Transcending. Next Level.

PETRONAS

FINANCIAL REPORT 2022

PETRONAS Chemicals Group Berhad

TRANSCENDING.
NEXT LEVEL.

Last year, we showcased how sustainability is a large part of our DNA. The landmark acquisition in 2022 takes us further into specialties and strengthens the Group's sustainability. Our cover reflects our ongoing value creation journey, a true embodiment of how we are Transcending. Next Level.

INSIDE THIS **REPORT**

FINANCIAL STATEMENTS

Futher details of PETRONAS Chemicals Group Berhad can be found on www.petronaschemicals.com

OUR REPORTING SUITE

PCG is a global integrated chemicals company with a strong network of stakeholders. These stakeholders and the trust they have in PCG are important to our long-term growth. To build on this trust, we strive to provide clarity on our business direction, strategies and performance while articulating our material risks.

Integrated Report (IR) 2022

PCG's IR aims to provide our stakeholders with a comprehensive overview and a balanced assessment of our financial and non-financial performance.

In reading this report, stakeholders will better understand our business and sustainability strategies, performance, our approach to governance and risks and our future orientation. The report demonstrates our commitment to accountability and seeks to strengthen the confidence of our stakeholders.

The governance section presents detailed reporting of our Corporate Governance activities via the Corporate Governance Overview Statement, Nomination and Remuneration Committee Report, Board Audit Committee Report, Board Sustainability and Risk Committee Report and Statement on Risk Management and Internal Control.

Financial Report (FR) 2022

Our FR consists of the Directors' Report, Audited Financial Statements and Independent Auditors' Report. The FR provides detailed financial disclosures to our shareholders, investors, analysts and other interested parties.

Sustainability Report (SR) 2022

PCG's SR details the disclosures of our performance in Economic, Environmental, Social and Governance (EESG) contexts. The report describes our initiatives and their outcomes that are aimed at creating positive and sustainable impacts for all our stakeholders.

APPROACHING OUR FINANCIAL REPORT

Financial Statements Decoded

The purpose of financial statements is to communicate the Group's financial information to its stakeholders, especially shareholders, investors and lenders. In this section, we try to help readers who are not familiar with accounting rules and financial expressions to understand our financial information, by explaining the functions and relationships between the essential financial statements: the statements of profit or loss and other comprehensive income, the statements of financial position and the statements of cash flows. For comprehensive and authoritative definitions and explanations, readers should turn to the relevant accounting standards, but we hope this section offers useful guidance.

Statements of Profit or Loss and Other Comprehensive Income
These statements comprise (a) profit or loss and (b) other comprehensive income (OCI). The objective of these statements is to present all income or expenses (transactions with non-owners) in a performance statement. OCI represents certain income and expenses which are not recognised in profit or loss as required or permitted by the relevant accounting standards. Transactions with owners such as dividends are presented in the statements of changes in equity.

'Financial performance measured by recording the flow of resources over a period of time'

Statements of Financial Position
These statements sum up the Group's and the Company's economic resources (total assets), obligations (debts and other liabilities) and owners' equity at a particular point of time, in this case, our year end is at 31 December 2022. It also shows how the economic resources contributed by lenders and shareholders are used in the business. In the past, we used to call these statements a "balance sheet" because at any given time, assets must equal liabilities plus owners' equity (in other words, be in balance). The current name reflects its function more accurately.

'A snapshot taken at a point in time of all the assets the company owns and all the claims against those assets'

