by the operator of a joint operation, and where the operator's use of the leased asset represents a sub-lease from the operator to the non-operators. A sub-lease is considered to take place in situations where the operator agrees with the non-operators for a specified period of time, and where the use of the asset is deemed to be controlled jointly by the joint operation.

(b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use 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 sub-lease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on reserve cut-off at expiry of lease contract). The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments* (see Note 2.12).

2.8 Investments

Long-term investments in subsidiaries, associates and joint ventures are stated at cost less impairment losses, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (see Note 2.12).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

Goodwill

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1. Following the initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

Exploration expenditure

Intangible assets also include expenditure on the exploration for and evaluation of oil and natural gas resources (hereinafter collectively referred to as "exploration expenditure"). The accounting policy for exploration expenditure is described separately in Note 2.10.

Allowances and certificates

Allowances and certificates consists of purchased carbon credit. These carbon credit will be utilised in settlement of environmental carbon emission incurred by the Group in the normal course of doing business.

Allowances and certificates with indefinite useful lives are carried at cost less accumulated impairment losses. These allowances and certificates are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Utilisation of allowances and certificates will be charged to the profit or loss, within cost of revenue, which reflects the cost of allowances required to offset carbon emission for the current year. Any unutilised allowances and certificates will remain as intangible assets to be utilised against future carbon emission.

Other intangible assets

Intangible assets other than goodwill and exploration expenditure are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Intangible assets related to development and production service contract ("DPSC") consist of expenditure incurred in bringing a field to first commercial production ("FCP"), are capitalised as incurred. The amount capitalised further includes capital expenditure after achieving FCP, interest and other financing cost (if any) incurred on significant development activities prior to FCP. Other intangible cost also includes the right-to-use the oil and gas producing assets. After FCP, the Group capitalises costs which qualify for capitalisation relating to improvements or new development for respective DPSC.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives, other than certain recoverable expenditure incurred under a service contract which is amortised based on unit of production method, which is calculated based on entitlement of production for the period, and estimated entitlement for the remaining life of the asset.

Estimates are made in relation to expected entitlement of production which are based on the actual cost incurred but yet to be recovered and application of the prevailing crude oil price. The amortisation method and the useful life for intangible assets are reviewed at least at each reporting date. Intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Exploration and development expenditure

The Group follows the successful efforts method of accounting for the exploration and development expenditure.

Exploration and expenditure

Costs directly associated with an exploration well, including license acquisition and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

If a well does not result in successful discovery of economically recoverable volume of hydrocarbons or the cost of undeveloped land that expires, such costs are impaired or written off. If hydrocarbons are found and subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as intangible assets. Such costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are impaired or written off.

Where development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to projects-in-progress in property, plant and equipment.

Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as projects-in-progress are transferred to oil and gas properties and are depreciated as described in the accounting policy for property, plant and equipment and depreciation (Note 2.4).

2.11 Non-current assets held for sale

Non-current assets and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal groups are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to the profit or loss.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no impairment loss is allocated to inventories, contract assets, contract costs, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised nor depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments

Recognition and initial measurement

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

Regular way purchases or sales were recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A receivable that does not contain a significant financing component is initially measured at the transaction price.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.12 (v)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

Fair value through other comprehensive income

Debt instruments

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are not designated as at fair value through profit or loss.

Equity instruments

Fair value through other comprehensive income category also comprises investment in equity that are not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

Fair value through other comprehensive income (continued)

Subsequent measurement

Financial assets categorised as fair value through other comprehensive income are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value through other comprehensive income reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses accumulated in other comprehensive income are never reclassified to profit or loss.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a financial guarantee contract as per Note 2.12 (iii)). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.25.

(ii) Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9 *Financial Instruments*, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Fair value through profit or loss (continued)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.12 (v)).

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

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iv) Derivative financial instruments (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(v) Effective interest method

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(vii) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.13 (i)) where effective interest rate is applied to the amortised cost.

(viii) Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Hedge Accounting

(i) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss.

In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the hedging instrument that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in the intrinsic value of option contracts as the hedging instrument in cash flow hedging relationships. The change in the time value element of option contracts is accounted for as a cost of hedging, included in the cash flow hedge reserve within equity.

The Group and the Company designate only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is accounted for as a cost of hedging, included in the cash flow hedge reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss as a reclassification adjustment.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

(ii) Hedge of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Interest rate benchmark reform

The Group and the Company will apply the practical expedients provided in the amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)* in future periods if they become applicable.

As of 31 December 2021, the Group and the Company have had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate and therefore have not yet applied the practical expedients provided in the amendments.

2.13 Impairment

(i) Financial assets, contract assets and finance lease receivables

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and finance lease receivables.

The Group and the Company measure loss allowances on debt securities and cash and cash equivalent at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12-month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, contract asset and finance lease receivables are subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment (continued)

(ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current assets or disposal groups classifies as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised. This is included as part of impairment write-back amount.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.15 Contract assets and contract liabilities

Contract assets represent the Group's and the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9 *Financial Instruments* (see Note 2.13 (i)).

Contract liabilities represent the Group's and the Company's obligation to transfer goods or services to a customer for which the Group and Company have received consideration, or the amount is due from the customer.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of crude oil and condensates includes costs of bringing the inventories to their present location and condition and is determined on a weighted average basis.

Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on a weighted average basis.

Cost of liquefied natural gas ("LNG") and petrochemical products includes raw gas costs and production overheads and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of developed properties held for sale and properties under development consists of costs associated with the acquisition of land, all costs that are directly attributable to development activities, appropriate proportions of common costs attributable to developing the properties, and interest expenses incurred during the period of active development.

Lifting of offtake arrangements for crude oil and condensate produced in jointly-owned operations are such that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of underlift is recognised as an asset at the lower of the cost and net realisable value, while overlift is recognised as a liability. The net movement in underlift and overlift is recognised in the statement of comprehensive income in cost of revenue.

2.17 Provisions, contingent liabilities and contingent assets

Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions, contingent liabilities and contingent assets (continued)

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 23.

Onerous contract

A provision for onerous contract is recognised when the expected benefits to be derived by the Group and the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group and the Company recognise any impairment loss on the assets associated with that contract.

2.18 Employee benefits

Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the profit or loss as incurred.

2.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to a business combination or items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxation (continued)

Deferred tax (continued)

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

2.20 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, which are recognised in equity and are never reclassified to profit or loss.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates ruling at reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 which are treated as assets and liabilities of the acquirer company pursuant to the adoption of MFRS framework.

The income and expenses are translated at the exchange rates at the dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequently to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2.22 Revenue

Revenue from contract with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or

(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

Revenue arising from shipping activities is mainly from freight income and charter income. Freight income and the relevant discharged costs of cargoes loaded onto vessels up to the reporting date are accrued for in the profit or loss based on percentage of completion method. Charter income is accrued on time accrual basis.

Revenue arising from rental income of investment properties is recognised on a straight-line basis over the term of the lease under the lease arrangement per Note 2.7.

Revenue arising from assets yielding interest and profit share margin from Islamic financing facilities are recognised on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend is recognised when the shareholders' right to receive payment is established.

Revenue arising from gas trading activities, where forward and future sale and purchase contracts for gas have been determined to be for trading purposes, the associated sales and purchases are reported net within sales.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit sharing margin on Islamic Financing Facilities, as well as accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.21. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.7.

2.24 Operating segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, to make decisions about resources to be allocated to the segment and to assess its performance.

2.25 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.26 Government grants

Government grants related to assets, including non-monetary grants at fair value, are deducted against the construction cost of the assets. Subsequently, the grants are recognised in profit or loss on a systematic basis over the life of the asset as a reduced depreciation expense.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

Group 2021 *In RM Mil*	At 1.1.2021	Additions	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
At cost:				
Own use				
Freehold land	2,697	3	(9)	–
Oil and gas properties	369,557	5,385	(9,838)	–
Buildings	22,486	195	(44)	–
Plant and equipment	168,918	323	(974)	–
Office equipment, furniture and fittings	4,076	70	(72)	–
Computer software and hardware	4,875	102	(212)	–
Motor vehicles	460	16	(25)	–
Vessels	10,671	147	(176)	–
Projects-in-progress				
– oil and gas properties	26,053	8,604	(539)	–
– *other projects	47,453	13,122	(18)	–
	657,246	27,967	(11,907)	–
Lease to others as operating lease				
Buildings	25	–	–	–
Vessels	33,514	149	(1,340)	–
Plant and equipment	22	–	–	–
	33,561	149	(1,340)	–
Right-of-use				
Leasehold land	10,019	100	(9)	–
Lease properties	565	–	–	–
Oil and gas properties	4,642	779	–	–
Buildings	1,033	362	(31)	(12)
Plant and equipment	4,320	135	(743)	–
Office equipment, furniture and fittings	–	–	–	–
Computer software and hardware	28	–	–	–
Motor vehicles	140	159	(17)	–
Vessels	5,508	956	(182)	–
	26,255	2,491	(982)	(12)
	717,062	[a]30,607	(14,229)	(12)

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes addition to future cost of decommissioning of oil and gas properties amounting to RM1,473 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group **2021** *In RM Mil*	**Transfers/ reclass/ adjustments**	**Translation exchange difference**	**At 31.12.2021**
At cost:			
Own use			
Freehold land	**14**	**(8)**	**2,697**
Oil and gas properties	**(18,566)**	**5,500**	**352,038**
Buildings	**1,978**	**(78)**	**24,537**
Plant and equipment	**21,296**	**2,613**	**192,176**
Office equipment, furniture and fittings	**188**	**42**	**4,304**
Computer software and hardware	**1,034**	**63**	**5,862**
Motor vehicles	**14**	**(5)**	**460**
Vessels	**(1,538)**	**570**	**9,674**
Projects-in-progress			
– oil and gas properties	**(11,182)**	**201**	**23,137**
– *other projects	**(28,053)**	**1,548**	**34,052**
	(34,815)	**10,446**	**648,937**
Lease to others as operating lease			
Buildings	**191**	**—**	**216**
Vessels	**417**	**757**	**33,497**
Plant and equipment	**287**	**—**	**309**
	895	**757**	**34,022**
Right-of-use			
Leasehold land	**(4)**	**21**	**10,127**
Lease properties	**(231)**	**1**	**335**
Oil and gas properties	**58**	**6**	**5,485**
Buildings	**74**	**33**	**1,459**
Plant and equipment	**(401)**	**43**	**3,354**
Office equipment, furniture and fittings	**—**	**—**	**—**
Computer software and hardware	**(1)**	**—**	**27**
Motor vehicles	**63**	**3**	**348**
Vessels	**(92)**	**399**	**6,589**
	(534)	**506**	**27,724**
	[a,b,c,d](34,454)	**11,709**	**710,683**

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes net transfers out of RM33,170 million comprising transfers out to assets classified as held for sale of RM31,722 million, other receivables of RM2,693 million, transfer in from intangible assets of RM1,241 million and investment properties of RM4 million.

[b] Includes downward revision to future cost of decommissioning of oil and gas properties amounting to RM1,035 million.

[c] Includes downward adjustments to right-of-use assets following lease modification in accordance with MFRS 16 *Leases* amounting to RM280 million.

[d] Includes reclassification of certain asset from accumulated depreciation to cost of RM31 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2021 *In RM Mil*	**At 1.1.2021**	**Charge for the year**	**Disposals/ write-offs**	**Acquisition/ (Disposal) of subsidiaries**
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	—	—	—	—
Oil and gas properties	271,815	18,350	(8,210)	—
Buildings	9,438	596	(31)	—
Plant and equipment	100,610	7,526	(930)	—
Office equipment, furniture and fittings	2,896	303	(71)	—
Computer software and hardware	3,824	540	(206)	—
Motor vehicles	325	33	(23)	—
Vessels	2,044	986	(165)	—
Projects-in-progress				
– oil and gas properties	1,867	—	(48)	—
– *other projects	5,082	—	(74)	—
	397,901	28,334	(9,758)	—
Lease to others as operating lease				
Buildings	1	8	—	—
Vessels	18,852	1,092	(930)	—
Plant and equipment	2	12	—	—
	18,855	1,112	(930)	—
Right-of-use				
Leasehold land	2,166	200	(1)	—
Lease properties	188	—	—	—
Oil and gas properties	2,358	999	—	—
Buildings	508	205	(23)	(2)
Plant and equipment	2,237	373	(711)	—
Office equipment, furniture and fittings	—	—	—	—
Computer software and hardware	22	5	—	—
Motor vehicles	71	54	(15)	—
Vessels	1,039	968	(157)	—
	8,589	2,804	(907)	(2)
	425,345	32,250	(11,595)	(2)

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2021 *In RM Mil*	Impairment (write-back)/ losses	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2021
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	—	—	—	—
Oil and gas properties	(5,312)	(21,681)	4,426	259,388
Buildings	326	89	15	10,433
Plant and equipment	2,257	2,753	1,650	113,866
Office equipment, furniture and fittings	1	34	37	3,200
Computer software and hardware	12	(28)	(18)	4,124
Motor vehicles	—	(4)	(2)	329
Vessels	78	(1,057)	414	2,300
Projects-in-progress				
– oil and gas properties	(1,179)	651	103	1,394
– *other projects	726	(2,760)	269	3,243
	(3,091)	(22,003)	6,894	398,277
Lease to others as operating lease				
Buildings	—	—	—	9
Vessels	15	—	236	19,265
Plant and equipment	—	—	—	14
	15	—	236	19,288
Right-of-use				
Leasehold land	9	11	5	2,390
Lease properties	—	(109)	—	79
Oil and gas properties	—	(99)	25	3,283
Buildings	(108)	63	24	667
Plant and equipment	—	(3)	24	1,920
Office equipment, furniture and fittings	—	—	—	—
Computer software and hardware	—	—	—	27
Motor vehicles	—	53	1	164
Vessels	—	(171)	11	1,690
	(99)	(255)	90	10,220
	(3,175)	[a,b](22,258)	7,220	427,785

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes net transfer out of RM22,289 million comprising transfer out to asset classified as held for sale of RM22,298 million, transfer in from intangible assets RM6 million and investment properties RM3 million.

[b] Includes reclassification of certain asset from accumulated depreciation to cost of RM31 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020 *In RM Mil*	**At 1.1.2020**	**Additions**	**Disposals/ write-offs**	**Acquisition/ (Disposal) of subsidiaries**
At cost:				
Own use				
Freehold land	2,693	6	–	–
Oil and gas properties	351,674	4,163	(1,013)	–
Buildings	20,175	742	(34)	(2)
Plant and equipment	158,097	560	(849)	(837)
Office equipment, furniture and fittings	3,969	86	(157)	–
Computer software and hardware	4,555	92	(219)	–
Motor vehicles	474	26	(27)	–
Vessels	11,591	144	(159)	–
Projects-in-progress				
– oil and gas properties	28,483	9,113	(279)	–
– *other projects	52,447	16,298	(476)	–
	634,158	31,230	(3,213)	(839)
Lease to others as operating lease				
Buildings	25	–	–	–
Vessels	31,268	260	(783)	–
Plant and equipment	18	4	–	–
	31,311	264	(783)	–
Right-of-use				
Leasehold land	9,335	75	(111)	59
Lease properties	1,278	13	–	–
Oil and gas properties	4,600	167	–	–
Buildings	930	123	(15)	–
Plant and equipment	4,138	313	(15)	–
Office equipment, furniture and fittings	2	–	–	–
Computer software and hardware	19	10	(1)	–
Motor vehicles	132	20	(9)	–
Vessels	4,616	1,572	(231)	–
	25,050	2,293	(382)	59
	690,519	[a]33,787	(4,378)	(780)

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* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes addition to future cost of decommissioning of oil and gas properties amounting to RM1,410 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group **2020** *In RM Mil*	**Transfers/ reclass/ adjustments**	**Translation exchange difference**	**At 31.12.2020**
At cost:			
Own use			
Freehold land	—	(2)	2,697
Oil and gas properties	13,695	1,038	369,557
Buildings	1,621	(16)	22,486
Plant and equipment	14,254	(2,307)	168,918
Office equipment, furniture and fittings	200	(22)	4,076
Computer software and hardware	497	(50)	4,875
Motor vehicles	(3)	(10)	460
Vessels	—	(905)	10,671
Projects-in-progress			
– oil and gas properties	(11,209)	(55)	26,053
– *other projects	(20,283)	(533)	47,453
	(1,228)	(2,862)	657,246
Lease to others as operating lease			
Buildings	—	—	25
Vessels	3,185	(416)	33,514
Plant and equipment	—	—	22
	3,185	(416)	33,561
Right-of-use			
Leasehold land	732	(71)	10,019
Lease properties	(728)	2	565
Oil and gas properties	(72)	(53)	4,642
Buildings	—	(5)	1,033
Plant and equipment	—	(116)	4,320
Office equipment, furniture and fittings	—	(2)	—
Computer software and hardware	—	—	28
Motor vehicles	(1)	(2)	140
Vessels	—	(449)	5,508
	(69)	(696)	26,255
	[a,b,c]1,888	(3,974)	717,062

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes upward revision to future cost of decommissioning of oil and gas properties amounting to RM2,670 million.
[b] Includes net transfers out of RM950 million comprising transfers to assets classified as held for sale of RM508 million, other receivables of RM751 million and transfer in from intangible assets of RM309 million.
[c] Includes reclassification of certain asset from accumulated depreciation to cost of RM168 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group **2020** *In RM Mil*	**At 1.1.2020**	**Charge for the year**	**Disposals/ write-offs**	**Acquisition/ (Disposal) of subsidiaries**
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	–	–	–	–
Oil and gas properties	239,485	20,795	(1,013)	–
Buildings	8,252	621	(29)	(2)
Plant and equipment	90,152	7,452	(782)	(794)
Office equipment, furniture and fittings	2,798	287	(143)	–
Computer software and hardware	3,619	461	(216)	–
Motor vehicles	330	29	(25)	–
Vessels	1,277	869	(146)	–
Projects-in-progress				
– oil and gas properties	130	–	–	–
– *other projects	18	–	–	–
	346,061	30,514	(2,354)	(796)
Lease to others as operating lease				
Buildings	–	1	–	–
Vessels	18,786	1,207	(573)	–
Plant and equipment	–	2	–	–
	18,786	1,210	(573)	–
Right-of-use				
Leasehold land	1,494	369	(14)	3
Lease properties	540	(144)	–	–
Oil and gas properties	1,565	909	–	–
Buildings	175	128	(13)	–
Plant and equipment	1,957	371	(4)	–
Office equipment, furniture and fittings	1	–	–	–
Computer software and hardware	7	10	–	–
Motor vehicles	46	32	(9)	–
Vessels	683	912	(205)	–
	6,468	2,587	(245)	3
	371,315	34,311	(3,172)	(793)

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* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group **2020** *In RM Mil*	**Impairment losses/ (write-back)**	**Transfers/ reclass/ adjustments**	**Translation exchange difference**	**At 31.12.2020**
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	—	—	—	—
Oil and gas properties	11,126	447	975	271,815
Buildings	638	(36)	(6)	9,438
Plant and equipment	6,316	(32)	(1,702)	100,610
Office equipment, furniture and fittings	3	(3)	(46)	2,896
Computer software and hardware	6	—	(46)	3,824
Motor vehicles	1	(4)	(6)	325
Vessels	179	—	(135)	2,044
Projects-in-progress				
– oil and gas properties	1,935	(97)	(101)	1,867
– *other projects	5,246	—	(182)	5,082
	25,450	275	(1,249)	397,901
Lease to others as operating lease				
Buildings	—	—	—	1
Vessels	20	(389)	(199)	18,852
Plant and equipment	—	—	—	2
	20	(389)	(199)	18,855
Right-of-use				
Leasehold land	—	318	(4)	2,166
Lease properties	25	(235)	2	188
Oil and gas properties	—	—	(116)	2,358
Buildings	202	31	(15)	508
Plant and equipment	—	—	(87)	2,237
Office equipment, furniture and fittings	—	(1)	—	—
Computer software and hardware	5	—	—	22
Motor vehicles	—	2	—	71
Vessels	—	(222)	(129)	1,039
	232	(107)	(349)	8,589
	25,702	[a,b](221)	(1,797)	425,345

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes transfer out to assets classified as held for sale of RM389 million.
[b] Includes reclassification of certain asset from accumulated depreciation to cost of RM168 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2021** *In RM Mil*	**At 1.1.2021**	**Additions**	**Disposals/ write-offs**
At cost:			
Own use			
Oil and gas properties	31,103	105	(112)
Buildings	277	–	–
Plant and equipment	12	–	–
Office equipment, furniture and fittings	87	–	–
Computer software and hardware	471	–	–
Motor vehicles	15	3	(2)
Projects-in-progress			
– oil and gas properties	279	–	–
– other projects	996	298	(3)
	33,240	406	(117)
Right-of-use			
Leasehold land	349	–	–
Buildings	6,573	–	–
Plant and equipment	1,485	–	–
	8,407	–	–
	41,647	[a]406	(117)

continue to next page

[a] Includes addition to future cost of decommissioning of certain oil and gas properties amounting to RM92 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2021** *In RM Mil*	**Transfers/ reclass/ adjustments**	**At 31.12.2021**
At cost:		
Own use		
Oil and gas properties	(199)	30,897
Buildings	21	298
Plant and equipment	9	21
Office equipment, furniture and fittings	15	102
Computer software and hardware	24	495
Motor vehicles	—	16
Projects-in-progress		
– oil and gas properties	(279)	—
– other projects	(185)	1,106
	(594)	32,935
Right-of-use		
Leasehold land	—	349
Buildings	—	6,573
Plant and equipment	—	1,485
	—	8,407
	[a,b](594)	41,342

continued from previous page

[a] Includes downward revision to future cost of decommissioning of oil and gas properties amounting to RM199 million.
[b] Includes net transfers out of RM395 million comprising transfer to subsidiaries of RM118 million, transfer to intangible assets of RM15 million and reclassification to profit or loss of RM262 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2021** *In RM Mil*	**At 1.1.2021**	**Charge for the year**	**Impairment losses**
Accumulated depreciation and impairment losses:			
Own use			
Oil and gas properties	19,944	1,357	596
Buildings	52	3	–
Plant and equipment	5	4	–
Office equipment, furniture and fittings	83	4	–
Computer software and hardware	387	47	–
Motor vehicles	13	1	–
Projects-in-progress			
– oil and gas properties	–	–	–
– other projects	–	–	–
	20,484	1,416	596
Right-of-use			
Leasehold land	36	7	–
Buildings	780	306	–
Plant and equipment	947	213	–
	1,763	526	–
	22,247	1,942	596

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2021 *In RM Mil*	Transfers/ reclass/ adjustments	Disposals/ write-offs	At 31.12.2021
Accumulated depreciation and impairment losses:			
Own use			
Oil and gas properties	–	–	21,897
Buildings	–	–	55
Plant and equipment	–	–	9
Office equipment, furniture and fittings	–	–	87
Computer software and hardware	–	–	434
Motor vehicles	–	(2)	12
Projects-in-progress			
– oil and gas properties	–	–	–
– other projects	–	–	–
	–	(2)	22,494
Right-of-use			
Leasehold land	–	–	43
Buildings	–	–	1,086
Plant and equipment	–	–	1,160
	–	–	2,289
	–	(2)	24,783

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2020** *In RM Mil*	**At 1.1.2020**	**Additions**	**Disposals/ write-offs**
At cost:			
Own use			
Oil and gas properties	29,221	126	(370)
Buildings	277	—	—
Plant and equipment	4	—	—
Office equipment, furniture and fittings	87	—	—
Computer software and hardware	439	—	—
Motor vehicles	15	1	(1)
Projects-in-progress			
– oil and gas properties	265	131	—
– other projects	1,091	217	—
	31,399	475	(371)
Right-of-use			
Leasehold land	322	27	—
Buildings	2,962	—	—
Plant and equipment	1,485	—	—
	4,769	27	—
	36,168	[a]502	(371)

continue to next page

[a] Includes addition to future cost of decommissioning of certain oil and gas properties amounting to RM17 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020 *In RM Mil*	Transfers/ reclass/ adjustments	At 31.12.2020
At cost:		
Own use		
Oil and gas properties	2,126	31,103
Buildings	—	277
Plant and equipment	8	12
Office equipment, furniture and fittings	—	87
Computer software and hardware	32	471
Motor vehicles	—	15
Projects-in-progress		
– oil and gas properties	(117)	279
– other projects	(312)	996
	1,737	33,240
Right-of-use		
Leasehold land	—	349
Buildings	3,611	6,573
Plant and equipment	—	1,485
	3,611	8,407
	[a,b,c]5,348	41,647

continued from previous page

[a] Includes upward revision to future cost of decommissioning of oil and gas properties amounting to RM2,126 million.
[b] Includes net transfers out of RM389 million comprising transfer to subsidiaries of RM273 million, transfer to intangible assets of RM66 million and reclassification to profit or loss of RM50 million.
[c] Includes upward adjustments to right-of-use assets following lease modification in accordance with MFRS 16 *Leases* amounting to RM3,611 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2020** *In RM Mil*	**At 1.1.2020**	**Charge for the year**	**Impairment losses**
Accumulated depreciation and impairment losses:			
Own use			
Oil and gas properties	16,738	1,484	2,092
Buildings	46	6	–
Plant and equipment	4	1	–
Office equipment, furniture and fittings	82	1	–
Computer software and hardware	342	45	–
Motor vehicles	13	1	–
Projects-in-progress			
– oil and gas properties	–	–	–
– other projects	–	–	–
	17,225	1,538	2,092
Right-of-use			
Leasehold land	30	6	–
Buildings	428	352	–
Plant and equipment	729	218	–
	1,187	576	–
	18,412	2,114	2,092

continue to next page

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2020** *In RM Mil*	**Disposals/ write-offs**	**At 31.12.2020**
Accumulated depreciation and impairment losses:		
Own use		
Oil and gas properties	(370)	19,944
Buildings	–	52
Plant and equipment	–	5
Office equipment, furniture and fittings	–	83
Computer software and hardware	–	387
Motor vehicles	(1)	13
Projects-in-progress		
– oil and gas properties	–	–
– other projects	–	–
	(371)	20,484
Right-of-use		
Leasehold land	–	36
Buildings	–	780
Plant and equipment	–	947
	–	1,763
	(371)	22,247

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Carrying amount				
Own use				
Freehold land	**2,697**	2,697	**–**	–
Oil and gas properties	**92,650**	97,742	**9,000**	11,159
Buildings	**14,104**	13,048	**243**	225
Plant and equipment	**78,310**	68,308	**12**	7
Office equipment, furniture and fittings	**1,104**	1,180	**15**	4
Computer software and hardware	**1,738**	1,051	**61**	84
Motor vehicles	**131**	135	**4**	2
Vessels	**7,374**	8,627	**–**	–
Projects-in-progress				
– oil and gas properties	**21,743**	24,186	**–**	279
– other projects	**30,809**	42,371	**1,106**	996
	250,660	259,345	**10,441**	12,756
Leased to others as operating lease				
Buildings	**207**	24	**–**	–
Vessels	**14,232**	14,662	**–**	–
Plant and equipment	**295**	20	**–**	–
	14,734	14,706	**–**	–
Right-of-use				
Leasehold land	**7,737**	7,853	**306**	313
Lease properties	**256**	377	**–**	–
Oil and gas properties	**2,202**	2,284	**–**	–
Buildings	**792**	525	**5,487**	5,793
Plant and equipment	**1,434**	2,083	**325**	538
Office equipment, furniture and fittings	**–**	–	**–**	–
Computer software and hardware	**–**	6	**–**	–
Motor vehicles	**184**	69	**–**	–
Vessels	**4,899**	4,469	**–**	–
	17,504	17,666	**6,118**	6,644
	282,898	291,717	**16,559**	19,400

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 As a lessee

Right-of-use assets

Depreciation of right-of-use assets

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Capitalised in property, plant and equipment	**108**	162	**—**	—
Recognised in profit or loss	**2,696**	2,425	**526**	576
Total depreciation	**2,804**	2,587	**526**	576

Extension options

Some lease contracts contain extension options exercisable only by the Group and the Company before the end of the non-cancellable contract period. Where practicable, the Group and the Company include extension options in lease contracts to provide operational flexibility. The discounted potential future lease payments arising from exercisable extension options has been included in the lease liabilities except for when the extension terms are uncertain as the Group is finalising the extension terms as at reporting date.

Significant judgments and assumptions in relation to leases

The Group and the Company assess at lease commencement by applying significant judgment whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgment and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgment to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3.2 As a lessor

Property, plant and equipment leased to others as operating lease

The following are recognised in profit or loss:

	Group	
In RM Mil	**2021**	**2020**
Lease income	**1,990**	2,035

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 As a lessor (continued)

Property, plant and equipment leased to others as operating lease (continued)

The operating lease payments to be received are as follows:

	Group	
In RM Mil	**2021**	**2020**
Less than one year	**1,894**	1,463
One to five years	**6,039**	5,303
More than five years	**4,616**	6,160
Total undiscounted lease payments	**12,549**	12,926

Included in property, plant and equipment leased to others as operating lease are certain vessels which are leased out by the Group. The leases typically run for a period range of 2 to 19 years (2020: 2 to 19 years).

3.3 Security

Property, plant and equipment of certain subsidiaries costing RM10,390 million (2020: RM10,132 million) have been pledged as security for loan facilities as set out in Note 21 and Note 22 to the financial statements.

3.4 Projects-in-progress

Included in additions to projects-in-progress of the Group is borrowing costs capitalised during the year of RM678 million (2020: RM1,195 million) and capitalisation of depreciation charge for the year of right-of-use assets of RM108 million (2020: RM162 million). The interest rate on borrowing costs capitalised ranges from 2.8% - 5.5% (2020: 2.8% - 5.2%) per annum.

3.5 Restriction of land title

The titles to certain freehold and leasehold land are in the process of being registered in the subsidiaries' name. Certain long-term leasehold land of the Group cannot be disposed of, charged or sub-leased without the prior consent of the relevant authority.

3.6 Change in estimates

During the year, the Group and the Company revised the estimated future cost of decommissioning of oil and gas properties. The revision was accounted for prospectively as a change in accounting estimates resulting in a decrease in cost of oil and gas properties of the Group and the Company by RM1,035 million (2020: increase by RM2,670 million) and RM199 million (2020: increase by RM2,126 million) respectively (refer Note 23).

3.7 Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's and the Company's investment decision-making process. Estimation of oil and gas reserves is normally conducted using industry recognised method.

The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.7 Estimation of oil and gas reserves (continued)

The reserves are further subdivided into developed and undeveloped categories. Developed reserves are reserves expected to be recovered through existing wells and facilities under the operating conditions that have been designed for. Undeveloped reserves are reserves to be recovered from approved and sanctioned projects and remain so until the wells are drilled, completed and production commences which would by then be classified as developed.

Estimation of reserves is reviewed annually. These estimates are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Such revisions will impact the Group's and the Company's reported financial position and results which include:

(i) carrying value of oil and gas properties and their corresponding amortisation charges;
(ii) carrying value of projects-in-progress;
(iii) provisions for decommissioning and restoration; and
(iv) carrying value of deferred tax assets/liabilities.

3.8 Impairment review of property, plant and equipment

As at 31 December 2021, the Group recognised net impairment write-back of RM3,175 million (2020: impairment losses of RM25,702 million) comprising mainly impairment write-back in relation to oil and gas properties based on fair value from expected sales and favourable changes in outlook of certain assets partially offset by impairment losses in relation to plant and equipment following unfavourable changes in economic outlook of certain assets.

The Company recognised net impairment losses on oil and gas properties amounting to RM596 million (2020: RM2,092 million) due to unfavourable changes in economic outlook of certain assets.

In arriving at the impairment loss amounts, the carrying amount of each impaired cash-generating unit is compared with the recoverable amount of the cash-generating unit. The impairment write-back is limited only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group's and the Company's recoverable amount for the relevant impairment write-back/losses and previously impaired cash-generating units of RM70,143 million (2020: RM46,546 million) and RM4,135 million (2020: RM4,954 million) respectively were determined from the value in use calculations using cash flow projections and fair value less cost to sell.

The Group and the Company use a range of long-term assumptions including prices, volumes, margins and costs based on past performance and management's expectations of market development. The projected cash flows were discounted using discount rates ranging between 7.4% and 17.6% (2020: 5.1% and 17.4%).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

4. INVESTMENT PROPERTIES

Group **2021** *In RM Mil*	**At 1.1.2021**	**Additions**	**Disposal**
At cost:			
Freehold land	**1,469**	**—**	**—**
Leasehold land	**990**	**3**	**—**
Buildings	**13,588**	**13**	**(1)**
Projects-in-progress	**1,670**	**190**	**—**
	17,717	**206**	**(1)**

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	At 1.1.2021	**Charge for the year**	**Disposals**	**Impairment losses**
Accumulated depreciation and impairment losses:				
Buildings	**7,249**	**508**	**—**	**3**

continue to next page

Group **2020** *In RM Mil*	**At 1.1.2020**	**Additions**	**Disposal**
At cost:			
Freehold land	1,470	—	—
Leasehold land	—	—	—
Buildings	13,642	13	(2)
Projects-in-progress	443	101	(1)
	15,555	114	(3)

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	At 1.1.2020	**Charge for the year**	**Disposals**	**Impairment losses**
Accumulated depreciation and impairment losses:				
Buildings	6,841	431	(2)	12

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

4. INVESTMENT PROPERTIES

Group 2021 *In RM Mil*	**Transfer/ reclass**	**Translation exchange difference**	**At 31.12.2021**
At cost:			
Freehold land	**(1)**	**—**	**1,468**
Leasehold land	**—**	**—**	**993**
Buildings	**3**	**13**	**13,616**
Projects-in-progress	**—**	**—**	**1,860**
	[a]2	**13**	**17,937**

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	Transfer/ reclass	**Translation exchange difference**	**At 31.12.2021**
Accumulated depreciation and impairment losses:			
Buildings	**[b](3)**	**11**	**7,768**

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Group 2020 *In RM Mil*	**Acquisition of a subsidiary**	**Translation exchange difference**	**At 31.12.2020**
At cost:			
Freehold land	—	(1)	1,469
Leasehold land	990	—	990
Buildings	—	(65)	13,588
Projects-in-progress	1,127	—	1,670
	2,117	(66)	17,717

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	Acquisition of a subsidiary	**Translation exchange difference**	**At 31.12.2020**
Accumulated depreciation and impairment losses:			
Buildings	—	(33)	7,249

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[a] Comprises transfer from assets classified as held for sale of RM6 million and transfer out to property, plant and equipment of RM4 million.
[b] Comprises transfer out to property, plant and equipment of RM3 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

4. INVESTMENT PROPERTIES (CONTINUED)

Group *In RM Mil*	Carrying amount **2021**	**2020**
Freehold land	**1,468**	1,469
Leasehold land	**993**	990
Buildings	**5,848**	6,339
Projects-in-progress	**1,860**	1,670
	10,169	10,468

Fair value information

The Directors of the subsidiaries have estimated the fair value of investment properties as at 31 December 2021 to be RM18,181 million (2020: RM19,905 million).

The fair value of investment properties are categorised as follows:

Group *In RM Mil*	Level 3 **2021**	**2020**
Freehold land	**1,815**	1,815
Leasehold land	**1,000**	1,000
Buildings	**15,366**	17,090
	18,181	19,905

The Group uses various valuation techniques in determining the fair value of its investment properties. Such techniques include discounted cash flows method, investment method, residual method and market comparable method.

Leases as lessor

The Group via its subsidiary has entered into non-cancellable operating lease agreements for Government Office Buildings ("GOB") in accordance with the Concession Agreement ("CA") with the Government of Malaysia. Under the CA, the Group will construct various parcels of GOB on land belonging to the Government. Upon completion of each parcel, the Government will execute a 25-year lease agreement over the land of the said parcel to the Group. Simultaneously, the Group will sub-lease the same land and buildings to the Government for the same period in return for lease rentals based on predetermined rates per square foot per month. None of these leases include contingent rentals.

These leases have remaining period of non-cancellable lease terms between 3 and 20 years (2020: 4 and 21 years).

The maturity analysis of the undiscounted lease payments receivables are as follows:

Group *In RM Mil*	**2021**	**2020**
Less than one year	**1,747**	1,794
Between one and five years	**7,840**	9,232
More than five years	**2,728**	2,756
Total undiscounted lease payments	**12,315**	13,782

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

5. LAND HELD FOR DEVELOPMENT

Included in land held for development is freehold land amounting to RM2,764 million (2020: RM2,763 million).

6. INVESTMENTS IN SUBSIDIARIES

	Company	
In RM Mil	**2021**	**2020**
Investments at cost		
– quoted shares	**14,907**	14,907
– unquoted shares	**140,437**	136,202
Fair value adjustments on loans and advances and financial guarantee	**9,790**	9,271
	165,134	160,380
Less: Impairment losses		
– unquoted shares	**(16,342)**	(4,884)
	148,792	155,496
Market value of quoted shares	**93,741**	85,385

Details of key subsidiaries are stated in Note 41 to the financial statements.

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Investments at cost				
– quoted shares	**309**	263	**302**	302
– unquoted shares	**2,933**	6,220	**—**	—
Share of post-acquisition profits and reserves	**1,426**	2,034	**—**	—
	4,668	8,517	**302**	302
Less: Impairment losses				
– unquoted shares	**(2,565)**	(2,762)	**—**	—
	2,103	5,755	**302**	302
Market value of quoted shares	**1,120**	1,010	**630**	502

The Group's share of the current year losses and cumulative losses of certain associates amounting to RM76 million (2020: RM32 million) and RM208 million (2020: RM132 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these associates exceeded the carrying amount of its investment in these associates since the Group has no obligation in respect of these losses.

Summarised financial information has not been included as the associates are not individually material to the Group.

Details of key associates are stated in Note 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

8. INVESTMENTS IN JOINT VENTURES

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Investments at cost				
– unquoted shares	**5,065**	5,009	**475**	475
Fair value adjustments on financial guarantee	**377**	377	**377**	377
Share of post-acquisition profits and reserves	**2,113**	1,544	**—**	—
	7,555	6,930	**852**	852
Less: Impairment losses	**(429)**	(86)	**(9)**	(9)
	7,126	6,844	**843**	843
Share of joint ventures' contingent liabilities:				
Claims filed by/disputes with various parties	**(65)**	(12)	**(65)**	(12)

The Group's share of the current year and cumulative losses of certain joint ventures amounting to RM62 million (2020: RM48 million) and RM646 million (2020: RM584 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these joint ventures exceeded the carrying amount as of its investment in these joint ventures since the Group has no obligation in respect of these losses. The investments in these joint ventures have been fully impaired in the respective companies' financial statements.

The shares of a joint venture are pledged as a security for a borrowing taken by the joint venture.

Summarised financial information has not been included as the joint ventures are not individually material to the Group.

Details of key joint ventures are stated in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

9. INTANGIBLE ASSETS

Group **2021** *In RM Mil*	**At 1.1.2021**	**Additions**	**Disposals/ write-offs**
At cost:			
Goodwill	**6,545**	**—**	**—**
Exploration expenditure	**24,529**	**1,482**	**(4,542)**
Other intangible assets	**37,431**	**1,148**	**(43)**
Projects-in-progress			
– other projects	**—**	**20**	**—**
	68,505	**206**	**(4,585)**

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	At 1.1.2021	**Charge for the year**	**Disposals/ write-offs**
Accumulated amortisation and impairment losses:			
Goodwill	**1,388**	**—**	**—**
Exploration expenditure	**15,995**	**—**	**(1,445)**
Other intangible assets	**31,078**	**1,749**	**(40)**
Projects-in-progress			
– other projects	**—**	**—**	**—**
	48,461	**1,749**	**(1,485)**

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Group **2020** *In RM Mil*	**At 1.1.2020**	**Additions**	**Write-offs**	**Effect upon finalisation of purchase price allocation**
At cost:				
Goodwill	6,833	—	—	(327)
Exploration expenditure	25,001	2,095	(1,864)	—
Other intangible assets	35,990	992	(39)	498
	67,824	3,087	(1,903)	171

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	At 1.1.2020	**Charge for the year**	**Write-offs**
Accumulated amortisation and impairment losses:			
Goodwill	552	—	—
Exploration expenditure	12,129	—	(143)
Other intangible assets	28,883	1,422	(19)
	41,564	1,422	(162)

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

9. INTANGIBLE ASSETS (CONTINUED)

Group 2021 *In RM Mil*	**Transfers**	**Translation exchange difference**	**At 31.12.2021**
At cost:			
Goodwill	**(4)**	**4**	**6,545**
Exploration expenditure	**(5,545)**	**296**	**16,220**
Other intangible assets	**(218)**	**1,145**	**39,463**
Projects-in-progress			
– other projects	**—**	**—**	**20**
	[a](5,767)	**1,445**	**62,248**

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	Impairment (write-back) /losses	**Transfers**	**Translation exchange difference**	**At 31.12.2021**
Accumulated amortisation and impairment losses:				
Goodwill	**—**	**—**	**(12)**	**1,376**
Exploration expenditure	**(2,536)**	**(4,472)**	**171**	**7,713**
Other intangible assets	**11**	**(6)**	**973**	**33,765**
Projects-in-progress				
– other projects	**—**	**—**	**—**	**—**
	(2,525)	**[a](4,478)**	**1,132**	**42,854**

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Group 2020 *In RM Mil*	**Acquisition of subsidiaries**	**Transfers**	**Translation exchange difference**	**At 31.12.2020**
At cost:				
Goodwill	75	—	(36)	6,545
Exploration expenditure	—	(309)	(394)	24,529
Other intangible assets	—	—	(10)	37,431
	75	[b](309)	(440)	68,505

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	Impairment losses	**Acquisition of subsidiaries**	**Transfers**	**Translation exchange difference**	**At 31.12.2020**
Accumulated amortisation and impairment losses:					
Goodwill	864	—	—	(28)	1,388
Exploration expenditure	3,973	—	—	36	15,995
Other intangible assets	1,336	—	—	(544)	31,078
	6,173	—	—	(536)	48,461

continued from previous page

[a] Includes net transfers out of RM1,289 million comprising transfers to property, plant and equipment of RM1,235 million, other receivables of RM52 million and assets classified as held for sale of RM2 million.

[b] Includes net transfer out to property, plant and equipment of RM309 million.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

9. INTANGIBLE ASSETS (CONTINUED)

Company **2021** *In RM Mil*	At 1.1.2021	Addition	Transfers	Write-offs	At 31.12.2021
At cost:					
Other intangible assets	**46**	**—**	**15**	**—**	**61**
Projects-in-progress					
– other projects	**—**	**14**	**—**	**—**	**14**
	46	**14**	**[a]15**	**—**	**75**

	At 1.1.2021	Charge for the year	Impairment losses	At 31.12.2021
Accumulated amortisation:				
Other intangible assets	**10**	**10**	**11**	**31**

Company **2020** *In RM Mil*	At 1.1.2020	Transfers	Write-offs	At 31.12.2020
At cost:				
Other intangible assets	—	66	(20)	46

	At 1.1.2020	Charge for the year	Impairment losses	At 31.12.2020
Accumulated amortisation:				
Other intangible assets	—	10	—	10

Carrying amount *In RM Mil*	Group 2021	Group 2020	Company 2021	Company 2020
Goodwill	**5,169**	5,157	**—**	—
Exploration expenditure	**8,507**	8,534	**—**	—
Other intangible assets	**5,698**	6,353	**30**	36
Projects-in-progress				
– other projects	**20**	—	**14**	—
	19,394	20,044	**44**	36

[a] Includes net transfer in of RM15 million from property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

9. INTANGIBLE ASSETS (CONTINUED)

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units which represent the lowest level within the Group and at which the goodwill is monitored for internal management purposes.

In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the value in use is deemed to be the recoverable amount.

Included in goodwill is an amount of RM3,123 million (2020: RM3,123 million) arising from the acquisition of PETRONAS Lubricants Italy S.p.A Group ("PLI Group"). The recoverable amount of PLI Group unit was based on its value in use and was determined with the assistance of an independent valuer. The value in use was determined by using the discounted cash flow method based on management's business plan cash flow projections for 5 financial years from 2022 to 2026, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of Nil (2020: Nil) and is discounted to present value using discount rate between 6.5% and 7.0% (2020: 6.7% and 7.2%).

Based on the above, the recoverable amount of the unit was determined to be higher than its carrying amount and therefore, no impairment loss was recognised. The above estimates are sensitive in the following areas:

(i) A decrease of 0.5 percentage point in long term growth rate used would have decreased the recoverable amount by approximately RM271 million.

(ii) An increase of 0.5 percentage point in discount rate used would have decreased the recoverable amount by approximately RM108 million.

The value in use of other remaining goodwill is mainly derived from the respective cash-generating units' business plan cash flow projections, adjusted with an estimated terminal value. The cash flows assumes a long term average growth rate of the respective industries those units are engaged in and are discounted to present value using discount rate of 6.90% to 8.09% (2020: 6.90% to 8.09%).

Based on the above, the recoverable amount of goodwill of the remaining units were determined to be higher than their carrying amount, thus no impairment loss was recognised during the year.

Impairment review of exploration expenditure

As at 31 December 2021, the Group recognised net impairment write-back on certain exploration expenditure amounting to RM2,536 million (2020: net impairment losses of RM3,973 million) related to an oil and gas exploration cash-generating unit and certain wells which are no longer capable of commercial development. The impairment on well costs will be subsequently written off in accordance with the policy set out in Note 2.10.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

10. LONG-TERM RECEIVABLES

		Group		Company	
In RM Mil	**Note**	**2021**	**2020**	**2021**	**2020**
Term loans and advances:					
Loans and advances due from subsidiaries	10.1	**—**	—	**78,403**	89,668
Loans and advances due from associates and joint ventures	10.2	**7,496**	7,138	**6,138**	5,795
		7,496	7,138	**84,541**	95,463
Amount due from joint arrangements		**5,878**	—	**181**	—
Contract assets		**2,769**	13	**—**	—
Net investment in lease	10.3	**12,940**	9,670	**—**	—
Other receivables and prepayments	10.4	**7,280**	5,450	**28,865**	25,482
Derivative assets	12	**141**	59	**—**	—
		36,504	22,330	**113,587**	120,945
Less: Allowance for impairment losses					
– Term loans and advances		**(1,008)**	(975)	**(149)**	(516)
– Amount due from joint arrangements		**(1,474)**	—	**(47)**	—
– Other receivables and prepayments		**(271)**	(123)	**(220)**	—
		33,751	21,232	**113,171**	120,429

10.1 The Company's loans and advances due from subsidiaries bear interest at rates ranging from 0.61% to 5.20% (2020: 0.46% to 5.20%) per annum.

10.2 The Group's and the Company's loans and advances due from associates and joint ventures bear interest at rates ranging from 1.20% to 10.00% (2020: 1.20% to 10.00%) and 2.21% (2020: 2.24%) per annum respectively.

10.3 Net investment in lease

Net investment in lease represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets, buildings and pipelines, entered by the subsidiaries of the Group.

	Group	
In RM Mil	**2021**	**2020**
At 1 January	**9,670**	9,331
Addition	**4,626**	1,261
Interest income	**998**	5
Lease payments received	**(2,354)**	(927)
At 31 December	**12,940**	9,670

10. LONG-TERM RECEIVABLES (CONTINUED)

10.3 Net investment in lease (continued)

In RM Mil	Note	Group 2021	Group 2020
Minimum lease receivables:			
Not later than 1 year		**2,062**	1,597
Later than 1 year and not later than 2 years		**2,001**	1,476
Later than 2 years and not later than 5 years		**5,531**	4,029
Later than 5 years		**12,765**	7,678
		22,359	14,780
Less: Future finance income		**(8,227)**	(4,079)
Less: Allowance for impairment losses		**(93)**	(55)
Present value of finance lease assets		**14,039**	10,646
Present value of finance lease assets:			
Not later than 1 year		**1,099**	976
Later than 1 year and not later than 2 years		**1,088**	923
Later than 2 years and not later than 5 years		**3,260**	2,697
Later than 5 years		**8,685**	6,105
		14,132	10,701
Less: Allowance for impairment losses		**(93)**	(55)
		14,039	10,646
Analysed as:			
Due within 12 months	15	**1,099**	976
Due after 12 months		**12,940**	9,670
		14,039	10,646

The following table sets out a maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date.

In RM Mil	Group 2021	Group 2020
Less than one year	**2,103**	1,661
One to two years	**2,023**	1,510
Two to three years	**2,053**	1,472
Three to four years	**1,968**	1,405
Four to five years	**1,953**	1,994
More than five years	**15,862**	7,291
Total undiscounted lease payments	**25,962**	15,333
Unearned interest income	**(8,105)**	(4,074)
Net investment in lease	**17,857**	11,259

The effective interest rate of the Group's lease receivables is between 2.20% to 8.30% (2020: 3.75% to 7.57%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM33 million (2020: RM32 million).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

10. LONG-TERM RECEIVABLES (CONTINUED)

10.4 Included in the Group's other receivables and prepayments is a concession arrangement entered into by a subsidiary of the Group with the Government of Malaysia to construct government buildings on a Build-Lease-Maintain-Transfer basis. The concession period is 28 years and 6 months commencing from the construction date.

Included in the Company's other receivables and prepayments is abandonment cess contribution to the Abandonment Cess Fund ("ACF"), which is reimbursable to the Company upon execution of the abandonment of the oil and gas properties in accordance with the terms of the production sharing contracts ("PSCs") as described in Note 37. The amount of cess payable to the PSC Contractors is disclosed in Note 23.