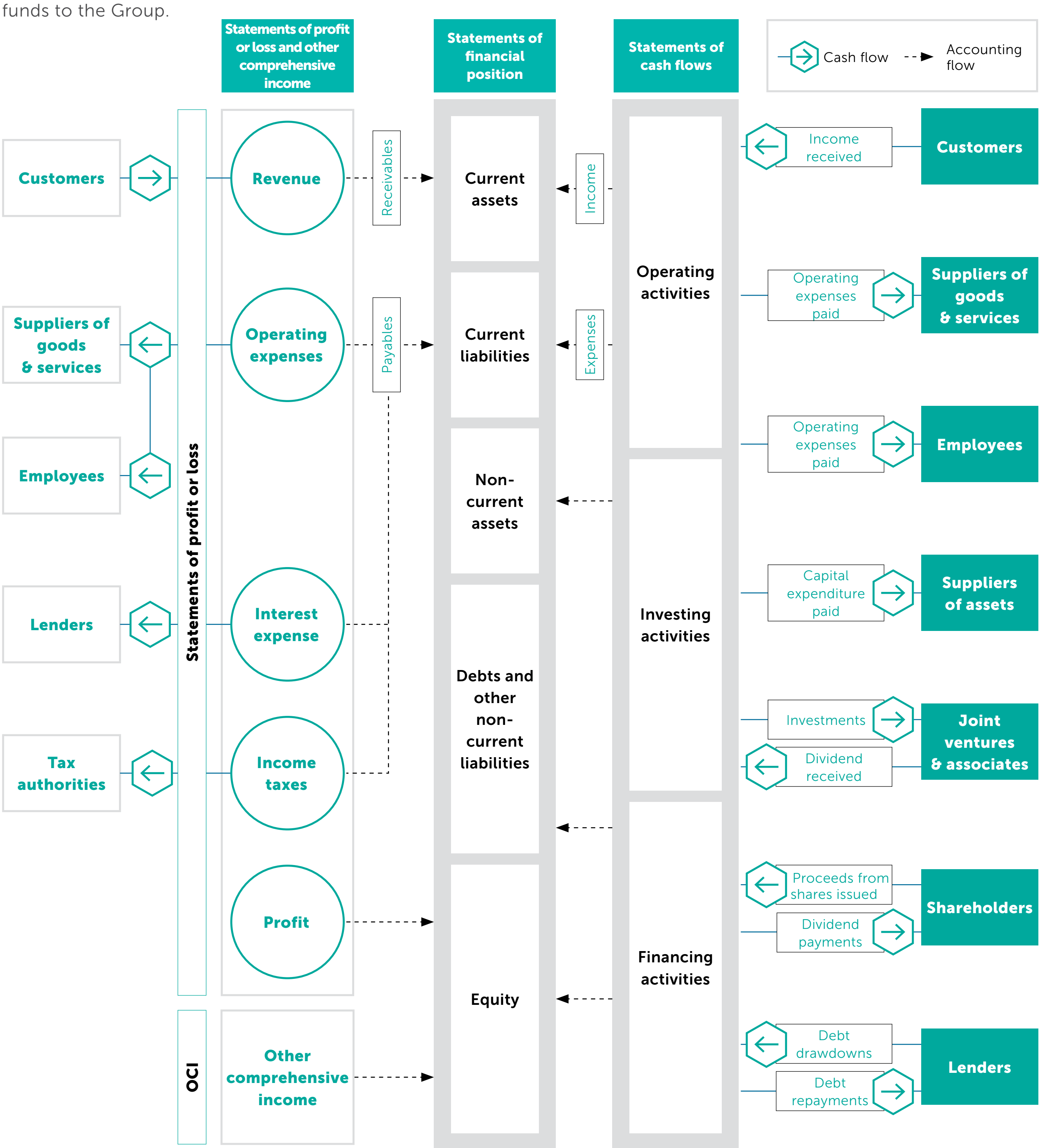
Statements of Cash Flows
These statements divide the cash flows into operating, investing and financing cash flows. While the operating profit underlies the operating cash flows, certain non-cash charges or credits, such as depreciation and amortisation, are adjusted for, thus the operating cash flows and the operating profit are different. Investing cash flows are the cash flows arising from the purchase or disposal of noncurrent assets. Financing cash flows represent the cash flows between its shareholders and lenders.

'Where the company gets its cash and how it spends it'

FINANCIAL STATEMENTS ILLUSTRATED

The diagram below illustrates the relationships between the statements of profit or loss and other comprehensive income, the statements of financial position and the statements of cash flows, as well as their links with the Group's and the Company's stakeholders.

On one hand, the Group earns revenue from customers through the deployment of assets. On the other hand, it pays operating expenses mainly relating to supply of goods and services, staff costs as well as invests in additional non-current assets. The net balance of revenue and operating expenses is the operating profit. After deducting payment to lenders, this profit is available for payment to tax authorities and for distribution to shareholders in return for their contribution of funds to the Group.