11. FUND AND OTHER INVESTMENTS

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Non-current				
Fair value through profit or loss				
Unquoted shares	**73**	63	**–**	–
Corporate Bonds and Sukuk	**1,598**	–	**–**	–
Quoted securities	**–**	41	**–**	–
Other unquoted securities	**–**	48	**–**	–
	1,671	152	**–**	–
Fair value through other comprehensive income				
Unquoted shares	**1,254**	330	**73**	73
Amortised cost				
Long-term deposits	**–**	127	**–**	90
Unquoted securities	**30**	400	**–**	230
	30	527	**–**	320
Total non-current investments	**2,955**	1,009	**73**	393

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

11. FUND AND OTHER INVESTMENTS (CONTINUED)

In RM Mil	Group 2021	Group 2020	Company 2021	Company 2020
Current				
Fair value through profit or loss				
Quoted securities	**143**	140	**—**	—
Quoted shares	**1,438**	1,106	**5**	6
Corporate Bonds and Sukuk	**6,701**	8,219	**5,066**	4,812
Malaysian Government Securities	**1,710**	290	**1,678**	254
	9,992	9,755	**6,749**	5,072
Fair value through other comprehensive income				
Quoted shares	**117**	24	**—**	—
Amortised cost				
Unquoted securities	**370**	—	**230**	—
Total current investments	**10,479**	9,779	**6,979**	5,072
Total fund and other investments	**13,434**	10,788	**7,052**	5,465
Representing items:				
At amortised cost	**400**	527	**230**	320
At fair value	**13,034**	10,261	**6,822**	5,145
	13,434	10,788	**7,052**	320

Included in fund and other investments of the Group is an amount of RM2,231 million (2020: RM2,151 million) which are held for the purpose of future decommissioning activities of oil and gas properties.

Included in Corporate Bonds and Sukuk of the Company are securities issued by subsidiaries amounting to RM571 million (2020: RM381 million).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

12. DERIVATIVE ASSETS/(LIABILITIES)

In RM Mil	Note	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Group					
Non-current					
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts		**7**	**—**	9	—
Derivatives designated as hedging instruments					
Interest rate swaps		**110**	**(168)**	7	(527)
Forward foreign exchange contracts		**24**	**(4)**	43	(19)
		134	**(172)**	50	(546)
Total non-current derivatives		**141**	**(172)**	59	(546)
Current					
Derivatives designated as hedging instruments					
Forward foreign exchange contracts		**78**	**(87)**	37	(42)
Commodity derivatives		**120**	**(394)**	338	(664)
		198	**(481)**	375	(706)
Derivatives designated as hedging instruments					
Interest rate swaps		**—**	**(52)**	—	—
Forward foreign exchange contracts		**74**	**(14)**	57	(11)
Commodity derivatives		**1,505**	**(1,415)**	34	(932)
		1,579	**(1,481)**	91	(943)
Total current derivatives		**1,777**	**(1,962)**	466	(1,649)
Total derivatives		**1,918**	**(2,134)**	525	(2,195)
Included within:					
Long-term receivables	10	**141**	**—**	59	—
Trade and other receivables	15	**1,777**	**—**	466	—
Other long-term liabilities and provisions	23	**—**	**(172)**	—	(546)
Trade and other payables	24	**—**	**(1,962)**	—	(1,649)
		1,918	**(2,134)**	525	(2,195)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

12. DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

		2021		2020	
In RM Mil	**Note**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Company					
Current					
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts		**63**	**(74)**	17	(21)
Derivatives designated as hedging instruments					
Commodity derivatives		**1,505**	**—**	—	—
Total derivatives		**1,568**	**(74)**	17	(21)
Included within:					
Trade and other receivables	15	**1,568**	**—**	17	—
Trade and other payables	24	**—**	**(74)**	—	(21)
		1,568	**(74)**	17	(21)

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt, consistent with risk management policies and objectives.

The Group and the Company apply hedge accounting whereby hedges meeting the criteria for hedge accounting are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity until the hedged transaction occurs, while the ineffective portion is recognised in the profit or loss. Details of cash flow hedges are disclosed in Note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

13. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In RM Mil	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Group						
Property, plant and equipment and intangible assets	**9,343**	9,511	**(23,478)**	(20,775)	**(14,135)**	(11,264)
Lease liabilities	**2,377**	2,023	**—**	—	**2,377**	2,023
Unused tax losses	**9,965**	10,765	**—**	—	**9,965**	10,765
Unabsorbed capital allowances	**1,844**	1,874	**—**	—	**1,844**	1,874
Unused reinvestment allowances	**447**	435	**—**	—	**447**	435
Unused investment tax allowances	**5,932**	5,254	**—**	—	**5,932**	5,254
Provision for decommissioning of oil and gas properties	**5,572**	3,834	**—**	—	**5,572**	3,834
Others	**967**	1,232	**(1,529)**	(1,986)	**(562)**	(754)
Tax assets/(liabilities)	**36,447**	34,928	**(25,007)**	(22,761)	**11,440**	12,167
Set off tax	**(15,464)**	(14,306)	**15,464**	14,306	**—**	—
Net tax assets/(liabilities)	**20,983**	20,622	**(9,543)**	(8,455)	**11,440**	12,167
Company						
Property, plant and equipment	**251**	225	**(972)**	(979)	**(721)**	(754)
Unused tax losses	**2,599**	2,692	**—**	—	**2,599**	2,692
Unabsorbed capital allowances	**22**	34	**—**	—	**22**	34
Unused investment tax allowances	**901**	—	**—**	—	**901**	—
Provision for decommissioning of oil and gas properties	**4,770**	4,302	**—**	—	**4,770**	4,302
Others	**465**	169	**(390)**	—	**75**	169
Tax assets/(liabilities)	**9,008**	7,422	**(1,362)**	(979)	**7,646**	6,443
Set off tax	**(1,362)**	(979)	**1,362**	979	**—**	—
Net tax assets	**7,646**	6,443	**—**	—	**7,646**	6,443

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

13. DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

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

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Deductible temporary differences	**1,143**	1,430	**—**	—
Unabsorbed capital allowances	**2,586**	2,732	**107**	—
Unused tax losses	**60,061**	54,378	**29,948**	20,599
Unused reinvestment allowances	**27**	27	**—**	—
Unused investment tax allowances	**1,381**	872	**—**	—
	65,198	59,439	**30,055**	20,599

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company and respective subsidiaries can utilise the benefits.

In accordance with the provision of Malaysian Finance Act 2021 requirement, the utilisation of unused tax losses will be limited to ten years (2020: seven years) with effect from year of assessment 2019.

Unabsorbed capital allowances and unused investment tax allowances do not expire under current tax legislation.

The Group and the Company have unused tax losses carried forward of approximately RM101,582 million (2020: RM99,232 million) and RM40,778 million (2020: RM31,816 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

The Group also has unabsorbed capital allowances, unused reinvestment allowances and unused investment tax allowances of approximately RM10,269 million (2020: RM10,540 million), RM1,890 million (2020: RM1,840 million) and RM26,098 million (2020: RM22,764 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

13. DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets (continued)

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

Group 2021 *In RM Mil*	At 1.1.2021	(Charged)/ credited to profit or loss	Transfer	Equity	Translation exchange difference	At 31.12.2021
Deferred tax liabilities						
Property, plant and equipment and intangible assets	(20,775)	(3,183)	702	—	(222)	(23,478)
Others	(1,986)	510	—	—	(53)	(1,529)
	(22,761)	[a](2,673)	702	—	(275)	(25,007)
Deferred tax assets						
Property, plant and equipment and intangible assets	9,511	(350)	—	—	182	9,343
Lease liabilities	2,023	336	—	—	18	2,377
Unused tax losses	10,765	(947)	—	—	147	9,965
Unabsorbed capital allowances	1,874	(34)	—	—	4	1,844
Unused reinvestment allowances	435	12	—	—	—	447
Unused investment tax allowances	5,254	678	—	—	—	5,932
Provision for decommissioning of oil and gas properties	3,834	1,725	—	—	13	5,572
Others	1,232	(324)	(73)	(9)	141	967
	34,928	[b]1,096	(73)	(9)	505	36,447
Total	12,167	(1,577)	[c]629	(9)	230	11,440

[a,b] Includes reclassification between deferred tax liabilities and deferred tax assets.
[c] Relates to transfer out to assets/(liabilities) classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

13. DEFERRED TAX (CONTINUED)

Group 2020 *In RM Mil*	**At 1.1.2020**	**(Charged)/ credited to profit or loss**	**Acquisition of subsidiaries**	**Equity**	**Translation exchange difference**	**At 31.12.2020**
Deferred tax liabilities						
Property, plant and equipment and intangible assets	(12,963)	(8,040)	(1)	—	229	(20,775)
Others	(435)	(1,674)	—	(3)	126	(1,986)
	(13,398)	[a](9,714)	(1)	(3)	355	(22,761)
Deferred tax assets						
Property, plant and equipment and intangible assets	1,577	7,844	—	—	90	9,511
Lease liabilities	455	1,514	—	—	54	2,023
Unused tax losses	7,532	3,548	—	—	(315)	10,765
Unabsorbed capital allowances	2,466	(571)	—	—	(21)	1,874
Unused reinvestment allowances	210	225	—	—	—	435
Unused investment tax allowances	4,044	1,249	—	—	(39)	5,254
Provision for decommissioning of oil and gas properties	4,543	(713)	—	—	4	3,834
Others	546	636	1	(22)	71	1,232
	21,373	[b]13,732	1	(22)	(156)	34,928
Total	7,975	4,018	—	(25)	199	12,167

[a,b] Includes reclassification between deferred tax liabilities and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

13. DEFERRED TAX (CONTINUED)

Company **2021** *In RM Mil*	**At** **1.1.2021**	**(Credited)/ charged to profit or loss**	**At** **31.12.2021**
Deferred tax assets			
Property, plant and equipment	**(754)**	**33**	**(721)**
Unused tax losses	**2,692**	**(93)**	**2,599**
Unabsorbed capital allowances	**34**	**(12)**	**22**
Unused investment tax allowances	**—**	**901**	**901**
Provision for decommissioning of oil and gas properties	**4,302**	**468**	**4,770**
Others	**169**	**(94)**	**75**
	6,443	**1,203**	**7,646**

Company **2020** *In RM Mil*	**At** **1.1.2020**	**(Credited)/ charged to profit or loss**	**At** **31.12.2020**
Deferred tax assets			
Property, plant and equipment	(776)	22	(754)
Unused tax losses	6,303	(3,611)	2,692
Unused investment tax allowances	55	(21)	34
Provision for decommissioning of oil and gas properties	4,164	138	4,302
Others	181	(12)	169
	9,927	(3,484)	6,443

14. TRADE AND OTHER INVENTORIES

		Group		**Company**
In RM Mil	**2021**	**2020**	**2021**	**2020**
Crude oil and condensates	**1,763**	2,252	**62**	21
Petroleum products	**5,608**	4,021	**28**	—
Petrochemical products	**951**	672	**—**	—
Liquefied natural gas	**1,317**	908	**—**	—
Stores, spares and others	**2,804**	2,563	**1**	1
Developed properties held for sale	**842**	712	**—**	—
Properties under development	**1,192**	1,363	**—**	—
	14,477	12,491	**91**	22
Recognised in profit or loss:				
Inventories recognised as cost of sales	**87,188**	63,884	**—**	—

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

15. TRADE AND OTHER RECEIVABLES

		Group		Company	
In RM Mil	Note	2021	2020	2021	2020
Trade					
Trade receivables		**29,880**	22,199	**2,766**	2,845
Amount due from:					
– subsidiaries		**—**	—	**10,344**	7,853
– associates and joint arrangements		**4,269**	5,078	**—**	171
Contract assets		**185**	660	**—**	—
Derivative assets	12	**1,625**	373	**1,505**	—
Less: Allowance for impairment losses					
– Trade receivables	38	**(1,466)**	(2,201)	**(374)**	(375)
– Amount due from subsidiaries		**—**	—	**(5)**	(3)
– Amount due from associates and joint arrangements		**(933)**	(8)	**—**	—
		33,560	26,101	**14,236**	10,491
Non-trade					
Other receivables, deposits and prepayments		**14,830**	14,910	**1,107**	1,812
Amount due from:					
– subsidiaries		**—**	—	**2,123**	2,148
– associates and joint arrangements		**320**	542	**3**	7
Tax recoverable		**461**	281	**—**	—
Net investment in lease	10	**1,099**	976	**—**	—
Derivative assets	12	**152**	93	**63**	17
Less: Allowance for impairment losses					
– Amount due from subsidiaries		**—**	—	**(25)**	(151)
– Other receivables, deposits and prepayments		**(2,098)**	(2,320)	**(11)**	(14)
		14,764	14,482	**3,260**	3,819
		48,324	40,583	**17,496**	14,310

Amount due from subsidiaries, associates and joint arrangements arose in the normal course of business.

Contract assets are mainly in relation to sale of property development whereby they represent the timing differences in revenue recognition and the milestone billings. The milestone billings are either governed by the relevant regulations or structured and/or negotiated with customers and stated in the contracts.

Tax recoverable is subject to the agreement with the relevant tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

16. CASH AND CASH EQUIVALENTS

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Cash and bank balances	**13,694**	9,094	**4,850**	2,228
Deposits placed	**150,862**	121,429	**120,121**	92,457
	164,556	130,523	**124,971**	94,685
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	**—**	—	**(52,280)**	(40,574)
	164,556	130,523	**72,691**	54,111

The Company manages the cash and cash equivalents on behalf of certain subsidiaries through its Integrated Financial Shared Service Centre in order to allow for more efficient management of cash. The cash and cash equivalents reported in the Company's financial statements do not include the amounts managed on behalf of the subsidiaries.

Included in cash and bank balances of the Group and the Company are interest-bearing balances amounting to RM12,111 million (2020: RM7,504 million) and RM4,850 million (2020: RM2,228 million) respectively.

Included in deposits with banks of the Group is an amount of RM23,462 million (2020: RM21,062 million) which is held for the purpose of future decommissioning activities of oil and gas properties.

Included in the cash and cash equivalents are restricted amount in relation to:

(i) retention account of RM941 million (2020: RM1,303 million) which is restricted for use because it is pledged to the bank for the purpose of acquisition of vessels;

(ii) held by a trustee of RM28 million (2020: RM21 million). The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised;

(iii) deposits held under designated accounts for redemption of Islamic financing facilities of RM77 million (2020: RM25 million); and

(iv) deposits restricted for certain payments under the requirements of the borrowing facilities agreement of RM334 million (2020: RM335 million).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

17. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

	Group	
In RM Mil	**2021**	**2020**
Assets classified as held for sale		
Property, plant and equipment	**9,515**	18
Investments in associates	**4,059**	–
Intangible assets	**2**	–
Deferred tax assets	**73**	–
Receivables, cash and other assets	**1,142**	–
	14,791	18
Liabilities classified as held for sale		
Deferred tax liabilities	**(702)**	–
Other liabilities and provisions	**(3,230)**	–
	(3,932)	–

The above amount represents carrying values of net assets owned by the Group with the intention of disposal in the immediate future. The carrying amounts of these assets immediately before reclassification are not materially different from their fair values.

The financial performance and the net cash flows from the above disposal groups are not material in relation to the consolidated results of the Group and therefore not presented separately as discontinued operations in the Group's financial statements.

Fair value information

In accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets classified as held for sale were written down to their fair value less costs to sell.

The fair value of assets classified as held for sale are categorised as level 3.

18. SHARE CAPITAL

	Company	
In RM Mil	**2021**	**2020**
Issued and fully paid shares with no par value classified as equity instrument:		
100,000 ordinary shares of RM1,000 each	**100**	100

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Ordinary share has no par value.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

19. RESERVES

The Company has sufficient retained profits to distribute the following dividends:

(i) Dividends paid out of income derived from petroleum operations which are not chargeable to tax pursuant to the Petroleum (Income Tax) Act, 1967.

(ii) Single tier dividends paid out of income derived from other operations other than petroleum operations which are exempt in the hands of shareholder pursuant to Paragraph 12B, Schedule 6 of the Income Tax Act, 1967.

(iii) Exempt dividends paid out of income which are exempt pursuant to Section 12 of Income Tax (Amendment) Act, 1999, Paragraph 28, Schedule 6 and Schedule 7A of the Income Tax Act, 1967.

Capital and other reserves

Capital reserves represent primarily reserves created upon issuance of bonus shares and redemption of preference shares by subsidiaries. Other reserves comprise the Group's share of its associate and joint venture companies' reserves.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

Fair value through other comprehensive income reserve

This reserve records the changes in fair value of equity securities designated at fair value through other comprehensive income. On disposal or impairment of equity securities, the cumulative changes in fair value are transferred to the retained profits.

General reserve

General reserve represents appropriation of retained profits for general purposes rather than for a specific item of future loss or expense. In effect, it is a reserve for unspecified possible events.

Hedging reserve

Hedging reserve includes the cash flow hedge reserve that records the effective portion of the gain or loss on derivatives designated as hedging instrument in a cash flow hedge. Amounts are subsequently transferred out from equity to either profit or loss or the carrying value of assets, as appropriate. Hedging reserve also includes the cost of hedging reserve which records the changes in the time value of option contracts and the forward element of forward contracts.

20. NON-CONTROLLING INTERESTS

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

21. BORROWINGS

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Non-current				
Secured				
Term loans	**10,110**	14,097	**—**	—
Islamic financing facilities	**1,801**	1,547	**—**	—
Lease liabilities	**11,498**	11,324	**6,800**	7,268
Total non-current secured borrowings	**23,409**	26,968	**6,800**	7,268
Unsecured				
Term loans	**4,859**	768	**—**	—
Notes and Bonds	**54,337**	45,014	**51,851**	45,014
Islamic financing facilities	**4,014**	4,058	**—**	—
Total non-current unsecured borrowings	**63,210**	49,840	**51,851**	45,014
Total non-current borrowings	**86,619**	76,808	**58,651**	52,282
Current				
Secured				
Term loans	**6,394**	1,923	**—**	—
Islamic financing facilities	**258**	776	**—**	—
Lease liabilities	**1,345**	1,405	**623**	572
Total current secured borrowings	**7,997**	4,104	**623**	572
Unsecured				
Term loans	**4,558**	2,809	**—**	—
Notes and Bonds	**7,303**	—	**7,303**	—
Islamic financing facilities	**599**	770	**—**	—
Revolving credits	**637**	1,384	**—**	—
Bankers' acceptances	**116**	1,656	**—**	—
Bank overdrafts	**2**	698	**—**	—
Total current unsecured borrowings	**13,215**	7,317	**7,303**	—
Total current borrowings	**21,212**	11,421	**7,926**	572
Total borrowings	**107,831**	88,229	**66,577**	52,854

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

21. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

In RM Mil	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Group					
Secured					
Term loans	16,504	6,394	941	3,420	5,749
Islamic financing facilities	2,059	258	132	919	750
Lease liabilities	12,843	1,345	1,605	4,265	5,628
	31,406	7,997	2,678	8,604	12,127
Unsecured					
Term loans	9,417	4,558	54	4,257	548
Notes and Bonds	61,640	7,303	—	6,234	48,103
Islamic financing facilities	4,613	599	731	2,190	1,093
Revolving credits	637	637	—	—	—
Bankers' acceptances	116	116	—	—	—
Bank overdrafts	2	2	—	—	—
	76,425	13,215	785	12,681	49,744
	107,831	21,212	3,463	21,285	61,871
Company					
Secured					
Lease liabilities	7,423	623	453	1,360	4,987
Unsecured					
Notes and Bonds	59,154	7,303	—	6,234	45,617
	66,577	7,926	453	7,594	50,604

Islamic financing facilities

Details of Islamic financing facilities are included in Note 22.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

21. BORROWINGS (CONTINUED)

Secured term loans

The secured term loans obtained by the subsidiaries and joint operation company primarily comprise:

In Mil	**Securities**	**2021**	**2020**
USD Term loans	Secured by way of a charge over certain property, plant and equipment, together with charter agreements and insurance of the relevant assets of certain subsidiaries, as well as ordinary shares and land lease rights of joint operation company.	**US$4,424**	US$4,715
RM Term loans	Secured by way of a charge over certain property, plant and equipment, investment properties and insurance of the relevant property, plant and equipment of certain subsidiaries.	**RM877**	RM877

The secured term loans bear interest at rates ranging from 1.39% to 4.49% (2020: 0.84% to 4.49%) per annum and are fully repayable at their various due dates from 2022 to 2037.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries primarily comprise:

In Mil	**2021**	**2020**
USD Term loans	**US$4,677**	US$1,277
EUR Term loans	**€436**	€436

These unsecured term loans bear interest at rates ranging from 0.60% to 5.13% (2020: 0.30% to 5.40%) per annum and are fully repayable at their various due dates from 2022 to 2026.

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprise:

In Mil	**2021**	**2020**
USD Notes and Bonds:		
3.125% Guaranteed Notes due 2022^	**US$750**	US$750
7.875% Notes due 2022^	**US$1,000**	US$1,000
3.500% Guaranteed Notes due 2025^	**US$1,500**	US$1,500
7.625% Bonds due 2026 #	**US$500**	US$500
2.112% Bonds due 2028*	**US$600**	–
3.500% Guaranteed Notes due 2030^	**US$2,250**	US$2,250
2.480% Guaranteed Notes due 2032^	**US$1,250**	–
4.500% Guaranteed Notes due 2045^	**US$1,500**	US$1,500
4.550% Guaranteed Notes due 2050^	**US$2,750**	US$2,750
4.800% Guaranteed Notes due 2060^	**US$1,000**	US$1,000
3.404% Guaranteed Notes due 2061^	**US$1,750**	–

Obtained by the Company.
^ Obtained by the Company via a subsidiary.
* Obtained by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

21. BORROWINGS (CONTINUED)

Unsecured Notes and Bonds (continued)

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the bondholders:

(i) not to allow any material indebtedness (the minimum aggregate amount exceeding USD30,000,000 for 7.875% Guaranteed Notes due 2022 and USD200,000,000 for the remaining Guaranteed Notes or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any guarantee of the Company for material indebtedness of any other person is not discharged at maturity or when validly called or the Company goes into default;

(ii) the Company (not including any of its subsidiaries) not to create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other lien upon the whole or any part of its property or assets, present or future indebtedness of itself or any other person, unless the aggregate outstanding principal amount of all such secured indebtedness (other than indebtedness secured by the liens already in existence) plus attributable debt of the Company in respect of sales and leaseback transactions would not exceed 10% of the consolidated net tangible assets for 7.875% Guaranteed Notes due 2022 and 15% of the consolidated net tangible assets for the remaining Guaranteed Notes;

(iii) the Company (not including any of its subsidiaries) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and rateably secured the total outstanding would not exceed 10% of the consolidated net tangible assets for the 7.875% Guaranteed Notes due 2022 and 15% of the consolidated net tangible assets for the remaining Guaranteed Notes provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations hereunder and which are not secured by any security interest, an amount to the greater of:

- the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction as determined by the Company; or
- the fair market value of the property or other assets so leased as determined by the Company;

(iv) the Company, PETRONAS Capital Limited ("PCL") and PETRONAS Energy Canada Ltd ("PECL"), without consent of a majority bondholders may not consolidate with, or merge into, or sell, transfer, lease or convey substantially all of its assets to any corporation unless any successor corporation expressly assumes the obligations of the Company, PCL or PECL, as the case may be under the Notes and Bonds.

Unsecured revolving credits and bank overdrafts

The unsecured revolving credits and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 0.33% to 6.00% (2020: 2.19% to 7.60%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

22. ISLAMIC FINANCING FACILITIES

Secured Islamic financing facilities

The secured Islamic financing facilities obtained by the subsidiaries comprise:

In RM Mil	**2021**	**2020**
Al Bai'bithaman Ajil Facilities	**300**	300
Bai' Al-Dayn Note Issuance Facilities	**206**	206
Murabahah Medium Term Notes	**2,755**	1,510

The secured Islamic financing facilities bear a yield payable/profit rate ranging from 3.60% to 7.25% (2020: 4.15% to 7.25%) per annum and are fully repayable at their various due dates from 2022 to 2026.

The Islamic financing facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured Islamic financing facilities

The unsecured Islamic financing facilities obtained by the subsidiaries comprise:

In RM Mil	**2021**	**2020**
Murabahah Note Issuance Facilities	**RM1,900**	–
Murabahah Note Issuance Facilities	**RMB216**	RMB216
Sukuk Musyarakah	**RM6,110**	RM5,682

The unsecured Islamic financing facilities bear a yield payable ranging from 2.12% to 6.17% (2020: 3.50% to 6.17%) per annum and are fully repayable at their various due dates from 2022 to 2040.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS

		Group		Company	
In RM Mil	Note	2021	2020	2021	2020
Provision for decommissioning of:					
– oil and gas properties		**37,351**	39,764	**17,078**	17,159
– other property, plant and equipment		**1,822**	1,364	**—**	—
Financial guarantees		**—**	—	**184**	—
Derivative liabilities	12	**172**	546	**1,505**	—
Contract liabilities		**2,100**	1,201	**8,853**	8,016
Others		**9,175**	8,181	**11,853**	11,631
		50,620	51,056	**37,968**	36,806

Provision for decommissioning of oil and gas properties and other property, plant and equipment is recognised when there is an obligation to abandon a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. In the case of provision for decommissioning of oil and gas properties, the obligation is stipulated in production sharing contracts ("PSCs") as described in Note 37.

Included in other long-term liabilities of the Group and the Company are amount of abandonment cess payable to the PSC Contractors of RM4,192 million and RM11,750 million (2020: RM3,834 million and RM11,471 million) respectively as described in Note 37.

The provision recognised is the present value of the Group's and the Company's obligations of the estimated future costs determined in accordance with current conditions and requirements.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in Note 2.4. The increase in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Most of these removal events are many years in the future and precise requirements that will have to be met when the removal events actually occur are uncertain. The actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, therefore, the carrying amount of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes. The interest rate and inflation rate used to determine the significant obligations as at 31 December 2021 range from 1.31% to 10.48% (2020: 0.88% to 7.17%) and 0.73% to 10.74% (2020: 0.90% to 4.31%) respectively. Changes in the expected future costs are reflected in both the provision and the asset.

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

In RM Mil	Group	Company
At 1 January 2021	**41,128**	**17,159**
Additions	**1,473**	**92**
Net changes in provision	**(1,342)**	**(683)**
Transfer to current liabilities	**(2,828)**	**—**
Provision utilised	**(266)**	**—**
Unwinding of discount	**1,431**	**647**
Disposals	**(614)**	**(137)**
Translation exchange difference	**191**	**—**
At 31 December 2021	**39,173**	**17,078**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS (CONTINUED)

Net changes in provision include foreign exchange gains or losses arising from retranslation of the provision and are adjusted against the carrying amount of the corresponding asset accordingly.

During the year, the Group and the Company revised the provision for decommissioning of oil and gas properties resulting from changes in estimated cash flows. The adjustment was accounted for prospectively as a change in accounting estimates resulting in the following:

In RM Mil	Group	Company
Decrease in provision for decommissioning	**(1,342)**	**(683)**
Decrease in cost of property, plant and equipment	**(1,035)**	**(199)**
Increase in profits	**307**	**484**

The Group uses a range of long-term assumptions including prices, volumes, margins and costs based on past performance and management expectations of market development in the estimation of the present value of the provision.

24. TRADE AND OTHER PAYABLES

		Group		Company	
In RM Mil	Note	2021	2020	2021	2020
Trade payables		**12,732**	9,489	**1,603**	1,272
Other payables		**35,920**	31,327	**8,842**	7,110
Contract liabilities		**1**	8	**—**	—
Amount due to:					
– subsidiaries		**—**	—	**4,180**	3,541
– associates and joint ventures		**1,210**	1,255	**52**	10
Derivative liabilities	12	**1,962**	1,649	**74**	21
		51,825	43,728	**14,751**	11,954

Included in other payables of the Group are amounts owing to suppliers, contractors and joint operation partners which mainly arose in the normal course of business as well as purchase of property, plant and equipment and cash payment to the Federal and State Governments of Malaysia.

Included in other payables of the Company are financial guarantees amounting to RM21 million (2020: RM32 million).

Amount due to subsidiaries, associates and joint arrangements arose in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

25. REVENUE

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Revenue from contracts with customers	**236,729**	168,436	**77,702**	58,597
Other revenue				
– shipping and shipping related services	**2,901**	2,577	**–**	–
– rental of properties	**2,135**	2,090	**–**	–
– rendering of services	**2,194**	1,044	**389**	404
– others	**1,624**	448	**3,365**	1,172
	8,854	6,159	**3,754**	1,576
– dividend income				
Quoted				
– subsidiaries	**–**	–	**3,986**	3,252
– associates	**–**	–	**14**	13
– investments	**44**	23	**1**	1
Unquoted				
– subsidiaries	**–**	–	**11,272**	7,752
– associates and joint ventures	**88**	22	**129**	130
– investments	**5**	–	**4**	–
	137	45	**15,406**	11,148
– interest income	**2,242**	4,101	**930**	2,139
Total revenue	**247,962**	178,741	**97,792**	73,460

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

25. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical markets and major products/services lines.

Group 2021 *In RM Mil*	**Upstream**	**Gas and New Energy**	**Downstream**	**Corporate and others**	**Total**
Primary geographical markets					
– Asia[a]	13,688	33,297	37,245	—	84,230
– Malaysia	2,756	15,083	37,443	1,399	56,681
– Japan	762	17,463	1,442	—	19,667
– South Africa	—	—	21,157	—	21,157
– Rest of the world[b]	20,328	7,547	23,320	3,799	54,994
	37,534	73,390	120,607	5,198	236,729
Major products/services lines					
– Petroleum products	398	—	88,837	—	89,235
– Crude oil and condensates	23,995	269	6,556	—	30,820
– Liquefied natural gas	—	57,134	352	—	57,486
– Natural and processed gas	12,383	15,237	42	—	27,662
– Petrochemical products	—	—	22,474	—	22,474
– Construction contracts	—	—	—	2,735	2,735
– Sales of properties	—	—	—	206	206
– Others	758	750	2,346	2,257	6,111
	37,534	73,390	120,607	5,198	236,729
Revenue from contracts with customers	37,534	73,390	120,607	5,198	236,729
Other revenue	2,566	2,342	483	5,842	11,233
Total revenue	40,100	75,732	121,090	11,040	247,962

[a] Excludes Malaysia and Japan.
[b] Comprises revenue that is not material by individual country.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

25. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

Group **2020** *In RM Mil*	**Upstream**	**Gas and New Energy**	**Downstream**	**Corporate and others**	**Total**
Primary geographical markets					
– Asia[a]	11,467	19,684	23,950	–	55,101
– Malaysia	2,875	13,150	29,532	1,723	47,280
– Japan	606	16,203	776	–	17,585
– South Africa	–	–	14,894	–	14,894
– Rest of the world[b]	12,216	4,305	14,569	2,486	33,576
	27,164	53,342	83,721	4,209	168,436
Major products/services lines					
– Petroleum products	251	–	62,454	–	62,705
– Crude oil and condensates	19,147	227	4,336	–	23,710
– Liquefied natural gas	–	37,668	1	–	37,669
– Natural and processed gas	7,377	14,871	57	–	22,305
– Petrochemical products	–	–	14,177	–	14,177
– Construction contracts	–	–	–	1,125	1,125
– Sales of properties	–	–	–	117	117
– Others	389	576	2,696	2,967	6,628
	27,164	53,342	83,721	4,209	168,436
Revenue from contracts with customers	27,164	53,342	83,721	4,209	168,436
Other revenue	1,570	1,279	462	6,994	10,305
Total revenue	28,734	54,621	84,183	11,203	178,741

[a] Excludes Malaysia and Japan.
[b] Comprises revenue that is not material by individual country.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

25. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

Company
In RM Mil

	2021	2020
Primary geographical markets		
– Asia[a]	**7,848**	6,160
– Malaysia	**66,488**	49,246
– Japan	**709**	530
– Rest of the world[b]	**2,657**	2,661
	77,702	58,597
Major products/services lines		
– Crude oil and condensates	**36,240**	23,921
– Liquefied natural gas	**2,070**	3,269
– Natural and processed gas	**39,392**	31,407
	77,702	58,597
Revenue from contracts with customers	**77,702**	58,597
Other revenue	**20,090**	14,863
Total revenue	**97,792**	73,460

Nature of goods and services

Sales of oil and gas products

Revenue from sales of oil and gas products namely petroleum products, crude oil and condensates, liquefied natural gas, natural gas, processed gas and petrochemical products is recognised when control of the goods has transferred to the customers. Depending on the terms of the contract with the customer, controls transfer either upon delivery of the goods to a location specified by the customers or upon delivery of the goods on board vessels or tankers for onward delivery to the customers. There is no significant financing element present as the Group's and the Company's sales of oil and gas products are made either on cash or credit terms as per the industry practices.

Construction contracts

Revenue from construction contracts is recognised progressively based on percentage of completion method determined by reference to the completion of the physical proportion of contract work to date. The amount receivable from the customers is based on agreed milestones as per the terms of the contract.

Sales of properties

Revenue from sales of properties is recognised when control of the properties has been transferred to the buyer. There is no significant financing element present as the Group's sales of properties are made on credit terms as per the industry practices.

[a] Excludes Malaysia and Japan.
[b] Comprises revenue that is not material by individual country.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

25. REVENUE (CONTINUED)

Transaction price allocated to remaining performance obligations

The Group and the Company entered into long-term contracts for the sales of various oil and gas products with remaining tenures ranging between 2 to 21 years (2020: 2 to 22 years). The future revenue of the Group and of the Company is dependent on the prevailing market price, exchange rate on the transaction date as well as production volume, which is based on contractual requirement.

In addition to the above, the Group and the Company entered into spot and short term contracts for the sales of various oil and gas products with remaining tenures less than 1 year.

The Group also entered into long-term construction contracts. The following table shows revenue expected to be recognised in the future related to performance obligations of construction contracts that are unsatisfied (or partially unsatisfied) as at 31 December 2021. The disclosure is only providing information for contracts that have a duration of more than one year.

Group *In RM Mil*	**Under 1 year**	**1-5 years**	**Total**
Construction contracts	**4,732**	**2,299**	**7,031**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

26. OPERATING PROFIT/(LOSS)

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Included in operating profit are the following charges:				
Audit fees	**41**	40	**2**	2
Amortisation of:				
– intangible assets	**1,749**	1,422	**10**	10
– contract costs	**18**	24	**–**	–
Depreciation of:				
– investment properties	**508**	431	**–**	–
– property, plant and equipment	**32,142**	34,149	**1,942**	2,114
Net impairment losses on:				
– intangible assets	**–**	5,648	**11**	–
– investment in subsidiaries	**–**	–	**11,458**	51
– investment in an associate	**–**	151	**–**	–
– investment in a joint venture	**414**	–	**–**	–
– investment properties	**3**	12	**–**	–
– loan and advances to subsidiaries	**–**	–	**–**	353
– loan and advances to a joint venture	**61**	71	**–**	–
– property, plant and equipment	**–**	25,702	**596**	2,092
– trade and other receivables:				
– contracts with customers	**–**	–	**92**	–
– joint arrangements	**2,404**	2	**47**	–
Net impairment/write-off on well costs	**1,809**	2,246	**–**	–
Net inventories written down to net realisable value/ written off	**188**	37	**–**	–
Net write-off on:				
– bad debts	**11**	65	**–**	12
– intangible assets	**–**	20	**–**	20
– property, plant and equipment/project-in-progress	**54**	234	**3**	–
Write-off trade receivables and loss on remeasurement of finance lease receivables	**–**	846	**–**	–
Loss on disposal of:				
– investment in a subsidiary	**2**	–	**–**	–
– property, plant and equipment	**105**	19	**–**	–
Net change in contract liabilities	**166**	–	**560**	–
Net loss on:				
– derivatives	**4,985**	834	**1,396**	–
– foreign exchange	**–**	1,093	**–**	1,162
Rental of facilities and equipments	**237**	220	**77**	51
Research and development expenditure	**70**	3	**1**	2
Staff costs:				
– wages, salaries and others	**11,081**	10,080	**2,343**	2,281
– contributions to pension fund	**1,117**	1,184	**289**	344
Contribution to Tabung Amanah Negara	**500**	100	**500**	100

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

26. OPERATING PROFIT/(LOSS) (CONTINUED)

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
and credits:				
Net write-back of impairment losses on:				
– property, plant and equipment	**3,175**	–	**–**	–
– intangible assets	**1,310**	–	**–**	–
– investment in associates	**155**	–	**–**	–
– trade and other receivables:				
– contracts with customers	**613**	39	**–**	13
– loan and advances to subsidiaries	**–**	–	**59**	–
Bad debts recovered	**1**	21	**–**	–
Gain on bargain purchase	**–**	247	**–**	–
Gain on disposal/partial disposal of:				
– property, plant and equipment	**665**	236	**9**	2
– investment in subsidiaries	**–**	171	**225**	1,546
– investment in an associate	**74**	–	**–**	–
– investment in joint ventures	**19**	–	**–**	–
– other investments	**5**	–	**–**	–
Net gain on foreign exchange	**895**	–	**1,762**	–
Net change in contract liabilities	**–**	481	**–**	858
Net change in fair value of cess receivables	**–**	–	**387**	694
Interest income – others	**756**	737	**2,514**	3,189
Rental income on land and buildings	**349**	495	**323**	468

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

27. FINANCING COSTS

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Recognised in profit or loss:				
Interest expense of financial liabilities that are at amortised cost	**3,443**	2,781	**2,402**	1,872
Interest expense on lease liabilities	**820**	845	**405**	273
Other finance costs	**806**	507	**87**	1,390
	5,069	4,133	**2,894**	3,535
Capitalised into qualifying assets:				
– Term borrowings	**655**	1,023	**–**	–
– Lease liabilities	**23**	172	**–**	–
	678	1,195	**–**	–
Total financing cost	**5,747**	5,328	**2,894**	3,535

28. TAX EXPENSE

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Current tax expenses				
Malaysia				
Current year	**16,077**	10,177	**6,997**	3,771
Prior year	**1,071**	1,664	**(926)**	1,690
Overseas				
Current year	**1,901**	791	**–**	–
Prior year	**19**	94	**–**	–
Total current tax expenses	**19,068**	12,726	**6,071**	5,461
Deferred tax expenses				
Origination and reversal of temporary differences	**873**	(2,977)	**(1,203)**	3,484
Under/(Over) provision in prior year	**704**	(1,041)	**–**	–
Total deferred tax expenses	**1,577**	(4,018)	**(1,203)**	3,484
Total tax expenses	**20,645**	8,708	**4,868**	8,945

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

28. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

In RM Mil	%	2021	%	2020
Group				
Profit/(Loss) before taxation		**69,245**		(12,321)
Taxation at Malaysian statutory tax rate	24	**16,619**	24	(2,957)
Effect of different tax rates in foreign jurisdictions	(1)	**(667)**	(2)	239
Effect of different tax rates between corporate income tax and petroleum income tax	6	**4,148**	(10)	1,260
Effect of differences in tax rates	(5)	**(3,014)**	3	(384)
Non-deductible expenses, net of non-assessable income	4	**2,695**	(53)	6,564
Tax exempt income	(2)	**(1,577)**	5	(575)
Tax incentives	(2)	**(1,679)**	11	(1,324)
Effect of deferred tax benefits not recognised	2	**1,927**	(27)	3,364
Effect of deferred tax benefits previously not recognised	–	**–**	22	(2,731)
Reversal of deferred tax benefits previously recognised	1	**375**	(36)	4,383
Foreign exchange translation difference	–	**24**	(1)	152
	27	**18,851**	(64)	7,991
Under provision in prior years		**1,794**		717
Tax expense		**20,645**		8,708
Company				
Profit before taxation		**19,357**		17,655
Taxation at Malaysian statutory tax rate	24	**4,646**	24	4,237
Effect of different tax rates between corporate income tax and petroleum income tax	13	**2,487**	6	1,072
Non-deductible expenses, net of non-assessable income	7	**1,420**	2	379
Tax exempt income	(20)	**(3,920)**	(18)	(3,189)
Tax incentives	(2)	**(1,082)**	–	–
Effect of deferred tax benefits not recognised	10	**1,868**	2	373
Reversal of deferred tax benefits previously recognised	2	**375**	25	4,383
	30	**5,794**	41	7,255
(Over)/Under provision in prior years		**(926)**		1,690
Tax expense		**4,868**		8,945

In measuring the provision for taxation and deferred taxation at reporting date, the management applied judgments and estimates in relation to certain interpretation of tax legislation in arriving at the Company's tax position. Judgments and estimates are based on the current tax legislation and best available information as at the reporting date. The management continuously reassesses its judgments and estimates whenever there is a change in circumstances.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

29. DIVIDENDS

2021

In RM Mil	**Total**
Dividend of RM180,000 per ordinary share	**18,000**
Dividend of RM70,000 per ordinary share	**7,000**
Total	**25,000**

2020

In RM Mil	**Total**
Final dividend of RM240,000 per ordinary share (2019)	24,000
Dividend of RM100,000 per ordinary share	10,000
Total	34,000

The Directors had on 28 February 2022 declared a dividend of RM250,000 per ordinary share amounting to RM25 billion. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

30. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Acquisition of:				
– subsidiaries, net of cash acquired	**(1)**	(158)	**—**	—
– additional shares in subsidiaries	**—**	—	**(2,630)**	(5,008)
Dividends received	**1,456**	1,279	**15,406**	11,148
Investment in:				
– associates and joint ventures	**(323)**	(82)	**—**	—
– securities and other investments	**(4,036)**	(4,237)	**(2,633)**	(2,572)
Long-term receivables and advances repaid from/(to):				
– subsidiaries	**—**	—	**12,131**	4,235
– a joint venture	**—**	(861)	**—**	(861)
Deposits/proceeds from disposal/partial disposal of:				
– investment in subsidiaries, net of cash disposed	**—**	64	**225**	3,048
– investment in an associate	**64**	—	**—**	—
– investment in joint ventures	**51**	—	**—**	—
– property, plant and equipment	**1,869**	584	**9**	2
– securities and other investments	**1,581**	2,944	**669**	1,284
Proceeds from redemption of preference shares in joint ventures	**—**	670	**—**	150
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	**(30,165)**	(33,117)	**(406)**	(486)
Redemption of preference shares in subsidiaries	**—**	—	**182**	1,374
	(29,504)	(32,914)	**22,953**	12,314

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

In RM Mil	Group 2021	Group 2020	Company 2021	Company 2020
Dividends paid	**(25,000)**	(34,000)	**(25,000)**	(34,000)
Dividends paid to non–controlling interests	**(4,683)**	(4,703)	**–**	–
Drawdown of:				
– term loans	**13,815**	11,247	**–**	–
– Islamic financing facilities	**1,169**	1,691	**–**	–
– revolving credits	**4,320**	2,738	**–**	–
– Notes and Bonds	**14,683**	26,097	**12,266**	26,097
– bankers' acceptances	**615**	1,311	**–**	–
Payment of lease liabilities (Note (a))	**(4,344)**	(4,232)	**(822)**	(805)
Repayment of:				
– term loans	**(7,720)**	(11,916)	**–**	–
– Islamic financing facilities	**(1,500)**	(5,983)	**–**	(5,368)
– revolving credits	**(5,400)**	(2,677)	**–**	–
– bankers' acceptances	**(2,232)**	(117)	**–**	–
Payment to non-controlling interests on redemption of redeemable preference shares	**(4)**	–	**–**	–
Payment to non-controlling interests on additional equity interest	**(13)**	–	**–**	–
Proceeds from partial disposal of equity interest to non-controlling interests	**238**	3,077	**–**	–
	(16,056)	(17,467)	**(13,556)**	(14,076)

(a) Payment of lease liabilities comprises principal and interest paid in relation to lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

31. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

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

2021 *In RM Mil*	**Group Borrowings**	**Company Borrowings**
Balance at 1 January 2021	**88,229**	**52,854**
Changes from financing cash flows		
Drawdown/(Repayment) of:		
– term loans	**6,095**	**–**
– Islamic financing facilities	**(331)**	**–**
– revolving credits	**(1,080)**	**–**
– Notes and Bonds	**14,683**	**12,266**
– bankers' acceptances	**(1,617)**	**–**
– lease liabilities	**(3,524)**	**(822)**
– bank overdrafts	**(708)**	**–**
Total changes from financing cash flows	**13,518**	**11,444**
Changes arising from obtaining or losing control of subsidiaries or other business		
– lease liabilities	**(58)**	**–**
The effect of changes in foreign exchange rates		
– term loans	**131**	**–**
– Islamic financing facilities	**(141)**	**–**
– revolving credits	**334**	**–**
– Notes and Bonds	**1,945**	**1,845**
– bankers' acceptances	**76**	**–**
– lease liabilities	**399**	**2**
– bank overdrafts	**12**	**–**
	2,756	**1,847**
Liability-related other changes		
– acquisition of new leases	**2,874**	**–**
– re-measurement of lease liabilities	**(371)**	**–**
– financing costs	**883**	**432**
Total liability-related other changes	**3,386**	**432**
Balance at 31 December 2021	**107,831**	**66,577**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

31. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

2020 *In RM Mil*	**Group Borrowings**	**Company Borrowings**
Balance at 1 January 2020	68,738	31,253
Changes from financing cash flows		
(Repayment)/Drawdown of:		
– term loans	(669)	–
– Islamic financing facilities	(4,292)	(5,368)
– revolving credits	61	–
– Notes and Bonds	26,097	26,097
– bankers' acceptances	1,194	–
– lease liabilities	(3,384)	(805)
– bank overdrafts	247	–
Total changes from financing cash flows	19,254	19,924
Changes arising from obtaining or losing control of subsidiaries or other business		
– lease liabilities	37	–
The effect of changes in foreign exchange rates		
– term loans	(111)	–
– Islamic financing facilities	266	247
– revolving credits	(23)	–
– Notes and Bonds	(2,459)	(2,454)
– bankers' acceptances	13	–
– lease liabilities	(736)	(15)
– bank overdrafts	1	–
	(3,049)	(2,222)
Liability-related other changes		
– acquisition of new leases	1,655	–
– re-measurement of lease liabilities	760	3,611
– financing costs	834	288
Total liability-related other changes	3,249	3,899
Balance at 31 December 2020	88,229	52,854

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

32. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND PARTICIPATING INTERESTS IN PETROLEUM ARRANGEMENT

Divestment of 15.5% stake in Shah Deniz offshore gas field and its related assets

On 6 October 2021, PETRONAS via its wholly-owned subsidiaries, PETRONAS South Caucasus S.à r.l. and PETRONAS Azerbaijan (Shah Deniz) S.à r.l., signed a Sale and Purchase Agreement ("SPA") for the sale of its entire 15.5% stake in the Shah Deniz offshore gas field and its related assets (herein known as "Azerbaijan Assets") to LUKOIL Overseas Shah Deniz Limited and LUKOIL Overseas Shah Deniz Midstream Limited (collectively as "LUKOIL"). On 10 December 2021, in line with the pre-emptive rights exercised by other existing partners, a revised SPA was signed with LUKOIL, whereas new SPAs were signed with BP Exploration (Azerbaijan) Limited, BP Pipeline (SCP) Limited, Azerbaijan (Shah Deniz) Limited and Azerbaijan (South Caucasus Pipeline) Limited, for the Azerbaijan Assets mentioned above.

The divestment was completed in February 2022. The net effect arising from the disposal of Azerbaijan Assets is not material in relation to the consolidated results of the Group.

Divestment of PETRONAS Carigali Chad Exploration & Production Inc ("PCCEPI") and its subsidiaries

On 2 December 2021, PETRONAS via its wholly-owned subsidiary, PETRONAS (E&P) Overseas Venture Sdn. Bhd., signed a Sale and Purchase Agreement ("SPA") for the sale of PETRONAS Carigali Chad Exploration & Production Inc ("PCCEPI") and its subsidiaries (herein known as "Chad entities") to Savannah Energy Chad Limited. The divestment is expected to be completed in 2022 upon fulfilment of the set conditions precedents, which includes waiver of existing partners' pre-emptive rights. The expected net effect arising from the disposal of Chad entities is not material in relation to the consolidated results of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

33. COMMITMENTS

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

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Capital expenditure*				
Approved and contracted for				
Less than one year	**16,984**	11,740	**518**	477
Between one and five years	**20,176**	21,032	**1,184**	3,149
More than five years	**—**	82	**—**	—
	37,160	32,854	**1,702**	3,626
Approved but not contracted for				
Less than one year	**18,914**	13,395	**328**	—
Between one and five years	**44,381**	61,968	**752**	84
More than five years	**53**	1,380	**—**	—
	63,348	76,743	**1,080**	84
	100,508	109,597	**2,782**	3,710
Share of capital expenditure of joint ventures				
Approved and contracted for				
Less than one year	**9,021**	8,432	**—**	—
Between one and five years	**6,564**	10,833	**—**	—
More than five years	**158**	898	**—**	—
	15,743	20,163	**—**	—
Approved but not contracted for				
Less than one year	**3,159**	3,498	**—**	—
Between one and five years	**21,865**	23,530	**—**	—
More than five years	**—**	9,248	**—**	—
	25,024	36,276	**—**	—
	40,767	56,439	**—**	—
	141,275	166,036	**2,782**	3,710

* Includes right-of-use assets committed but not commenced.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

34. CONTINGENT LIABILITIES

Material litigation

There were no material contingent liabilities since the last audited consolidated statement of financial position as at 31 December 2020.

Other guarantees

Other than those disclosed elsewhere in the financial statements, the Group and the Company had entered into agreements which may include agreements to provide guarantees to third parties for the benefit of subsidiaries, associates and joint ventures ("Guaranteed Entities"). Such unsecured guarantees are normally provided in support of the Guaranteed Entities' normal and on-going business requirements, consistent with generally acceptable and recognised industry practices. The liability of the Group and the Company is therefore contingent and would only trigger upon the default of the Guaranteed Entities' obligation under the guarantee.

35. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and an entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Company.

The Company's related parties include key management personnel, subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

Key management personnel compensation

	Group and Company	
In RM Mil	**2021**	**2020**
Director fees, emoluments, remuneration and gratuity	**12**	26

The estimated monetary value of Directors' benefits-in-kind is RM88,000 (2020: RM78,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

35. RELATED PARTY DISCLOSURES (CONTINUED)

Significant transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group

In RM Mil	**2021**	**2020**
Federal and State Governments of Malaysia:		
Petroleum proceeds	**(9,008)**	(6,404)
Lease income	**1,289**	1,286
Sales of petroleum products	**261**	228
Sales of utilities	**179**	179
Building maintenance income	**339**	342
Government of Malaysia's related entities:		
Sales of petroleum products and processed gas	**4,969**	5,490
Associate companies:		
Sales of petrochemical products and processed gas	**7,605**	7,617
Joint arrangements:		
Sales of industrial utilities	**458**	1,640
Allocated expenses charged out	**607**	641
Site services charges	**697**	414
Sales of petrochemical products	**644**	308
Project expenses	**(110)**	(310)
Other expenses	**(139)**	(166)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

35. RELATED PARTY DISCLOSURES (CONTINUED)

Company
In RM Mil

	2021	2020
Federal and State Governments of Malaysia:		
Petroleum proceeds	**(9,008)**	(6,404)
Subsidiaries:		
Sales of crude oil, petroleum products, processed gas and natural gas	**64,881**	46,909
Interest income from subsidiaries	**2,264**	3,104
Purchase of crude oil, natural gas and liquefied natural gas ("LNG")	**(34,383)**	(27,639)
Gas processing and transportation fee payable	**(2,484)**	(2,373)
Centralised head office services charges	**966**	1,050
Research cess	**142**	120
Supplemental payments and signature bonus	**1,284**	113
Abandonment cess		
– paid	**(1,980)**	(2,519)
– received	**2,134**	2,740
Joint ventures:		
Gas processing fee	**(29)**	(36)

Information regarding outstanding balances arising from related party transactions as at 31 December 2021 are disclosed in Note 10, Note 15 and Note 24.

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in Note 26.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

36. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION

As at 31 December 2021, the Group's reportable segments comprise Upstream, Gas and New Energy, and Downstream. Each reportable segment offers different products and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Upstream – activities include oil and natural gas exploration, development and production, together with related pipeline and transportation activities.

- Gas and New Energy – activities include purchase of natural gas from Upstream, liquefaction and processing of natural gas, marketing and trading of liquefied natural gas ("LNG") and processed gas as well as power and new energy business.

- Downstream – activities include the supply and trading, refining, manufacturing, marketing and transportation of crude oil, petroleum and petrochemical products.

Corporate and others comprise primarily logistic and maritime segment, property segment and central treasury and project delivery and technology function.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, reviews internal management reports at least on a quarterly basis.

There are varying levels of integration between Upstream segment, Gas and New Energy segment, Downstream segment and others. This integration includes transfers of products and services between segments.

Inter-segment pricing is established on a commercial basis.

Inter-segment revenues include sales of crude oil and condensates, petroleum products, sales gas and shipping services between business segments. These transactions are eliminated on consolidation.

Performance is measured based on segment profit after tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the PETRONAS Executive Leadership Team believes that such information is the most relevant in evaluating the results of the segments.

Segment assets are measured based on total assets (including goodwill) of a segment, as included in the internal management reports and are used to measure the return of assets of each segment.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the PETRONAS Executive Leadership Team. Hence, no disclosure is made on segment liability.

Segment capital expenditure is the total cost incurred during the financial year to acquire non-current assets other than financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

36. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (CONTINUED)

Group 2021 *In RM Mil*	**Upstream**	**Gas and New Energy**	**Downstream**	**Corporate and others**	**Consolidation adjustments and eliminations**	**Total**
Revenue						
Third parties	40,100	75,732	121,090	11,040	—	247,962
Inter-segment	64,325	10,059	3,414	5,121	(82,919)	—
Total revenue	104,425	85,791	124,504	16,161	(82,919)	247,962
Reportable segment profit/(loss)	34,452	15,046	712	(1,340)	(270)	48,600

Included in the measure of segment profit/(loss) are:

Depreciation and amortisation	(20,784)	(5,640)	(5,250)	(3,124)	381	(34,417)
Net impairment write-back/(losses and write-off) on assets and well costs	6,938	(367)	(5,964)	(148)	39	498
Interest income	1,020	161	324	4,029	(2,536)	2,998
Interest expense	(3,418)	(1,760)	(511)	(3,243)	3,863	(5,069)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	275	425	894	288	—	1,882
Tax expense	(13,479)	(3,613)	(3,008)	(848)	303	(20,645)
Segment assets	252,443	122,726	134,866	190,561	(65,592)	635,004

Included in the measure of segment assets are:

Investments in associates and joint ventures	333	1,669	5,480	1,747	—	9,229
Additions to non-current assets other than financial instruments and deferred tax assets	14,714	7,093	3,922	4,760	—	30,489

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

36. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (CONTINUED)

Group **2020** *In RM Mil*	**Upstream**	**Gas and New Energy**	**Downstream**	**Corporate and others**	**Consolidation adjustments and eliminations**	**Total**
Revenue						
Third parties	28,734	54,621	84,183	11,203	–	178,741
Inter-segment	42,033	7,566	1,194	5,124	(55,917)	–
Total revenue	70,767	62,187	85,377	16,327	(55,917)	178,741
Reportable segment (loss)/profit	(10,218)	(9,983)	(3,458)	242	2,388	(21,029)
Included in the measure of segment (loss)/profit are:						
Depreciation and amortisation	(22,739)	(5,978)	(4,748)	(3,364)	803	(36,026)
Net impairment losses on assets and write-off on well costs	(17,839)	(13,840)	(1,809)	(1,694)	245	(34,937)
Interest income	1,493	251	405	5,848	(3,159)	4,838
Interest expense	(4,533)	(1,941)	(325)	(2,606)	5,272	(4,133)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	261	52	(384)	399	–	328
Tax expense	(2,985)	(3,416)	(479)	(1,175)	(653)	(8,708)
Segment assets	245,163	101,748	123,788	162,194	(58,822)	574,071
Included in the measure of segment assets are:						
Investments in associates and joint ventures	4,719	756	6,322	802	–	12,599
Additions to non-current assets other than financial instruments and deferred tax assets	14,351	7,637	4,965	6,404	–	33,357

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

36. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (CONTINUED)

Products and services information

The following are revenue from external customers by products and services:

Group *In RM Mil*	2021	2020
Petroleum products	**89,235**	62,705
Crude oil and condensates	**30,820**	23,710
Liquefied natural gas	**57,486**	37,669
Natural and processed gas	**27,662**	22,305
Petrochemical products	**22,474**	14,177
Shipping services	**2,901**	2,577
Investment income	**2,242**	4,101
Others	**15,142**	11,497
	247,962	178,741

Geographical information

Geographical revenue is determined based on location of customers. The amounts presented in non-current assets are based on the geographical location of the assets and do not include financial instruments (including investments in associates and joint ventures) nor deferred tax assets.

Group	Revenue	
In RM Mil	2021	2020
Asia[a]	**84,674**	54,006
Malaysia	**65,827**	56,098
Japan	**19,670**	17,608
South Africa	**21,158**	14,873
Rest of the world[b]	**56,633**	36,156
	247,962	178,741

Group	Non-current assets	
In RM Mil	2021	2020
Malaysia	**222,383**	238,264
Rest of the world[b]	**93,076**	86,951
	315,459	325,215

Major customers

As at 31 December 2021 and 31 December 2020, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

[a] Excludes Malaysia and Japan.
[b] Comprises revenue that is not material by individual country.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

37. PETROLEUM ARRANGEMENTS

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. In addition, the Group via its subsidiaries participated in various petroleum arrangements outside Malaysia as contractors.

Production sharing contracts ("PSCs")

Malaysia

The monetisation of petroleum resources is carried out primarily by means of PSCs between PETRONAS, its subsidiaries and other oil and gas companies ("PSC Contractors"). Under the terms of the various PSCs, the PSC Contractors shall bear all the costs and may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

Certain terms of the PSCs are:

i. Research cess, supplemental payments and crude oil or gas entitlement

The determination of research cess, supplemental payments and PETRONAS' and the PSC Contractors' entitlements to crude oil or gas produced is based on the method of valuation of crude oil or gas and the costs incurred and claimed by contractors subject to the maximum rate provided under the respective PSCs. PETRONAS' entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company. Research cess and supplemental payment are not applicable for certain PSCs that are reaching tail-end of production life cycle.

ii. Property, plant and equipment and intangible assets

Title to all equipment and other assets purchased or acquired by PSC Contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, is vested with PETRONAS. However, the values of these assets are not taken up in the financial statements of PETRONAS other than:

- the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and
- the estimated costs of decommissioning and removing the assets and restoring the site on which they are located where there is an obligation to do so.

iii. Inventories

Title to all crude oil held in inventories by the PSC Contractors lies with PETRONAS and title to the contractors' entitlement passes only upon delivery at point of export.

iv. Abandonment

The PSCs stipulate the rights and obligation of PETRONAS and the PSC Contractors ("PSC Parties") in relation to the abandonment of the oil and gas properties. The PSCs Contractors have the obligation to undertake abandonment activities during the PSCs period except for certain PSCs or facilities where the abandonment obligation lies with PETRONAS.

In addition, the PSC Contractors are also required to make abandonment cess contribution to Abandonment Cess Fund via PETRONAS in accordance with the terms of the PSCs. The PSC Contractors have the rights to request PETRONAS to reimburse the abandonment cess up to the cumulative amount paid upon the execution of the abandonment activities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

37. PETROLEUM ARRANGEMENTS (CONTINUED)

Production sharing contracts ("PSCs") (continued)

Outside Malaysia

The international PSC arrangements, where the Group acts as a contractor, has largely similar arrangements as per Malaysia PSCs subject to the relevant laws and regulations in the respective countries. In respect of abandonment for most of the countries, the Group makes contribution into escrow accounts/any other approved accounts.

Service contracts

Risk Service Contract ("RSC") Malaysia

Under the terms of the RSC, RSC Contractors provide services for the development and production of oil and gas resources on behalf of PETRONAS, in return of cost reimbursement upon commercial production and performance based remuneration fees. PETRONAS retains ownership of the assets and crude oil and gas produced.

Development and Production Service Contracts ("DPSCs")

Under the terms of DPSCs, the subsidiaries of the Group act as contractors that provide services for development and production of oil and gas resources on behalf of host authority.

Certain terms of DPSCs are:

i. Crude oil and gas entitlement

   DPSC contractors shall incur all upfront costs during the initial period of investment and will be reimbursed once the contractual obligation upon production of crude oil and gas is met. Under the terms of DPSCs, the host authority own the title to all equipment and other assets acquired by the contractors during the contractual period of the DPSCs.

   Contractors are entitled to recover their expenditure incurred in relation to the petroleum operations of the DPSCs, based on the provisions stipulated in the DPSCs.

   Contractors are also entitled to remuneration fees which commensurate with their performance as stipulated in the provision of the DPSCs.

   All barrels of crude oil and gas produced belong to the host authority. The Group's entitlements to oil and gas are recognised as revenue based on two elements, costs reimbursement and remuneration fees.

ii. Intangible assets and other financial assets

   Title to all equipment and other assets constructed belong to the host authority and contractually, the contractors acquire the right to use these assets for the duration specified under the DPSCs. The right to use these assets is recognised in the financial statements of the Group as intangible assets, as per accounting policies set out in Note 2.9.

   In circumstances where the contractors have the right to receive cash or other financial assets for their services from or at the discretion of the host authority, these assets are recognised as trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

37. PETROLEUM ARRANGEMENTS (CONTINUED)

Concession agreement

Under the terms of Concession Agreements, the subsidiaries of the Group participate in Consortium Agreements for the rights to carry out exploration and exploitation activities. The Consortium bears all costs as outlined in the Annual Work Program and Budget. Title to all equipment and other assets purchased and acquired by the consortium for the purpose of petroleum operations will remain with the consortium for the duration of the Concession Agreements and the equity value of the assets is recognised in the financial statements of the relevant subsidiaries of the Group as property, plant and equipment as per accounting policies set out in Note 2.4.

Upon production, the title to the crude oil produced to which the consortium is entitled to, shall pass to the consortium at the point of production at the wellhead. Each member of the consortium shall own and may separately take or dispose of its own share of the crude oil.

The consortium shall pay the host authority a royalty on the consortium's total production of the crude oil for each calendar month in-kind or in-cash. By virtue of its petroleum operations, the consortium is subject to direct tax on profits, where each member of the consortium shall separately calculate its taxable income and shall remain responsible for its own corporate income tax return.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table provides an analysis of financial instruments categorised as follows:

(i) Fair value through profit or loss ("FVTPL")

- Mandatorily required by MFRS 9
- Designated upon initial recognition
- Derivatives designated as hedging instruments

(ii) Fair value through other comprehensive income ("FVOCI")

- Equity instrument designated upon initial recognition ("EIDUIR")

(iii) Amortised cost

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Group **2021** *In RM Mil*	**Note**	**FVTPL**	**FVOCI - EIDUIR**	**Derivatives designated as hedging instruments**	**Amortised cost**	**Total carrying amount**
Financial assets						
Long-term receivables	*	**7**	**—**	**134**	**17,722**	**17,863**
Fund and other investments	11	**11,663**	**1,371**	**—**	**400**	**13,434**
Trade and other receivables	*	**198**	**—**	**1,579**	**39,500**	**41,277**
Cash and cash equivalents	16	**—**	**—**	**—**	**164,556**	**164,556**
		11,868	**1,371**	**1,713**	**222,178**	**237,130**
Financial liabilities						
Borrowings	*	**—**	**—**	**—**	**(94,988)**	**(94,988)**
Other long-term liabilities	*	**—**	**—**	**(172)**	**(5,432)**	**(5,604)**
Trade and other payables	*	**(481)**	**—**	**(1,481)**	**(39,617)**	**(41,579)**
		(481)	**—**	**(1,653)**	**(140,037)**	**(142,171)**
2020						
Financial assets						
Long-term receivables	*	9	—	50	11,309	11,368
Fund and other investments	11	9,907	354	—	527	10,788
Trade and other receivables	*	375	—	91	34,086	34,552
Cash and cash equivalents	16	—	—	—	130,523	130,523
		10,291	354	141	176,445	187,231
Financial liabilities						
Borrowings	*	—	—	—	(75,500)	(75,500)
Other long-term liabilities	*	—	—	(546)	(5,214)	(5,760)
Trade and other payables	*	(706)	—	(943)	(33,226)	(34,875)
		(706)	—	(1,489)	(113,940)	(116,135)

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

* These balances exclude non-financial instruments balances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Company 2021 *In RM Mil*	**Note**	**FVTPL**	**FVOCI - EIDUIR**	**Derivatives designated as hedging instruments**	**Amortised cost**	**Total carrying amount**
Financial assets						
Long-term receivables	*	**27,092**	**—**	**—**	**85,155**	**112,247**
Fund and other investments	11	**6,749**	**73**	**—**	**230**	**7,052**
Trade and other receivables	*	**63**	**—**	**1,505**	**15,027**	**16,595**
Cash and cash equivalents	16	**—**	**—**	**—**	**72,691**	**72,691**
		33,904	**73**	**1,505**	**173,103**	**208,585**
Financial liabilities						
Borrowings	*	**—**	**—**	**—**	**(59,154)**	**(59,154)**
Other long-term liabilities	*	**—**	**—**	**—**	**(11,934)**	**(11,934)**
Trade and other payables	*	**(74)**	**—**	**—**	**(14,661)**	**(14,735)**
		(74)	**—**	**—**	**(85,749)**	**(85,823)**
2020						
Financial assets						
Long-term receivables	*	24,851	—	—	94,947	119,798
Fund and other investments	11	5,072	73	—	320	5,465
Trade and other receivables	*	17	—	—	13,006	13,023
Cash and cash equivalents	16	—	—	—	54,111	54,111
		29,940	73	—	162,384	192,397
Financial liabilities						
Borrowings	*	—	—	—	(45,014)	(45,014)
Other long-term liabilities	*	—	—	—	(11,471)	(11,471)
Trade and other payables	*	(21)	—	—	(11,793)	(11,814)
		(21)	—	—	(68,278)	(68,299)

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

* These balances exclude non-financial instruments balances.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

As an integrated oil and gas company, the Group and the Company are exposed to various risks that are particular to its core business of Upstream and Downstream operations. These risks, which arise in the normal course of the Group's and of the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates, equity prices and commodity prices.

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

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

Credit risk

Credit risk is the potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from their receivables from customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint ventures and associates. Credit risks are controlled by individual subsidiaries in line with PETRONAS' policies and guidelines.

Receivables and contract assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the customer;

(ii) a breach of contract such as a default; or

(iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's principal customers with which it conducts business are located globally and there is no significant concentration of credit risk at reporting date.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

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

Group **2021** *In RM Mil*	**Note**	**Gross carrying amount**	**Allowance for impairment losses**	**Net balance**
Credit Risk Rating				
Sovereign		**290**	**—**	**290**
Excellent		**2,530**	**—**	**2,530**
Good		**36,015**	**(1,651)**	**34,364**
Fair		**1,947**	**(23)**	**1,924**
		40,782	**(1,674)**	**39,108**
Credit impaired				
Individually impaired		**2,199**	**(2,199)**	**—**
		42,981	**(3,873)**	**39,108**
Representing				
Trade receivables	15	**29,880**	**(1,466)**	**28,414**
Amount due from associates and joint arrangements	10,15	**10,147**	**(2,407)**	**7,740**
Contract assets	10,15	**2,954**	**—**	**2,954**
		42,981	**(3,873)**	**39,108**
2020				
Credit Risk Rating				
Sovereign		787	—	787
Excellent		2,144	(14)	2,130
Good		16,848	(73)	16,775
Fair		6,120	(71)	6,049
		25,899	(158)	25,741
Credit impaired				
Individually impaired		2,051	(2,051)	—
		27,950	(2,209)	25,741
Representing				
Trade receivables	15	22,199	(2,201)	19,998
Amount due from associates and joint arrangements	10,15	5,078	(8)	5,070
Contract assets	10,15	673	—	673
		27,950	(2,209)	25,741

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Company **2021** *In RM Mil*	**Note**	**Gross carrying amount**	**Allowance for impairment losses**	**Net balance**
Credit Risk Rating				
Sovereign		**137**	**—**	**137**
Excellent		**462**	**—**	**462**
Good		**11,837**	**(53)**	**11,784**
Fair		**484**	**(2)**	**482**
		12,920	**(55)**	**12,865**
Credit impaired				
Individually impaired		**371**	**(371)**	**—**
		13,291	**(426)**	**12,865**
Representing				
Trade receivables	15	**2,766**	**(374)**	**2,392**
Amount due from subsidiaries	15	**10,344**	**(5)**	**10,339**
Amount due from joint arrangements	10	**181**	**(47)**	**134**
		13,291	**(426)**	**12,865**
2020				
Credit Risk Rating				
Sovereign		122	—	122
Excellent		519	—	519
Good		9,338	(4)	9,334
Fair		519	(3)	516
		10,498	(7)	10,491
Credit impaired				
Individually impaired		371	(371)	—
		10,869	(378)	10,491
Representing				
Trade receivables	15	2,845	(375)	2,470
Amount due from subsidiaries	15	7,853	(3)	7,850
Amount due from joint arrangements	15	171	—	171
		10,869	(378)	10,491

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
At net				
Not past due	**30,549**	18,112	**8,222**	6,186
Past due 1 to 30 days	**1,292**	859	**4,068**	4,076
Past due 31 to 60 days	**162**	421	**1**	1
Past due 61 to 90 days	**139**	439	**1**	2
Past due more than 90 days	**6,966**	5,910	**573**	226
	39,108	25,741	**12,865**	10,491

The Group and the Company have not recognised any loss allowance for trade receivables that are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit, bank guarantees and trust funds.

The movements in the allowance for impairment losses of trade receivables measured at lifetime expected credit loss during the year are as follows:

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Opening balance	**2,209**	2,593	**378**	384
Impairment losses/(write-back) recognised	**1,748**	3	**48**	(6)
Impairment written-off	**(7)**	(56)	**—**	—
Translation exchange difference	**(77)**	(331)	**—**	—
Closing balance	**3,873**	2,209	**426**	378

Increase in loss allowance for trade receivables is due to reassessment of the expected timing of realisation for certain amounts of trade receivables of the Group and Company.

Fund and other investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions, government and corporate counterparties through fund and other investment activities comprising primarily money market placement and investments in bonds and equities. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function is governed by a counterparty credit risk management framework.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Fund and other investments (continued)

The credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As at the reporting date, the Group and the Company have invested significantly in domestic market. The fund and other investments are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Financial guarantees

The Group and the Company provide financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, joint ventures and associates ("Group entities"). The Group and the Company monitor on an ongoing basis, the results of the Group entities and repayments made by the Group entities.

The Group's certain joint arrangement entities have undertaken project financing facilities (the "Borrower"), under an integrated borrowing structure for the repayment of bridge loan facilities and other expenditures. Under the integrated borrowing structure, the Borrowers provide cross guarantee to the project financing lenders on each other's loan. Upon failure to pay by a Borrower, the project financing lenders would have primary recourse to that Borrower as well as to the other Borrower under the cross-guarantee.

The Group's share of maximum exposure to credit risk is mainly relating to the cross-guarantee provided by the joint operation company to a joint venture amounts to RM15,995 million (2020: RM16,688 million) which represents the outstanding loans of the joint venture as at financial year end. Similarly, the cross-guarantee provided by the joint venture to the Group's joint operation company as at financial year end is RM1,880 million (2020: RM1,965 million*), being the Group's share in the joint operation company.

The maximum exposure to credit risk for the Company amounted to RM4,571 million (2020: RM3,834 million), which represents the outstanding banking facilities of the Group's entities as at reporting date. As at reporting date, there was no indication that any entities would default on repayment. The fair value of the financial guarantee recognised is disclosed in Note 23 and Note 24 respectively.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their trade and other payables, and borrowings. In managing its liquidity risk, the Group and the Company maintain sufficient cash and liquid marketable assets. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and of the Company. The Group's and the Company's borrowing power is not limited by its Articles of Association. However, certain covenants included in agreements impose limited restrictions on some of the debt level of PETRONAS' subsidiaries.

Maturity analysis

The following table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

* The amount excludes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2021** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	12,843	1.20 - 10.13	17,223
Secured term loans			
USD floating rate loans	2,913	1.69	3,313
USD fixed rate loans	11,413	2.95	16,721
RM floating rate loans	423	4.48	471
RM fixed rate loans	420	3.80	468
Other floating rate loans	974	6.99	974
Other fixed rate loans	361	7.16	361
Unsecured term loans			
USD floating rate loans	5,265	1.24	5,365
USD fixed rate loans	769	0.60	771
EUR floating rate loans	2,551	0.78	2,997
Other fixed rate loans	37	2.75	37
Other floating rate loans	795	4.71	795
Unsecured Notes and Bonds			
USD Notes	4,174	7.88	4,338
USD Guaranteed Notes	52,893	3.81	97,447
USD Bonds	4,573	4.63	5,778
Unsecured revolving credits			
USD floating revolving credits	292	0.21	293
USD fixed revolving credits	209	0.69	209
RM floating revolving credits	16	2.83	16
Other floating revolving credits	120	3.40	121
Unsecured bankers' acceptances			
RM fixed bankers' acceptances	99	1.99	99
Other floating bankers' acceptances	17	5.42	17
Unsecured bank overdrafts			
Other bank overdrafts	2	3.98	2
Secured Islamic financing facilities			
RM Islamic financing facilities	2,059	4.42	2,731
Unsecured Islamic financing facilities			
RM Islamic financing facilities	4,471	3.23	5,234
RMB Islamic financing facilities	142	6.17	142
Other long-term liabilities	5,432	—	5,770
Financial guarantee	—	—	16,055
Trade and other payables	39,617	—	39,617
Fair value through profit or loss			
*Derivative liabilities	481	—	481
	153,361		227,846

continue to next page

* Excludes derivatives designated as hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2021** *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	**1,644**	**1,906**	**4,503**	**9,170**
Secured term loans				
USD floating rate loans	**1,308**	**142**	**—**	**1,863**
USD fixed rate loans	**4,920**	**823**	**2,682**	**8,296**
RM floating rate loans	**28**	**29**	**414**	**—**
RM fixed rate loans	**52**	**49**	**156**	**211**
Other floating rate loans	**420**	**44**	**149**	**361**
Other fixed rate loans	**95**	**29**	**100**	**137**
Unsecured term loans				
USD floating rate loans	**3,822**	**53**	**1,310**	**180**
USD fixed rate loans	**771**	**—**	**—**	**—**
EUR floating rate loans	**—**	**—**	**2,629**	**368**
Other fixed rate loans	**—**	**—**	**37**	**—**
Other floating rate loans	**9**	**—**	**786**	**—**
Unsecured Notes and Bonds				
USD Notes	**4,338**	**—**	**—**	**—**
USD Guaranteed Notes	**5,110**	**2,149**	**11,723**	**78,465**
USD Bonds	**221**	**221**	**2,690**	**2,646**
Unsecured revolving credits				
USD floating revolving credits	**293**	**—**	**—**	**—**
USD fixed revolving credits	**209**	**—**	**—**	**—**
RM floating revolving credits	**16**	**—**	**—**	**—**
Other floating revolving credits	**121**	**—**	**—**	**—**
Unsecured bankers' acceptances				
RM fixed bankers' acceptances	**99**	**—**	**—**	**—**
Other floating bankers' acceptances	**17**	**—**	**—**	**—**
Unsecured bank overdrafts				
Other bank overdrafts	**2**	**—**	**—**	**—**
Secured Islamic financing facilities				
RM Islamic financing facilities	**411**	**272**	**1,162**	**886**
Unsecured Islamic financing facilities				
RM Islamic financing facilities	**797**	**725**	**2,402**	**1,310**
RMB Islamic financing facilities	**—**	**142**	**—**	**—**
Other long-term liabilities	**50**	**200**	**2,126**	**3,394**
Financial guarantee	**16,055**	**—**	**—**	**—**
Trade and other payables	**39,617**	**—**	**—**	**—**
Fair value through profit or loss				
*Derivative liabilities	**481**	**—**	**—**	**—**
	80,906	**6,784**	**32,869**	**107,287**

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* Excludes derivatives designated as hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2020** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	12,729	1.00 - 10.13	21,044
Secured term loans			
USD floating rate loans	11,452	1.16	12,440
USD fixed rate loans	3,166	3.22	3,166
RM floating rate loans	390	4.37	390
Other floating rate loans	1,012	2.41	1,012
Unsecured term loans			
USD floating rate loans	402	4.65	403
USD fixed rate loans	498	2.19	756
EUR floating rate loans	2,153	0.30	2,195
Other fixed rate loans	444	5.31	443
Other floating rate loans	80	2.07	87
Unsecured Notes and Bonds			
USD Notes	4,029	7.88	4,644
USD Guaranteed Notes	38,971	4.10	68,808
USD Bonds	2,014	7.63	2,993
Unsecured revolving credits			
USD floating revolving credits	355	1.33	355
USD fixed revolving credits	804	2.19	804
RM floating revolving credits	10	2.89	10
RM fixed revolving credits	65	2.68	65
Other floating revolving credits	150	3.90	150
Unsecured bankers' acceptances			
CAD fixed bankers' acceptances	1,656	2.00	1,656
Unsecured bank overdrafts			
ZAR bank overdrafts	695	7.60	695
Other bank overdrafts	3	5.18	4
Secured Islamic financing facilities			
RM Islamic financing facilities	2,323	4.52	3,033
Unsecured Islamic financing facilities			
RM Islamic financing facilities	4,695	3.41	5,135
RMB Islamic financing facilities	133	6.17	147
Other long-term liabilities	5,214	—	5,055
Financial guarantee	—	—	16,747
Trade and other payables	33,226	—	33,226
Fair value through profit or loss			
*Derivative liabilities	706	—	706
	127,375		186,169

continue to next page

* Excludes derivatives designated as hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2020** *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	1,949	2,125	4,049	12,921
Secured term loans				
USD floating rate loans	1,655	2,021	3,588	5,176
USD fixed rate loans	283	287	867	1,729
RM floating rate loans	12	19	357	2
Other floating rate loans	276	35	435	266
Unsecured term loans				
USD floating rate loans	—	—	254	149
USD fixed rate loans	756	—	—	—
EUR floating rate loans	2,195	—	—	—
Other fixed rate loans	77	—	366	—
Other floating rate loans	87	—	—	—
Unsecured Notes and Bonds				
USD Notes	331	4,313	—	—
USD Guaranteed Notes	1,660	4,704	10,616	51,828
USD Bonds	160	158	469	2,206
Unsecured revolving credits				
USD floating revolving credits	355	—	—	—
USD fixed revolving credits	804	—	—	—
RM floating revolving credits	10	—	—	—
RM fixed revolving credits	65	—	—	—
Other floating revolving credits	150	—	—	—
Unsecured bankers' acceptances				
CAD fixed bankers' acceptances	1,656	—	—	—
Unsecured bank overdrafts				
ZAR bank overdrafts	695	—	—	—
Other bank overdrafts	4	—	—	—
Secured Islamic financing facilities				
RM Islamic financing facilities	946	331	907	849
Unsecured Islamic financing facilities				
RM Islamic financing facilities	934	676	1,940	1,585
RMB Islamic financing facilities	8	6	133	—
Other long-term liabilities	114	—	955	3,986
Financial guarantee	16,747	—	—	—
Trade and other payables	33,226	—	—	—
Fair value through profit or loss				
*Derivative liabilities	706	—	—	—
	65,861	14,675	24,936	80,697

continued from previous page

* Excludes derivatives designated as hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company **2021** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	**7,423**	**5.41**	**11,555**
Unsecured Notes and Bonds			
USD Notes	**4,174**	**7.88**	**4,338**
USD Guaranteed Notes	**52,893**	**3.81**	**97,447**
USD Bonds	**2,087**	**7.63**	**2,882**
Other long-term liabilities	**11,750**	**—**	**16,256**
Financial guarantee	**—**	**—**	**4,571**
Trade and other payables	**14,640**	**—**	**14,640**
Fair value through profit or loss			
Derivative liabilities	**74**	**—**	**74**
	93,041		**151,763**

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2020 *In RM Mil*			
Amortised cost			
Lease liabilities	7,840	5.41	12,365
Unsecured Notes and Bonds			
USD Notes	4,029	7.88	4,644
USD Guaranteed Notes	38,971	4.10	68,808
USD Bonds	2,014	7.63	2,993
Other long-term liabilities	11,471	—	16,256
Financial guarantees	—	—	3,834
Trade and other payables	11,761	—	11,761
Fair value through profit or loss			
Derivative liabilities	21	—	21
	76,107		120,682

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company

2021 *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	**850**	**812**	**2,299**	**7,594**
Unsecured Notes and Bonds				
USD Notes	**4,338**	**—**	**—**	**—**
USD Guaranteed Notes	**5,110**	**2,149**	**11,723**	**78,465**
USD Bonds	**159**	**159**	**2,564**	**—**
Other long-term liabilities	**159**	**95**	**1,971**	**14,031**
Financial guarantee	**4,571**	**—**	**—**	**—**
Trade and other payables	**14,640**	**—**	**—**	**—**
Fair value through profit or loss				
Derivative liabilities	**74**	**—**	**—**	**—**
	29,901	**3,215**	**18,557**	**100,090**

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2020 *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	826	848	2,495	8,196
Unsecured Notes and Bonds				
USD Notes	331	4,313	—	—
USD Guaranteed Notes	1,660	4,704	10,616	51,828
USD Bonds	160	158	469	2,206
Other long-term liabilities	159	95	1,971	14,031
Financial guarantee	3,834	—	—	—
Trade and other payables	11,761	—	—	—
Fair value through profit or loss				
Derivative liabilities	21	—	—	—
	18,752	10,118	15,551	76,261

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long-term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	Group		Company	
In RM Mil	**2021**	**2020**	**2021**	**2020**
Fixed rate instruments				
Financial assets	**190,278**	151,398	**117,289**	103,729
Financial liabilities	**(92,287)**	(79,056)	**(66,577)**	(52,854)
	97,991	72,342	**50,712**	50,875
Floating rate instruments				
Financial assets	**3,884**	3,616	**44,948**	49,101
Financial liabilities	**(15,764)**	(9,700)	**—**	—
	(11,880)	(6,084)	**44,948**	49,101

Since most of the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

The Group's and the Company's foreign exchange management policy are to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally typically by matching receipts and payments for the same currency. For major capital projects, the Group performs assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise its exposures to the foreign currency movements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group
In RM Mil

	2021	2020
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries and a joint venture	**77,392**	75,418
Cash and cash equivalents	**42,529**	25,469
Trade and other receivables	**10,165**	6,639
Long-term receivables	**27**	23
Fund and other investments	**105**	101
Derivative assets	**1,530**	10
	131,748	107,660
Financial liabilities		
Loan and advances from holding company	**(13,968)**	(8,282)
Borrowings	**(61,769)**	(45,213)
Trade and other payables	**(6,717)**	(6,466)
Other financial liabilities	**(2,381)**	(2,708)
	(84,835)	(62,669)
Net exposure	**46,913**	44,991
Denominated in RM		
Financial assets		
Cash and cash equivalents	**1,675**	781
Trade and other receivables	**4,849**	1,778
Long-term receivables	**—**	16
Derivative assets	**1**	—
	6,525	2,575
Financial liabilities		
Borrowings	**(572)**	(191)
Trade and other payables	**(5,607)**	(5,416)
	(6,179)	(5,607)
Net exposure	**346**	(3,032)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

Company
In RM Mil

	2021	2020
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries and a joint venture	**63,917**	66,981
Cash and cash equivalents	**74,845**	47,346
Trade and other receivables	**7,850**	5,941
Derivative assets	**1,505**	–
	148,117	120,268
Financial liabilities		
Cash and cash equivalents – subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	**(34,459)**	(22,377)
Borrowings	**(59,154)**	(45,014)
Trade and other payables	**(4,711)**	(4,902)
Other financial liabilities	**(947)**	(1,118)
	(99,271)	(73,411)
Net exposure	**48,846**	46,857

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2021 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2021 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

2021 *In RM Mil*	Appreciation in foreign currency rate %	Group Equity	Group Profit or loss	Company Equity	Company Profit or loss
USD	10	**2,714**	**1,977**	**—**	**4,884**
MYR	10	**—**	**35**	**—**	**—**
2020					
USD	10	3,179	1,320	—	4,686
MYR	10	—	(303)	—	—

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

Equity price risk

Equity price risk arises from the Group's and the Company's investments in equity securities. Exposures to equity price risk are managed in accordance with the Group's existing policies and guidelines. The Group and the Company monitor the equity investments on a portfolio basis and a performance benchmark is established for each investment portfolio giving consideration to portfolio objectives and return expectation. All buy and sell decisions are monitored by the Group Treasury Division.

The Group and the Company also hold equity investments for strategic purposes, that are classified as FVTPL and FVOCI financial assets. Reports on the equity portfolio performance are submitted to the Group's and the Company's senior management on a regular basis.

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

In RM Mil	Group 2021	Group 2020	Company 2021	Company 2020
Local equities	**946**	721	**5**	6
Foreign equities	**609**	409	**—**	—
	1,555	1,130	**5**	6

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Equity price risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following equities:

2021 *In RM Mil*	Increase in price based on average change in index rate %	Equity	Group Profit or loss	Equity	Company Profit or loss
Local equities	10	**—**	**95**	**—**	**1**
Foreign equities	15	**17**	**74**	**—**	**—**
2020					
Local equities	10	—	72	—	1
Foreign equities	15	4	57	—	—

A decrease in price based on average change in index rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Commodity price risk

The Group is exposed to changes in crude oil, gas and petroleum products prices which may affect the value of the Group's assets, liabilities or expected future cash flows. To mitigate these exposures from a business perspective, the Group enters into various financial instruments. In effecting these transactions, the Group operates within policies, guidelines and procedures designed to ensure that risks are minimised. All financial instruments positions are marked-to-market by independent risk management department and reported to management for performance monitoring and risk management purposes on a daily basis.

Since the Group undertakes hedging using commodity derivatives for the majority of its transactions, a change in commodity price is not likely to result in a significant impact on the Group's profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt, consistent with risk management policies and objectives.

The Group and the Company have entered into commodity derivatives to manage the volatility attributable to price fluctuations of crude oil and gas by hedging the price volatility of forecasted crude oil and gas sales in accordance with the Group's risk management strategy.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity derivatives match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment date). The Group and the Company have established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity derivatives are identical to the hedged risk components. To test the hedge effectiveness, the Group and the Company compare the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from any of the followings:

- changes in economic relationship between the hedged item and the hedging instrument; or
- change in the notional value of the hedged item; or
- change in settlement dates or terms; or
- change in credit risk whereby the counterparty may not be able to deliver on their financial obligation.

The Group has also entered into an interest rate swap to hedge the cash flow risk in relation to the floating interest rate of the borrowings. The interest rate swap is settled on every specified period, consistent with the interest repayment schedule of the borrowings.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenure, maturities and the notional amounts. If a hedging relationship is directly affected by uncertainty arising from IBOR reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group uses derivative financial instruments such as forward exchange contracts to manage the impact of fluctuation in foreign currency rate to certain exposures.

The Group ensures that the critical terms of the forward exchange contracts align with the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of the respective cash flows.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge (continued)

The Group held the following instruments to hedge exposures to changes in commodity prices, interest rates and foreign currency.

Group 2021 *In RM Mil*	Net carrying amount	Total	Maturity Within 1 year	1-2 years	2-5 years	More than 5 years
Interest rate risk						
Interest rate swaps	**(110)**	**(995)**	**(138)**	**(132)**	**(397)**	**(328)**
Average hedged interest rate (%)			**1.64**	**1.51**	**1.51-1.72**	**0.02**
Foreign currency risk						
Foreign exchange forward	**80**	**80**	**60**	**15**	**—**	**5**
Average forward rate (USD/CAD)			**1.26-1.29**	**1.27-1.31**	**1.27-1.28**	**1.27**
Average forward rate (USD/EUR)			**1.13**	**—**	**—**	**—**
Average forward rate (USD/JPY)			**106.11**	**106.03**	**108.06**	**—**
Average forward rate (USD/CNY)			**6.66**	**6.71**	**6.71**	**—**
Average forward rate (RM/USD)			**4.54**	**—**	**—**	**—**
2020 *In RM Mil*						
Interest rate risk						
Interest rate swaps	(520)	(1,140)	(141)	(137)	(410)	(452)
Average hedged interest rate (%)			1.94	1.94	1.94	1.94
Foreign currency risk						
Foreign exchange forward	70	70	25	19	26	—
Average forward rate (USD/CAD)			1.30	1.30	1.32	—
Average forward rate (USD/EUR)			0.82	—	—	—
Average forward rate (USD/JPY)			103.52	105.05	103.84	—

Net carrying amount comprises derivative assets and derivative liabilities for the respective hedging instruments.

As at 31 December 2021, the Group and the Company held net commodity derivatives assets amounting to RM90 million (2020: net commodity derivative liabilities amounting to RM898 million) and RM1,505 million (2020: RM Nil) respectively. The hedging instruments mature within 12 months from the relevant financial year end.

The maximum expected commodity derivatives loss to the Group and the Company are RM3,046 million (2020: RM927 million) and RM1,631 million (2020: RM Nil) respectively which include RM1,631 million (2020: RM17 million) and RM1,631 million (2020: RM Nil) for the Group and the Company respectively paid to the respective counterparties at the inception of the hedging instruments.

The Group's and the Company's contract prices for commodity derivatives are based on prices negotiated with the respective counterparties at the inception of the hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge (continued)

The amounts relating to hedging instruments, hedged items, hedge effectiveness and the effect of the cash flow hedge in the statement of profit or loss and other comprehensive income (OCI) are as follows:

Group 2021 *In RM Mil*	**Carrying amount**		**Change in fair value gain/(loss) used for measuring ineffectiveness**	**Hedging Reserves**
	Assets	**Liabilities**		
	Note 12	**Note 12**		
Commodity price risk				
Commodity derivatives	1,505	(1,415)	(3,798)	^(1,537)
Forecast sales	—	—	3,798	—
Interest rate risk				
Interest rate swaps	110	(220)	216	(120)
Floating interest rate term loans	—	—	(216)	—
Foreign currency risk				
Foreign exchange forward contracts	98	(18)	16	49
Expected future receipts and payments	—	—	(16)	—
Total	1,713	(1,653)		(1,608)

Group 2021 *In RM Mil*	**Movement of cash flow hedge attributable to shareholders of the Company**				**Movement of cash flow hedge attributable to Non-controlling Interests**	**Total movement of cash flow hedge**
	Total hedging gain/(loss) recognised in OCI	**Amount reclassified from hedging reserve to profit or loss**	**Amount reclassified from hedging reserve to assets**	**Total**		
Commodity price risk						
Commodity derivatives	(5,320)	4,726	—	(594)	—	(594)
Interest rate risk						
Interest rate swaps	216	—	—	216	213	429
Foreign currency risk						
Foreign exchange forward contracts	39	(25)	(23)	(9)	—	(9)
Total	(5,065)	4,701	(23)	(387)	213	(174)

Hedge ineffectiveness and reclassifications from hedging reserves to profit or loss are recognised in cost of revenue, finance cost and other income or expense respectively depending on the nature of transactions.

^ Includes amount in cost of hedging reserve of RM126 million.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge (continued)

Group 2020 *In RM Mil*	**Carrying amount**		**Change in fair value gain/(loss) used for measuring ineffectiveness**	**Hedging Reserves**
	Assets	**Liabilities**		
	Note 12	**Note 12**		
Commodity price risk				
Commodity derivatives	34	(932)	(1,212)	(898)
Forecast sales	—	—	1,212	—
Interest rate risk				
Interest rate swaps	7	(527)	(253)	(336)
Floating interest rate term loans	—	—	253	—
Foreign currency risk				
Foreign exchange forward contracts	100	(30)	13	13
Expected future receipts and payments	—	—	(13)	—
Total	141	(1,489)		(1,221)

Group 2020 *In RM Mil*	**Movement of cash flow hedge attributable to shareholders of the Company**				**Movement of cash flow hedge attributable to Non-controlling Interests**	**Total movement of cash flow hedge**
	Total hedging gain/(loss) recognised in OCI	**Amount reclassified from hedging reserve to profit or loss**	**Amount reclassified from hedging reserve to assets**	**Total**		
Commodity price risk						
Commodity derivatives	(1,212)	216	—	(996)	—	(996)
Interest rate risk						
Interest rate swaps	(253)	(2)	—	(255)	(213)	(468)
Foreign currency risk						
Foreign exchange forward contracts	1	4	12	17	—	17
Total	(1,464)	218	12	(1,234)	(213)	(1,447)

Hedge ineffectiveness and reclassifications from hedging reserves to profit or loss are recognised in cost of revenue, finance cost and other income or expense respectively depending on the nature of transactions.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge (continued)

Company **2021** *In RM Mil*	**Carrying amount** **Assets**	 **Liabilities**	**Hedging Reserves**
	Note 12	**Note 12**	
Commodity price risk			
Commodity derivatives	**1,505**	**–**	**^(126)**

Company **2021** *In RM Mil*	**Total hedging loss recognised in OCI**	**Amount reclassified from hedging reserve to profit or loss**	**Total movement of cash flow hedge**
Commodity price risk			
Commodity derivatives	**(1,522)**	**1,396**	**(126)**

Hedge ineffectiveness and reclassifications from hedging reserves to profit or loss are recognised in cost of revenue.

^ The amount relates to cost of hedging.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge (continued)

The following table provides reconciliation of hedging reserves by risk category and analysis of other comprehensive income items, net of tax, resulting from cash flow of hedge accounting:

In RM Mil	Group Hedging reserves	Company Hedging reserves
As at 1 January 2020	**13**	**—**
Changes in fair value:		
– Commodity price risk*	**(1,212)**	**—**
– Interest rate risk	**(253)**	**—**
– Foreign currency risk	**13**	**—**
Amount reclassified to profit or loss	**218**	**—**
As at 1 January 2021	**(1,221)**	**—**
Changes in fair value:		
– Commodity price risk*	**(5,320)**	**(1,522)**
– Interest rate risk	**216**	**—**
– Foreign currency risk	**16**	**—**
Amount reclassified to profit or loss	**4,701**	**1,396**
As at 31 December 2021	**(1,608)**	**(126)**

Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings, reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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

* Included in changes in fair value of commodity price risk is loss on the portion excluded from the designated hedging instrument of RM1,522 million (2020: RM Nil) that relates to the time value and forward element of commodity derivatives and forward contracts respectively. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow hedge reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Group 2021 *In RM Mil*	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,555	—	—	1,555
Quoted securities	143	—	—	143
Unquoted shares	—	—	1,327	1,327
Malaysian Government Securities	—	1,710	—	1,710
Corporate Bonds and Sukuk	—	8,299	—	8,299
Forward foreign exchange contracts	—	183	—	183
Commodity derivatives	116	1,509	—	1,625
Interest rate swaps	—	110	—	110
	1,814	11,811	1,327	14,952
Financial liabilities				
Forward foreign exchange contracts	—	(105)	—	(105)
Commodity derivatives	(1,415)	(394)	—	(1,809)
Interest rate swaps	—	(220)	—	(220)
	(1,415)	(719)	—	(2,134)

Group 2021 *In RM Mil*	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted securities	—	30	30	30
Long-term receivables	—	17,722	17,722	17,722
Finance lease receivables	—	12,940	12,940	12,940
	—	30,692	30,692	30,692
Financial liabilities				
Notes and Bonds	(62,126)	—	(62,126)	(54,337)
Term loans	—	(13,018)	(13,018)	(14,969)
Islamic financing facilities	—	(5,810)	(5,810)	(5,815)
Other long-term liabilities	—	(5,432)	(5,432)	(5,432)
	(62,126)	(24,260)	(86,386)	(80,553)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Group 2020 *In RM Mil*	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,130	–	–	1,130
Quoted securities	181	–	–	181
Unquoted shares	–	–	393	393
Malaysian Government Securities	–	290	–	290
Corporate Bonds and Sukuk	–	8,219	–	8,219
Forward foreign exchange contracts	–	146	–	146
Commodity derivatives	361	11	–	372
Interest rate swaps	–	7	–	7
	1,672	8,673	393	10,738
Financial liabilities				
Forward foreign exchange contracts	–	(72)	–	(72)
Commodity derivatives	(1,584)	(12)	–	(1,596)
Interest rate swaps	–	(527)	–	(527)
	(1,584)	(611)	–	(2,195)

Group 2020 *In RM Mil*	Fair value of financial instruments not carried at fair value Level 2	Level 3	Total	Carrying amount
Financial assets				
Unquoted securities	–	400	400	400
Deposits with licensed bank	–	127	127	127
Long-term receivables	–	11,309	11,309	11,309
Finance lease receivables	–	9,670	9,670	9,670
	–	21,506	21,506	21,506
Financial liabilities				
Notes and Bonds	(56,156)	–	(56,156)	(45,014)
Term loans	–	(14,868)	(14,868)	(14,865)
Islamic financing facilities	–	(5,605)	(5,605)	(5,605)
Other long-term liabilities	–	(5,214)	(5,214)	(5,214)
	(56,156)	(25,687)	(81,843)	(70,698)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Company 2021 *In RM Mil*	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	5	—	—	5
Unquoted shares	—	—	73	73
Malaysian Government Securities	—	1,678	—	1,678
Corporate Bonds and Sukuk	—	5,066	—	5,066
Forward foreign exchange contracts	—	63	—	63
Commodity derivatives	—	1,505	—	1,505
Long-term receivables	—	—	27,092	27,092
	5	8,312	27,165	35,482
Financial liabilities				
Forward foreign exchange contracts	—	(74)	—	(74)

Company 2021 *In RM Mil*	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	—	82,773	82,773	85,155
Financial liabilities				
Notes and Bonds	(59,638)	—	(59,638)	(51,851)
Other long-term liabilities	—	(11,935)	(11,935)	(11,934)
	(59,638)	(11,935)	(71,573)	(63,785)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Company **2020** *In RM Mil*	**Fair value of financial instruments carried at fair value** Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	6	–	–	6
Unquoted shares	–	–	73	73
Malaysian Government Securities	–	254	–	254
Corporate Bonds and Sukuk	–	4,812	–	4,812
Forward foreign exchange contracts	–	17	–	17
Long-term receivables	–	–	24,851	24,851
	6	5,083	24,924	30,013
Financial liabilities				
Forward foreign exchange contracts	–	(21)	–	(21)

Company **2020** *In RM Mil*	**Fair value of financial instruments not carried at fair value** Level 2	Level 3	Total	**Carrying amount**
Financial assets				
Long-term receivables	–	104,107	104,107	94,947
Unquoted securities	–	230	230	230
Deposits with licensed bank	–	90	90	90
	–	104,427	104,427	95,267
Financial liabilities				
Notes and Bonds	(56,156)	–	(56,156)	(45,014)
Other long-term liabilities	–	(11,471)	(11,471)	(11,471)
	(56,156)	(11,471)	(67,627)	(56,485)

Derivative financial instruments

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward foreign currency exchange contracts is based on the fair value difference between forward exchange rates and the contracted rate. The fair value of commodity swap and commodity forward contracts is based on the fair value difference between market price at the date of measurement and the contracted price.

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Income/expense, net gains and losses arising from financial instruments

Group **2021** *In RM Mil*	**Interest income**	**Interest expense**	**Net impairment losses**	**Others**	**Total**
Financial assets at fair value:					
– through profit or loss	**460**	**—**	**—**	**(235)**	**225**
– through OCI	**—**	**—**	**—**	**639**	**639**
Financial assets at amortised cost:					
– recognised in profit or loss	**2,538**	**—**	**(1,862)**	**2,734**	**3,410**
– recognised in equity	**—**	**—**	**—**	**944**	**944**
Financial liabilities at amortised cost	**—**	**(3,443)**	**—**	**(1,839)**	**(5,282)**
Derivatives designated as hedging instruments	**—**	**—**	**—**	**(4,875)**	**(4,875)**
Total	**2,998**	**(3,443)**	**(1,862)**	**(2,632)**	**(4,939)**
2020					
Financial assets at fair value:					
– through profit or loss	458	—	—	(580)	(122)
– through OCI	—	—	—	13	13
Financial assets at amortised cost:					
– recognised in profit or loss	4,380	—	(332)	(3,287)	761
– recognised in equity	—	—	—	(308)	(308)
Financial liabilities at amortised cost	—	(2,781)	—	2,194	(587)
Derivatives designated as hedging instruments	—	—	—	(1,672)	(1,672)
Total	4,838	(2,781)	(332)	(3,640)	(1,915)

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

38. FINANCIAL INSTRUMENTS (CONTINUED)

Income/expense, net gains and losses arising from financial instruments (continued)

Company **2021** *In RM Mil*	**Interest income**	**Interest expense**	**Net impairment losses**	**Others**	**Total**
Financial instruments at fair value through profit or loss:					
– mandatorily required by MFRS 9	**231**	**—**	**—**	**387**	**618**
Financial assets at amortised cost	**3,213**	**—**	**(80)**	**3,601**	**6,734**
Financial liabilities at amortised cost	**—**	**(1,842)**	**—**	**(1,839)**	**(3,681)**
Derivatives designated as hedging instruments	**—**	**—**	**—**	**(1,396)**	**(1,396)**
Total	**3,444**	**(1,842)**	**(80)**	**753**	**2,275**
2020					
Financial instruments at fair value through profit or loss:					
– mandatorily required by MFRS 9	306	—	—	694	1,000
Financial assets at amortised cost	5,022	—	(352)	(3,356)	1,314
Financial liabilities at amortised cost	—	(2,733)	—	2,194	(539)
Total	5,328	(2,733)	(352)	(468)	1,775

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

39. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed towards achieving financial resilience and ensuring long-term business sustainability as outlined in the PETRONAS Financial Policy. The Group's capital structure consists of consolidated equity plus debt, defined as the current and long-term portions of the Group's debt.

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholders' value. The Group monitors and maintains a prudent level of total debt to total assets.

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (continued)

40. AMENDMENTS TO MFRS AND PRONOUNCEMENTS ISSUED BY MASB

Adoption of new and revised pronouncements

During the financial year, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)*

The principal changes in accounting policies and their effects are set out below:

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

The amendments provide practical expedients whereby modifications due to changes in interest rate benchmark resulting from interest rate benchmark reform, would only require an update to the effective interest rate to reflect the change in the interest rate benchmark and would not result in derecognition or adjustment to the carrying amount of financial instruments and leases. The amendments also provide practical reliefs for hedge accounting requirements.

These amendments had no material impact on the consolidated financial statements of the Group and the Company. The Group and the Company intend to use the practical expedients in future periods if they become applicable. As at reporting date, transitional activities are currently ongoing, and the Group and the Company have no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

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

Pronouncements yet in effect

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

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment–Proceeds before Intended Use)*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts–Cost of Fulfilling a Contract)*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

40. AMENDMENTS TO MFRS AND PRONOUNCEMENTS ISSUED BY MASB (CONTINUED)

Pronouncements yet in effect (continued)

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 *Insurance Contracts*

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

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

Amendments to MFRS 101 *Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*

Amendments to MFRS 112 *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*

Effective for a date yet to be confirmed

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

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

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

New and revised pronouncements not applicable to the Group and the Company

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

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1 First-*time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to MFRS 141 *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES

The subsidiary undertakings of the Company at 31 December 2021 and 2020 and the Group percentage of share capital are set out below.

	Effective ownership interest and voting interest 2021 %	2020 %	Country of Incorporation	Principal Activities
* PETRONAS Carigali Sdn. Bhd.	**100**	100	Malaysia	Petroleum and gas exploration, development and production
PC JDA Limited	**100**	100	Republic of Mauritius	Petroleum operations
PETRONAS Carigali Overseas Sdn. Bhd.	**100**	100	Malaysia	Investment holding and petroleum operations
E&P Malaysia Venture Sdn. Bhd.	**100**	100	Malaysia	Petroleum operations
Vestigo Petroleum Sdn. Bhd.	**100**	100	Malaysia	Petroleum operations
#* PETRONAS International Corporation Ltd.	**100**	100	Malaysia	Investment holding
PETRONAS Carigali Iraq Holding B.V.	**100**	100	Netherlands	Petroleum operations
PETRONAS Carigali Chad Exploration & Production Inc.	**100**	100	Cayman Islands	Investment holding
PETRONAS Carigali (Chad EP) Inc.	**100**	100	Cayman Islands	Petroleum operations
PETRONAS Chad Marketing Inc.	**100**	100	Cayman Islands	Marketing and selling of crude oil
PETRONAS Australia Pty Limited	**100**	100	Australia	Investment holding
PAPL (Upstream) Pty Limited	**100**	100	Australia	Exploration and production of coal seam gas
PAPL (Downstream) Pty Limited	**100**	100	Australia	Production and transportation of liquefied natural gas for export
PETRONAS Carigali (Jabung) Ltd.	**100**	100	Bahamas	Petroleum operations
PETRONAS Carigali Nile Ltd.	**100**	100	Republic of Mauritius	Petroleum operations
PETRONAS (E&P) Overseas Ventures Sdn. Bhd.	**100**	100	Malaysia	Investment holding
Natuna 1 B.V.	**100**	100	Netherlands	Petroleum operations
PETRONAS Carigali Canada B.V.	**100**	100	Netherlands	Investment holding
PETRONAS Energy Canada Ltd.	**100**	100	Canada	Petroleum and gas exploration, development and production

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

		Effective ownership interest and voting interest			
		2021 %	**2020 %**	**Country of Incorporation**	**Principal Activities**
	North Montney LNG Limited Partnership	**100**	100	Canada	Participation in LNG Canada construction and operations activities, liquefaction of natural gas as LNG, storage, marketing of LNG
	PETRONAS E&P Argentina S.A.	**100**	100	Argentina	Petroleum and gas exploration, development and production
	PETRONAS South Caucasus S.à r.l.	**100**	100	Luxembourg	Investment holding
	PETRONAS Azerbaijan (Shah Deniz) S.à r.l.	**100**	100	Luxembourg	Petroleum operations
	PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	**100**	100	Malaysia	Petroleum operations
#	PICL (Egypt) Corporation Ltd.	**100**	100	Malaysia	Investment holding, exploration and production of oil and gas
	PC Oman Ventures Ltd.	**100**	100	Mauritius	Petroleum operations
	PETRONAS Petróleo Brasil Ltda.	**100**	100	Brazil	Petroleum operations
	PETRONAS Power Sdn. Bhd.	**100**	100	Malaysia	Investment holding
	PETRONAS LNG Sdn. Bhd.	**100**	100	Malaysia	Investment holding
#	PETRONAS LNG Ltd.	**100**	100	Malaysia	Trading of natural gas and LNG
	PETRONAS Energy Trading Limited	**100**	100	United Kingdom	Trading of energy and gas marketing
*	PETRONAS Gas & New Energy Sdn. Bhd.	**100**	100	Malaysia	Investment holding
*	Malaysia LNG Sdn. Bhd.	**90**	90	Malaysia	Liquefaction and sale of LNG
*	Malaysia LNG Dua Sdn. Bhd.	**80**	80	Malaysia	Liquefaction and sale of LNG
*	Malaysia LNG Tiga Sdn. Bhd.	**60**	60	Malaysia	Liquefaction and sale of LNG
*	PETRONAS LNG 9 Sdn. Bhd.	**65**	65	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
#*	PETRONAS Floating LNG 1 (L) Ltd.	**100**	100	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest			
	2021 %	**2020 %**	**Country of Incorporation**	**Principal Activities**
∞* PETRONAS Floating LNG 2 (L) Ltd.	**100**	100	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
* PETRONAS Energy & Gas Trading Sdn. Bhd.	**100**	100	Malaysia	Trading and marketing of processed gas and liquefied natural gas
* PETRONAS International Power Corporation (Mauritius) Ltd.	**100**	100	Mauritius	Investment holding
* PETRONAS International Power Corporation B.V.	**100**	100	Netherlands	Investment holding
Amplus Energy Solutions Pte. Ltd. (Singapore)	**100**	100	Singapore	Investment holding of solar power generation entities in India
* PETRONAS Marketing International Sdn. Bhd.	**100**	100	Malaysia	Investment holding
Engen Limited	**74**	74	South Africa	Refining of crude oil and marketing of refined petroleum products
@* PETRONAS Dagangan Berhad	**63.9**	63.9	Malaysia	Domestic marketing of petroleum products
@* PETRONAS Gas Berhad	**51**	51	Malaysia	Processing and transmission of natural gas
Regas Terminal (Sg. Udang) Sdn. Bhd.	**51**	51	Malaysia	Manage and operate LNG regasification terminal
Pengerang LNG (Two) Sdn. Bhd.	**33.2**	33.2	Malaysia	Manage and operate LNG regasification terminal
* PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.	**100**	100	Malaysia	Development and management of Pengerang Integrated Complex
PRPC Utilities & Facilities Sdn. Bhd.	**100**	100	Malaysia	Supply and service of utilities, common facilities and infrastructures
Pengerang Power Sdn. Bhd.	**100**	100	Malaysia	Developing and operating a power generation plant and distribution of electricity and steam
* PETRONAS Penapisan (Melaka) Sdn. Bhd.	**100**	100	Malaysia	Refining and condensation of crude oil

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest 2021 %	2020 %	Country of Incorporation	Principal Activities
* Malaysian Refining Company Sdn. Bhd.	**100**	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Penapisan (Terengganu) Sdn. Bhd.	**100**	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Trading Corporation Sdn. Bhd.	**100**	100	Malaysia	Marketing of crude oil, trading in crude oil and petroleum products and investment holding
# PETCO Trading Labuan Company Ltd.	**100**	100	Malaysia	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading (UK) Limited	**100**	100	United Kingdom	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading DMCC	**100**	100	United Arab Emirates	Trading of petroleum products
@* PETRONAS Chemicals Group Berhad	**64.3**	64.3	Malaysia	Investment holding
PETRONAS Chemical Isononanol Sdn. Bhd.	**64.3**	64.3	Malaysia	Production and sale of processed chemicals, all petrochemicals and chemicals products
# PETRONAS Chemicals Marketing (Labuan) Ltd.	**64.3**	64.3	Malaysia	Marketing and trading of petrochemical products
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	**64.3**	64.3	Malaysia	Production and sale of urea, ammonia and methanol
PETRONAS Chemicals Marketing Sdn. Bhd.	**64.3**	64.3	Malaysia	Investment holding
PETRONAS Chemicals Methanol Sdn. Bhd.	**64.3**	64.3	Malaysia	Processing of feedstock into methanol
PETRONAS Chemicals MTBE Sdn. Bhd.	**64.3**	64.3	Malaysia	Processing of feedstock into methyl tertiary butyl ether (MTBE), propylene and n-butane
PETRONAS Chemicals Olefins Sdn. Bhd.	**64.3**	64.3	Malaysia	Processing of feedstock into ethylene, propylene and other hydrocarbon by-products
Asean Bintulu Fertilizer Sdn. Bhd.	**40.8**	40.8	Malaysia	Processing of natural gas into urea and ammonia

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest 2021 %	2020 %	Country of Incorporation	Principal Activities
PETRONAS Chemicals Derivatives Sdn. Bhd.	**64.3**	64.3	Malaysia	Processing of feedstock into ethylene oxide derivatives, propylene derivatives products and related chemical product
PETRONAS Chemicals Polyethylene Sdn. Bhd.	**64.3**	64.3	Malaysia	Processing of ethylene into polyethylene
PETRONAS Chemicals Ethylene Sdn. Bhd.	**56.3**	56.3	Malaysia	Processing of ethane into ethylene
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	**64.3**	64.3	Malaysia	Production and sale of ammonia and urea
PETRONAS Chemicals LDPE Sdn. Bhd.	**64.3**	64.3	Malaysia	Production and sale of low-density polyethylene pellets ("LDPE")
PETRONAS Chemicals International B.V.	**64.3**	64.3	Netherlands	Investment holding
Da Vinci Group B.V.	**64.3**	64.3	Netherlands	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals
* PrimeSourcing International Sdn. Bhd.	**100**	100	Malaysia	Marketing and trading of steel, mechanical and electrical instrumentation, chemical and catalyst
* PETRONAS Lubricants International Sdn. Bhd.	**100**	100	Malaysia	Investment holding, manufacturing and trading of lubricant products
PLI (Netherlands) B.V.	**100**	100	Netherlands	Investment holding
PETRONAS Lubricants Italy S.p.A	**100**	100	Italy	Manufacturing and marketing of lubricant products
PETRONAS Lubrificantes Brasil S.A.	**100**	100	Brazil	Manufacturing and marketing of lubricant products
PETRONAS Lubricants China Company Limited	**100**	100	Hong Kong	Investment holding
@* MISC Berhad	**51**	51	Malaysia	Shipping and shipping related activities
AET Tanker Holdings Sdn. Bhd.	**51**	51	Malaysia	Investment holding

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest 2021 %	2020 %	Country of Incorporation	Principal Activities
@ Malaysia Marine and Heavy Engineering Holdings Berhad	**33.9**	33.9	Malaysia	Investment holding
# Gas Asia Terminal (L) Pte. Ltd.	**51**	51	Malaysia	Development and ownership of LNG floating storage units
# MISC Offshore (Americas) Holdings Pte. Ltd.	**51**	51	Malaysia	Investment holding
# AET Pte. Ltd.	**51**	51	Singapore	Investment holding
# Gumusut-Kakap Semi-Floating Production System (L) Limited	**51**	51	Malaysia	Owning and leasing of semi-submersible floating production system
# Portovenere and Lerici (Labuan) Private Limited	**51**	51	Malaysia	Investment holding
MISC Tankers Sdn. Bhd.	**51**	51	Malaysia	Investment holding and provision of management services
* KLCC (Holdings) Sdn. Bhd.	**100**	100	Malaysia	Investment holding, property development management and provision of management services
Rantau Recreation Sdn. Bhd.	**100**	100	Malaysia	Property investment
Putrajaya Holdings Sdn. Bhd.	**64.4**	64.4	Malaysia	Property development and investment
Cititower Sdn. Bhd.	**68.8**	68.8	Malaysia	Property investment
@ KLCC Property Holdings Berhad	**66.9**	66.9	Malaysia	Investment holding, property investment and provision of management services
^@ KLCC Real Estate Investment Trust ("KLCC REIT")	**–**	–	Malaysia	To invest in a Shariah compliant portfolio of real estate assets and real estate related assets
Suria KLCC Sdn. Bhd.	**39**	39	Malaysia	Property investment
Putrajaya Homes Sdn. Bhd.	**64.4**	64.4	Malaysia	General construction and property development

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest 2021 %	2020 %	Country of Incorporation	Principal Activities
Putrajaya Ventures Sdn. Bhd.	**64.4**	64.4	Malaysia	Property development
Putrajaya Bina Sdn. Bhd.	**64.4**	64.4	Malaysia	Leasing of building and property management
* Institute of Technology PETRONAS Sdn. Bhd.	**100**	100	Malaysia	Institute of higher learning
∞* Energas Insurance (L) Limited	**100**	100	Malaysia	Offshore captive insurance business
∞* PETRONAS Capital Limited	**100**	100	Malaysia	Investment holding
β∞ PETRONAS Global Sukuk Limited	**–**	–	Malaysia	Investment holding
+ Petroleum Research Fund	**–**	–	Malaysia	Providing financial contributions to research activities relating to petroleum and other energy sources industry
+ Abandonment Cess Fund	**–**	–	Malaysia	Manage, hold and utilise the trust fund to discharge obligations for the Abandonment of Petroleum Facilities in Malaysia
* PETRONAS Assets Sdn. Bhd.	**100**	100	Malaysia	Owning and leasing of assets
* PETRONAS Hartabina Sdn. Bhd.	**100**	100	Malaysia	Property holding
* PETRONAS Technical Training Sdn. Bhd.	**100**	100	Malaysia	Provision of training services
* PETRONAS Management Training Sdn. Bhd.	**100**	100	Malaysia	Provision of training services
* PETRONAS NGV Sdn. Bhd.	**100**	100	Malaysia	Promoting and retailing of natural gas for vehicles
* PETRONAS Research Sdn. Bhd.	**100**	100	Malaysia	Provision of research, advisory and technology development services
* PETRONAS Technical Services Sdn. Bhd.	**100**	100	Malaysia	Provision of technical and project management services
* Petrosains Sdn. Bhd.	**100**	100	Malaysia	Management of a petroleum discovery centre

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

41. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest			
	2021 %	**2020 %**	**Country of Incorporation**	**Principal Activities**
* Sanzbury Stead Sdn. Bhd.	**100**	100	Malaysia	Operation and maintenance of airport, aerodromes and related services and activities
* OGP Technical Services Sdn. Bhd.	**100**	100	Malaysia	Provision of technical and project management services
* Marmel Incorporated	**100**	100	Republic of Liberia	Investment holding

* Subsidiaries held directly by the Company.
∞ Companies incorporated under the Labuan Companies Act 1990.
@ The shares of these subsidiaries are quoted on the Main Market of Bursa Malaysia Securities Berhad.
^ The Group does not hold any ownership interest in KLCC Real Estate Investment Trust ("KLCC REIT"). However, the Group exercises power by virtue of its control over KLCC REIT Management Sdn. Bhd., the manager of KLCC REIT. KLCC REIT units are stapled to the ordinary shares of KLCC Property Holdings Berhad ("KLCCP") such that the shareholders of KLCCP are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT. Consequently, KLCC REIT is regarded as a subsidiary of the Group.
β The Group does not hold any ownership interest in these funds/entities. However, the Group has the rights to appoint and remove members of Board of Trustees funds/Directors, which is the decision making body of the funds/entities and able to determine the manner in which balance of the funds, after fulfilment of certain obligation, should be distributed upon dissolution. Consequently, the funds/entities is regarded as subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

42. KEY ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest			
	2021 %	2020 %	Country of Incorporation	Principal Activities
BASF PETRONAS Chemicals Sdn. Bhd.	**25.7**	25.7	Malaysia	Purchases propylene and n-butane feedstock from the Group for production, marketing and sale of acrylic, oxo and butanediol products
Bintulu Port Holdings Berhad	**28.5**	28.5	Malaysia	Port management
Cameroon Oil Transportation Company S.A.	**29.8**	29.8	Republic of Chad	Pipeline operations
El Behera Natural Gas Liquefaction Company S.A.E.	**35.5**	35.5	Egypt	Manufacturing and production of LNG for the purpose of export
# Gas Malaysia Berhad	**8.9**	8.9	Malaysia	Selling, marketing, distribution and promotion of natural gas
IDKU Natural Gas Liquefaction Company S.A.E.	**38**	38	Egypt	Manufacturing and production of LNG for the purpose of export
Tchad Oil Transportation Company S.A.	**30.2**	30.2	Republic of Chad	Pipeline operations
The Egyptian LNG Company S.A.E.	**35.5**	35.5	Egypt	Owning, managing and developing the land and the common facilities related to the Egyptian LNG facility
# South Caucasus Pipeline Holding	**15.5**	15.5	Cayman Islands	Investment holding Company
# South Caucasus Pipeline Company	**15.5**	15.5	Cayman Islands	Pipeline operations
# Azerbaijan Gas Supply Company Ltd.	**12.4**	12.4	Cayman Islands	Marketing and selling of natural gas

Although the Group has less than 20% of the ownership in the equity interest of these associates, the Group has determined that it has significant influence over the financial and operating policy of the associate through representation on the said associate's Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

43. KEY JOINT ARRANGEMENTS AND ACTIVITIES

	Effective ownership interest and voting interest			
	2021 %	**2020 %**	**Country of Incorporation**	**Principal Activities**
INEOS PCG Acetyls Sdn. Bhd. (formerly known as BP PETRONAS Acetyls Sdn. Bhd.)	**19.3**	19.3	Malaysia	Manufacture, sell and distribute acetic acid
Trans Thai-Malaysia (Thailand) Ltd.	**50**	50	Thailand	Gas pipeline transportation and gas separation services
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	**50**	50	Malaysia	Transporting and delivering gas products
Indianoil PETRONAS Private Limited	**50**	50	India	Manufacture and bottling services of Liquid Petroleum Gas ("LPG")
Kimanis Power Sdn. Bhd.	**30.6**	30.6	Malaysia	Generation and sale of electricity
Taninthayi Pipeline Co. LLC	**40.9**	40.9	Cayman Islands	Transportation of gas
∞ Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	**26**	26	Malaysia	Floating production storage and off-loading ("FPSO") owner
Guangxi Beihai Yuchai High Quality Lube Co., Ltd.	**50**	50	China	Manufacturing and marketing of lubricant products
Guangxi Nanning Yuchai Lube Co., Ltd.	**50**	50	China	Manufacturing and marketing of lubricant products
Pengerang Terminals (Two) Sdn. Bhd.	**40**	40	Malaysia	Undertake activities related to terminal storage facilities for petroleum and petrochemical products
Pengerang Refining Company Sdn. Bhd.	**50**	50	Malaysia	Undertake blending, processing or cracking of crude, condensates, feedstock or intermediate feedstock
Pengerang Petrochemical Company Sdn. Bhd.	**32**	32	Malaysia	Sales of products within ethane and propane chains and ethane derivatives to the joint operators

∞ Company incorporated under the Labuan Companies Act 1990.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETROLIAM NASIONAL BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Petroliam Nasional Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 160.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETROLIAM NASIONAL BERHAD (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment or reversal of impairment consideration of property, plant and equipment ("PPE") and intangible assets ("IA")

Refer to Note 3 – Property, Plant and Equipment and Note 9 – Intangible Assets.

The key audit matter	**How the matter was addressed in our audit**
The Group operates in the oil and gas sector which has been affected by the continued fluctuation in the outlook for demand and prices of oil and gas products. This gives rise to a risk that the carrying amounts of the Group's PPE and IA (consisting of goodwill, exploration expenditures and other intangible assets) might exceed their recoverable amounts, and therefore the carrying amounts may need to be impaired. Similarly, an assessment on reversal of impairment needs to be conducted where there are indicators supporting for reversal of impairment for previously impaired assets (except for goodwill). In assessing impairment or reversal of impairment, PPE and IA (together with other relevant assets) are grouped into relevant cash generating units ("CGU"). The Group has estimated the recoverable amounts for each CGU based on either its value in use or at its fair value less cost to sell, whichever is higher. As a result, a net reversal of impairment of RM3,175 million (2020: net impairment losses of RM25,702 million) for PPE and a net reversal of impairment of RM1,310 million (2020: net impairment losses of RM5,648 million) for IA (refer to Note 26) were recognised in the current financial year. We have identified the evaluation of the carrying amount of the Group's PPE and IA of RM282,898 million (2020: RM291,717 million) (refer Note 3) and RM19,394 million (2020: RM20,044 million) (refer Note 9) respectively as of 31 December 2021 as a key audit matter because: • it is material in the consolidated financial statements and represents 48% (2020: 54%) of the Group's total assets; and • the estimation of recoverable amounts involves a significant degree of judgment exercised and assumptions made by the Group. Key judgmental aspects include assumptions of oil and gas prices, expenditures, oil and gas reserves profile and the use of an appropriate discount rate.	We performed the following audit procedures, among others: i) Considered the appropriateness of Group's determination of CGUs based on our knowledge of the Group's business and its internal reporting policy. ii) Assessed the design and implementation of the controls over impairment of assets process. iii) Evaluated and challenged possible indicators of impairment (or reversal of impairment) for relevant CGUs and individual assets. iv) Evaluated and challenged key assumptions used in the estimation of recoverable amount, among others: • Oil and gas reserves production profile – assessed whether the production profile is within the field/reserve lives; • long term outlook of prices – compared to information published by external analysts; • operational and capital expenditures – compared to information included in the Group's approved budget and actual historical information; and • discount rate – challenged the appropriateness of the discount rate used. v) Performed stress test over the projected oil and gas prices. vi) Considered the adequacy of the Group's disclosures about assumptions to which the outcome of the impairment assessment is most sensitive. Based on the above procedures, the carrying amount of the Group's PPE and IA is appropriate.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PETROLIAM NASIONAL BERHAD (continued)

Key Audit Matters (continued)

Measurement of provision for decommissioning, dismantling, removal and restoration ("DDRR")	
Refer to Note 23 – Other Long-term Liabilities and Provisions.	
The key audit matter	**How the matter was addressed in our audit**
The measurement of the provisions for DDRR for the Group and the Company require significant degree of judgments because of the inherent complexities in estimating future costs of DDRR activities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The provisions for DDRR are subject to the effects of changes in oil and gas reserves profile, technology, regulations, expected approach to DDRR activities, inflation and discount rates, along with the effects of changes in exchange rates. These factors increase the degree of complexity in estimating the DORR provision in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets.* We have identified the measurement of the provision outstanding for DORR of the Group and the Company amounts of RM39,173 million (2020: RM41,128 million) and RM17,078 million (2020: RM17,159 million) (refer Note 23) respectively as of 31 December 2021 as a key audit matter because: • the balance represents 27% (2020: 30%) and 18% (2020: 19%) of the Group's and Company's non-current liabilities; and • the estimation of DORR provision involves significant degree of judgments, complex calculations, and estimation uncertainties.	We performed the following audit procedures, among others: i) Assessed the design and implementation of the controls over the DDRR provision estimation process. ii) Assessed the appropriateness of data used in the calculation of the DDRR provision to the originating source. iii) Evaluated and challenged key assumptions used in the DDRR provision calculation, among others: • interest and inflation rates – compared to information from external sources; and • expected future costs – compared to costs incurred on recent similar transactions. iv) Performed consistency testing on the application of key assumptions to respective assets. v) Re-performed the calculation of the DORR provision for mathematical accuracy. vi) Assessed the adequacy of the disclosures in the financial statements. Based on the above procedures, the measurement of provision for DORR of the Group and the Company is appropriate.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PETROLIAM NASIONAL BERHAD (continued)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, 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 ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PETROLIAM NASIONAL BERHAD (continued)

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

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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Appendix I.

OTHER MATTER

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Muhammad Azman Bin Che Ani
Approval Number: 02922/04/2022 J
Chartered Accountant

Petaling Jaya, Malaysia
Date: 28 February 2022

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

- Putrajaya Homes Sdn. Bhd.
- Convex Malaysia Sdn. Bhd.
- Gas District Cooling (M) Sdn. Bhd.
- Cititower Sdn. Bhd.
- Midciti Resources Sdn. Bhd.
- Gilang Cendana Sdn. Bhd.
- Hasrat Intisari (M) Sdn. Bhd.
- Putrajaya Bina Sdn. Bhd.
- Midciti Sukuk Berhad
- Kenyalang Murni Sdn. Bhd.
- KLCC Projeks Sdn. Bhd.
- KLCC Property Holdings Bhd.[α]
- KLCC Projeks Services Sdn. Bhd.
- Kuala Lumpur City Park Berhad
- Layar Intan Sdn. Bhd.
- KLCC Real Estate Investment Trust[α]
- Menara Putrajaya Sdn. Bhd.
- Purnama Sepi Sdn. Bhd.
- Putrajaya Development Sdn. Bhd.
- Putrajaya Group Sdn. Bhd.
- Putrajaya Projects Sdn. Bhd.
- Putrajaya Resources Sdn. Bhd.
- Senandung Asli Sdn. Bhd.
- Tapak Senja Sdn. Bhd.
- Gas District Cooling (KLIA) Sdn. Bhd.
- Arah Maden Sdn. Bhd.
- Quantum Panorama Sdn. Bhd.
- Arena Johan Sdn. Bhd.
- Asas Klasik Sdn. Bhd.
- KLCC Parking Management Sdn. Bhd.
- Kompleks Dayabumi Sdn. Bhd.
- Rantau Land Sdn. Bhd.
- Gagasan Ria Sdn. Bhd.
- Gas District Cooling (Putrajaya) Sdn. Bhd.
- Rantau Properties KLCC Real Estate Management Sdn. Bhd.
- Heritage Lane Sdn. Bhd.
- Ilham Merpati Sdn. Bhd.
- Idaman Putrajaya Sdn. Bhd.
- Impian Maden Sdn. Bhd.
- Kelana Perkasa Sdn. Bhd.
- Rantau Recreation Sdn. Bhd.
- KLCC Properties Sdn. Bhd.
- Komponen Abadi Sdn. Bhd.
- Rantau Homes Sdn. Bhd.
- Kuala Lumpur Convention Centre Sdn. Bhd.
- KLCC REIT Management Sdn. Bhd.
- Lembah Putrajaya Sdn. Bhd.
- Metro Kemasik Sdn. Bhd.
- Pedoman Semarak Sdn. Bhd.
- Putrajaya Holdings Sdn. Bhd.
- Putrajaya Management Sdn. Bhd.
- Putrajaya Properties Sdn. Bhd.
- Putrajaya Ventures Sdn. Bhd.
- Serba Harapan (M) Sdn. Bhd.
- Gas District Cooling (Holdings) Sdn. Bhd.
- Gas District Cooling (UTP) Sdn. Bhd.
- Indah Putrajaya Sdn. Bhd.
- Suria KLCC Sdn. Bhd.
- Arena Merdu Sdn. Bhd.
- Impian Cemerlang Sdn. Bhd.
- KLCC Urusharta Sdn. Bhd.

Marmel Incorporated and its subsidiaries:

- Darton Ltd.
- GCB Associates, LLC
- Sparknight, LLC
- Paterson, LLC
- WG Parcel B, LLC
- Darton U.S. Holdings, Inc.
- Grabhorn Properties, LLC
- World Gateway Investments, Inc.

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (CONTINUED)

MISC Berhad and its subsidiaries:

- AET Agencies Inc.
- AET Inc. Limited
- AET Offshore Services Inc.
- Eaglestar Marine B.V.
- Eaglestar Shipmanagement (S) Pte. Ltd.
- AET Tanker Holdings Sdn. Bhd.
- Asia LNG Transport Sdn. Bhd.
- M.I.S.C. Nigeria Ltd.
- Asia LNG Transport Dua Sdn. Bhd.
- Malaysian Maritime Academy Sdn. Bhd.
- AET STS Limited Inc.
- MISC Offshore Floating Terminals Dua (L) Ltd.
- MISC Berhad (UK) Ltd.
- MISC Capital (L) Ltd.
- AET Bermuda One Limited
- MISC Ferry Services Sdn. Bhd.
- MISC International (L) Ltd.
- MISC Offshore Holdings (Brazil) Sdn. Bhd.
- MISC Ship Management Sdn. Bhd.
- Seri Cemara (L) Private Limited
- MISC Tanker Holdings (Bermuda) Limited
- Malaysia Marine and Heavy Engineering Holdings Berhad$^{(\alpha)}$
- Puteri Delima Satu (L) Pte. Ltd.
- Puteri Firus Satu (L) Pte. Ltd.
- Puteri Intan Satu (L) Pte. Ltd.
- Puteri Nilam Satu (L) Pte. Ltd.
- Puteri Zamrud Satu (L) Pte. Ltd.
- Puteri Zamrud Sdn. Bhd.
- AET Tankers Kazakhstan LLP
- Eagelstar Shipmanagement (USA) LLC
- AET Tankers (Suezmax) Pte. Ltd.
- AET Shuttle Tankers Sdn. Bhd.
- AET MCV Alpha L.L.C.
- AET MCV Gamma L.L.C.
- AET Brasil Servicos Maritamos Ltda.
- AET Holdings (L) Pte. Ltd.
- Seri Camellia (L) Private Limited
- Seri Cempaka (L) Private Limited
- Seri Cenderawasih (L) Private Limited
- Seri Camar (L) Private Limited
- MMHE International Sdn. Bhd.
- MMHE EPIC Marine & Services Sdn. Bhd.
- Gumusut-Kakap Semi-Floating Production System (L) Limited
- AET Lightering Services LLC
- AET Petroleum Tanker (M) Sdn. Bhd.
- Eaglestar Marine (Malaysia) Sdn. Bhd. (f.k.a AET Shipmanagement (Malaysia) Sdn. Bhd.)
- AET Tankers India Pte. Ltd.
- AET UK Ltd.
- AET Tankers Pte. Ltd.
- Atenea Services S.A.
- Hendham Enterprises Ltd.
- AET Azerbaijan Limited
- MISC Agencies Sdn. Bhd.
- Malaysia Offshore Mobile Production (Labuan) Ltd.
- AET MCV Beta L.L.C.
- MISC Offshore Floating Terminals (L) Ltd.
- MISC Tanker Holdings Sdn. Bhd.
- MMHE LNG Sdn. Bhd.
- AET Sea Shuttle AS
- Oldson Ventures Ltd.
- Gas Asia Terminal (L) Pte. Ltd.
- MISC Tankers Sdn. Bhd.
- Puteri Delima Sdn. Bhd.
- MISC do Brasil Servicos de Energia Ltd.
- Puteri Firus Sdn. Bhd.
- Puteri Intan Sdn. Bhd.
- Puteri Mutiara Satu (L) Pte. Ltd.
- Puteri Nilam Sdn. Bhd.
- Techno Indah Sdn. Bhd.
- MISC PNG Shipping Ltd.
- AET MCV Delta Sdn. Bhd.
- AET Brasil Servicos STS Ltda.
- Paramount Tankers Corporation
- MISC Maritime Services Sdn. Bhd.
- Sungai Udang Port Sdn. Bhd.
- MISC Agencies (Netherlands) B.V.
- AET Singapore One Pte. Ltd.
- Zangwill Business Corp.
- Odley Worldwide Inc.
- AET Product Tankers Sdn. Bhd.
- Twyford International Business Corp.
- Eaglestar Shipmanagement (L) Pte. Ltd.
- Eaglestar Marine (S) Pte. Ltd.
- Eaglestar Shipmanagement GAS (S) Pte. Ltd.
- Portovenere and Lerici (Labuan) Pte. Ltd
- Eaglestar Marine Holdings (L) Pte. Ltd.

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (CONTINUED)

MISC Berhad and its subsidiaries (continued):

- AET Labuan One Pte. Ltd.
- Malaysia Marine and Heavy Engineering Saudi Limited
- Mekar Bergading Offshore Floating (L) Limited
- AET Labuan Pte. Ltd.
- AET Bermuda Holding Ltd
- AET Singapore Holding Pte Ltd
- Eaglestar Marine India Private Limited
- AET Sea Shuttle II AS
- Malaysia Marine & Heavy Engineering Sdn. Bhd.
- Polaris LNG One Pte. Ltd.
- Polaris LNG Two Pte. Ltd.
- Seri Everest (Singapore) Pte. Ltd.
- Seri Elbert (Singapore) Pte. Ltd.
- Seri Erlang (Singapore) Pte. Ltd.
- Seri Emory (Singapore) Pte. Ltd.
- AET DP Shuttle Tankers Sdn. Bhd.
- AET Shuttle Tankers Ill Pte. Ltd.
- AET Tankers VLCC Pte. Ltd.
- AET Tankers VLCC II Sdn. Bhd.
- MISC Offshore (Americas) Holdings Pte. Ltd.
- MISC Offshore Services Pte. Ltd.
- Portovenere and Lerici (Singapore) Pte. Ltd.
- Malaysia Offshore Mobile Production Dua (Labuan) Ltd.
- AET Shutter Thankers II Pte Ltd.
- AET Pte Ltd
- AET Tanker India Pte. Ltd.
- SOL-X Pte Ltd
- Spares CNX Pte. Ltd.
- Chord X Pte. Ltd.
- MISC Maritime Education Group Sdn. Bhd. (f.k.a Magellan X Holdings Sdn. Bhd.)
- Seri Emei (Singapore) Pte. Ltd.
- Seri Emperor (Singapore) Pte. Ltd.
- AET Norway AS
- AET DP Shuttle Pte. Ltd.
- AET DP Shuttle II Pte. Ltd.
- AET Malaysia One Sdn. Bhd.
- MISC Offshore (USA) LLC
- MISC Offshore (Singapore) Pte. Ltd.
- MISC Serviços de Petróleo do Brasil Ltda.
- MISC Capital Two (Labuan) Limited
- Magellan X Pte. Ltd.
- MHS Integrated Engineering Sdn. Bhd.

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

- E&P Venture Solutions Co. Sdn. Bhd.
- PC JOA Ltd.
- PETRONAS Carigali (Australia) Pty. Ltd.
- PETRONAS Carigali (Ketapang) Ltd.
- PETRONAS Carigali (Surumana) Ltd.
- E&P O&M Services Sdn. Bhd.
- Vestige Petroleum Sdn. Bhd.
- PETRONAS Carigali White Nile (5B) Ltd.
- E&P Malaysia Venture Sdn. Bhd.
- PC Randugunting Ltd.
- PETRONAS Carigali Overseas Sdn. Bhd.
- PC Ketapang II Ltd.
- PETRONAS Carigali Nigeria Limited
- PETRONAS Carigali (West Glagah Kambuna) Ltd.

PETRONAS Lubricants International Sdn. Bhd.'s subsidiaries:

- PETRONAS Lubricants Italy S.p.A$^{(\alpha)}$
- Arexons Sri.$^{(\alpha)}$
- PETRONAS Lubrificantes Brasil S.A.$^{(\alpha)}$
- PETRONAS Lubricants France S.a.s.$^{(\alpha)}$
- PT PLI Indonesia
- PETRONAS Lubricants Spain S.L.U.$^{(\alpha)}$
- PETRONAS Lubricants Belgium N.V.$^{(\alpha)}$
- PETRONAS Madeni Yaglar TIC Limited STI$^{(\alpha)}$
- PETRONAS Lubricants {India) Private Limited$^{(\alpha)(\Upsilon)}$
- PETRONAS Lubricants Poland Sp. Zo.o$^{(\alpha)}$
- PETRONAS Lubricants Argentina S.A.$^{(\alpha)}$
- PETRONAS Lubricants Great Britain Limited$^{(\alpha)}$
- PETRONAS Lubricants Deutschland Gmbh$^{(\alpha)}$
- PLAL Egypt LLC
- PETRONAS Marketing China Company Limited$^{(\alpha)}$
- PL NA Mexico S de RL de CV
- PETRONAS Base Oil (M) Sdn Bhd

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (CONTINUED)

PETRONAS Lubricants International Sdn. Bhd.'s subsidiaries (continued):

- Viscosity Oil Co.
- PETRONAS Lubricants China Company Limited[α]
- PLAL Dubai Multi Commodities Centre (PLAL DMCC)[α]
- PLI (Netherlands) B.V
- PETRONAS Lubricants International (China) Co, Ltd. (f.k.a PETRONAS Lubricants (Shandong) Co., Ltd.)[α]
- PLI Australia Pty. Limited[ϒ]
- PETRONAS Lubricants Africa Limited[α]

PETRONAS International Corporation Ltd. and its subsidiaries:

- PETRONAS Carigali Brunei Ltd.
- Labuan Energy Corporation Limited
- PETRONAS Suriname E&P B.V.
- PAPL (Upstream) Pty. Ltd.
- PC North Madura II Ltd
- PC Muriah Ltd.
- PC Myanmar (Hong Kong) Limited
- PAPL Services Pty. Limited
- PAPL (Upstream II) Pty. Ltd.
- PSE Kinsale Energy Limited
- PETRONAS Energy Trading Limited
- PETRONAS Carigali Myanmar Inc.
- PETRONAS Carigali Nile Ltd.
- PC Carigali Mexico Oil and Gas Holding S.A. de C.V.
- PETRONAS Carigali Myanmar III Inc.
- PETRONAS Philippines Inc.[α][ϒ]
- Doba Pipeline Investment Inc.
- North Montney LNG Ltd. Partnership
- Argentinean Pipeline Holding Company S.A.[α][ϒ]
- PETRONAS Thailand Co. Ltd.[α]
- Japan Malaysia LNG Co. Ltd.
- PETRONAS LNG Sdn. Bhd.
- PETRONAS Carigali Canada B.V.
- PICL (Egypt) Corporation Ltd.
- PETRONAS Carigali International E&P B.V.
- PSE Seven Head Limited
- PICL Marketing Thailand Ltd.
- PETRONAS Carigali Chad Exploration & Production Inc.
- PETRONAS Gebang Indonesia B.V.
- Petroliam Manpower Services Mexico S.A. de c.v.
- PETRONAS West Papua IV Indonesia B.V.
- PETRONAS Aru Indonesia B.V.
- LNG Investments Europe Limited PC Oman Ventures Ltd
- PETRONAS E&P Argentina S.A.
- WDDM Energy Ltd. (f.k.a PC Oman Ltd.)
- PETRONAS LNG Ltd.
- MITCO Labuan Co. Limited
- Myanmar PETRONAS Trading Co. Ltd.
- LEC Ireland Employment Ltd.
- Nada Properties Company Ltd.
- Natuna 1 B.V.
- PC Gabon Upstream S.A
- PETRONAS LNG (UK) Limited
- Parsi International Ltd.
- PC Madura Ltd.
- PAPL (Downstream) Pty. Ltd.
- PC (Myanmar) Holdings Limited[ϒ]
- PC Vietnam Ltd.
- PETRONAS Angola E&P Ltd.
- PETRONAS Carigali (Chad EP) Inc.
- PETRONAS Australia Pty. Ltd.
- PETRONAS Carigali (Jabung) Ltd.
- PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
- PETRONAS (E&P) Overseas Ventures Sdn. Bhd.
- PC Kuala Kurun Ltd
- PETRONAS Canada LNG Ltd
- PETRONAS Brasil E&P Limitada
- PC Senegal Ltd (f.k.a PC Sakakemang Ltd.)
- PC Mauritania 1 Pty. Ltd.[α]
- PETRONAS Energy Canada Ltd.[α]
- PETRONAS Azerbaijan Upstream Sdn. Bhd.
- PETRONAS South Caucasus S.a r.l.
- PETRONAS Azerbaijan (Shah Deniz) S.a r.l.
- PETRONAS Carigali International Sdn. Bhd.
- PETRONAS Andaman III Indonesia B.V.
- PC Mauritania II B.Y.[α]
- Petroliam Manpower Support Services Mexico S.A. de C.V.
- Labuan Energy Corporation Ltd.
- PC Carigali Mexico Operations S.A. de C.V
- PETRONAS Iraq Garraf Ltd.
- PETRONAS Petróleo Brasil Ltda.
- PC Sakakemang B.V.

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (CONTINUED)

PETRONAS Dagangan Berhad and its subsidiaries:

- PDB Netherlands BV

PETRONAS Marketing International Sdn. Bhd. and its subsidiaries:

- Azania Petroleum (Pty.) Ltd.
- Citycat Properties (Pty.) Ltd.
- Petroleum Investment Holding Ltd.
- Engen Holdings (Ghana) Ltd.
- Engen Lesotho (Pty.) Ltd.
- Engen Marketing Botswana (Pty.) Ltd.
- Engen (Nigeria) Ltd.$^{(\alpha)}$
- Engen Eswatini (Pty.) Ltd. (f.k.a Engen Swaziland (Pty.) Ltd.)
- Enpet Insurance Ltd.
- lmtrasel (Pty.) Ltd.
- Trek Petroleum (Pty.) Ltd.
- Engen Petroleum (Mauritius) Ltd.
- Pakenzyl (Pty.) Ltd.
- Engen Company (Mauritius) Ltd.
- Engen Botswana Limited$^{(\beta)}$
- Engen Holdings (Pty.) Ltd.
- Engen Limited
- Engen Marketing Ltd.
- Engen Namibia (Pty.) Ltd.
- Engen Producing (Nigeria) Ltd.$^{(\alpha)}$
- Engen Petroleum (DRC) Ltd.
- Renaissance Petroleum (Pty.) Ltd.
- Enpet Africa Insurance Ltd.
- Engen Oil Lesotho (Pty.) Ltd.
- Zenex Oil (Pty.) Ltd.
- Engen Petroleum Ltd.
- Engen DRC SARL

PETRONAS Assets Sdn. Bhd. and its subsidiaries:

- PETRONAS Digital Sdn. Bhd.
- Virtus iP Sdn. Bhd.
- Petrofibre Network (M) Sdn. Bhd.

PETRONAS Trading Corporation Sdn. Bhd.'s subsidiaries:

- PETCO Trading (UK) Limited$^{(\alpha)}$
- PT PETRONAS Niaga Indonesia
- PETCO Trading DMCC$^{(\alpha)}$

PETRONAS Technical Services Sdn. Bhd.'s subsidiary:

- PTSSB DMCC

PETRONAS Chemicals Group Berhad's subsidiaries:

- Da Vinci Group B.V
- PCM (Thailand) Company Limited$^{(\Upsilon)}$
- PCM (China) Company Limited$^{(\alpha)}$
- PETRONAS Chemicals International B.V.
- PCM Chemical India Private Limited
- PT PCM Kimia Indonesia

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (CONTINUED)

Da Vinci Group B.V. and its subsidiaries:

- BRB Central Eastern Europe Sp. z.o.o.
- BRB SIL Invest B.V. (f.k.a BRB Invest B.V.and merge with Karan B.V.)
- BRB International B.V.
- BRB LAC Invest B.V.
- BRB LAC Singapore Pte. Ltd.
- BRB Lube Oil Additives & Chemicals B.V.
- BRB South America Representacao
- Viscotech Asia Pte. Ltd.
- BRB Hong Kong Limited
- BRB North America Inc.
- BRB Real Estate Canada Inc.
- BRB Silicones South Africa Pty. Ltd.
- BRB Singapore Pte. Ltd.
- BRB Malaysia Sdn. Bhd.
- Qingdao BRB Trading Co. Ltd.
- BRB ST Kimyasal Sanayl ve Ticaret A.S.
- CSL Silicones Inc.

PETRONAS International Power Corporation BV's subsidiaries:

- Amplus Energy Solutions Pvt. Ltd (India)
- Amplus Energy Solutions (Thailand) Co. Ltd.
- Amplus Solar Power Pte Ltd
- Amplus Solar Solutions Pte Ltd
- Amplus Andhra Power Pte Ltd
- Amplus Sun Solutions Pte Ltd
- Amplus Coastal Power Pte Ltd
- Amplus Green Power Pte Ltd
- Solbridge Energy Pte Ltd
- Amplus Jyotimangal Energy Pte Ltd
- Amplus Green One Power Pte Ltd
- Sunterrace Energy One Pte Ltd
- Wednesday Solar Pte Ltd
- Fourvolt Solar Pte Ltd
- Amplus Energy Solutions FZE
- Onevolt Energy Pvt. Ltd
- Grian Energy Pvt. Ltd
- Amplus Shams Pvt. Ltd
- Amplus Dakshin Pvt. Ltd
- ACME Kurukshetra Solar Energy
- Amplus Energy Solution Pvt. Ltd. (Singapore)
- Amplus Power Solutions Pte Ltd
- Amplus KN Solar Pte Ltd
- Amplus KN One Power Pte Ltd
- Amplus Management Svcs Pte Ltd
- Amplus Solar Power MH Pte Ltd
- Amplus RJ Solar Pte Ltd
- Amplus Power Supply Pte Ltd
- Ananth Solar Power Maharashtra
- Amplus Sunshine Pte Ltd
- Amplus Sunlight Pte Ltd
- Amplus Superior Solar Pte Ltd
- Wattvolt Energy Pte Ltd
- Sungaze Power Pte Ltd
- Sunroot Energy Pvt. Ltd
- Nay Energy Pvt. Ltd
- Amplus Venus Pvt Ltd
- Amplus Poorva Pvt. Ltd
- Amplus Ages Pvt. Ltd
- ACME Rewari Solar Power

Institute of Technology PETRONAS Sdn. Bhd and its subsidiary:

UTP Futuretech Sdn Bhd

Subsidiaries held directly by the Company:

- Energas Insurance (L) Limited
- PETRONAS NGV Sdn. Bhd.
- PETRONAS Gas & New Energy Sdn Bhd.
- PETRONAS Management Training Sdn. Bhd.
- PETRONAS Capital Limited
- PETRONAS Hartabina Sdn. Bhd.
- PETRONAS Technical Training Sdn. Bhd.

α Audited by affiliates of KPMG.
@ The shares of this subsidiary are quoted on the Main Market of Bursa Malaysia Securities Berhad.
ϒ Consolidated based on management financial statements.
β The shares of this subsidiary are quoted on the Botswana Stock Exchange.

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