STATEMENT OF DIRECTOR'S RESPONSIBILITY

(in relation to the Financial Statements)

The financial statements of the Group and of the Company as set out on pages 10 to 115 of this Financial Report are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2022 and of the results of its operations and cash flows for the year ended on that date.

The Directors consider the following in preparing the financial statements of the Group and of the Company:-

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgments and estimates have been made;
- all Malaysian Financial Reporting Standards and the Companies Act 2016 in Malaysia have been followed; and
- prepared on a going concern basis.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Companies Act, 2016 in Malaysia to be retained by the Group have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

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 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the financial year remained unchanged as investment holding.

In the preparation of the financial statements of the Company, as required by MFRS 11 *Joint Arrangements*, the Company recognises its share of assets held and liabilities incurred jointly in a joint operation company as disclosed in Note 30 to the financial statements.

The principal activities of subsidiaries, and nature of relationship of joint ventures and associates are stated in Note 27, Note 28 and Note 29 to the financial statements respectively and the Board of Directors deems such information included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 27 to the financial statements.

RESULTS

In RM Mil	Group	Company
Profit for the year	6,327	4,721
Attributable to:		
Shareholders of the Company	6,322	4,721
Non-controlling interests	5	-

DIVIDENDS

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

i. In respect of the financial year ended 31 December 2021 as reported in the Directors' Report of that year, a second interim dividend of 23 sen per ordinary share amounting to RM1,840 million was declared on 24 February 2022 and was paid on 25 March 2022; and

ii. In respect of the financial year ended 31 December 2022, a first interim dividend of 25 sen per ordinary share amounting to RM2,000 million was declared on 22 August 2022 and was paid on 21 September 2022.

The Directors had on 23 February 2023 declared a second interim dividend of 16 sen per ordinary share amounting to RM1,280 million in respect of the financial year ended 31 December 2022 which is payable on 23 March 2023. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

DIRECTORS

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

Datuk Ir. (Dr.) Abdul Rahim bin Hashim
Ir. Mohd Yusri bin Mohamed Yusof
Yeoh Siew Ming
Datuk Sazali bin Hamzah
Datuk Toh Ah Wah
Warren William Wilder
Dr. Zafar Abdulmajid Momin
Farehana binti Hanapiah (appointed on 1 June 2022)
Datin Seri Sunita Mei-Lin Rajakumar (appointed on 1 July 2022)
Freida binti Amat (resigned on 21 April 2022)
Noor Ilias bin Mohd Idris (resigned on 21 April 2022)

In accordance with Article 107 of the Company's Constitution, Yeoh Siew Ming and Datuk Toh Ah Wah are due for retirement by rotation at the forthcoming Annual General Meeting ("AGM") of the Company, and being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 100 of the Company's Constitution, Farehana binti Hanapiah and Datin Seri Sunita Mei-Lin Rajakumar who have been appointed to fill casual vacancies on the Board, will retire at the forthcoming AGM, and being eligible, offer themselves for re-election.

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 on the Company's corporate website and the Board of Directors 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 Directors in office at the end of the year who have interests and deemed interests 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 are as follows:

		Number of ordinary shares in the Company			
Name		**Balance at 1.1.2022/ date of appointment**	**Bought**	**Sold**	**Balance at 31.12.2022**
Datuk Ir. (Dr.) Abdul Rahim bin Hashim		60,000	-	-	60,000
Ir. Mohd Yusri bin Mohamed Yusof		23,000	-	-	23,000
Datuk Sazali bin Hamzah	- spouse	10,000	-	10,000	-
	- child	6,000	-	-	6,000
Datuk Toh Ah Wah		30,000	5,000	-	35,000
Farehana binti Hanapiah		6,000	-	-	6,000

None of the other Directors holding office as at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

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 benefits shown below) 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.

The directors' benefit paid to or receivable by directors in respect of the financial year ended 31 December 2022 was RM3,577,000 comprising fees and other short-term employee benefits of RM3,550,000 and RM27,000 respectively.

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, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, 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 (2021: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM260,353 (2021: RM46,527) and RM63,055 (2021: RM25,224) 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 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

DIRECTORS' **REPORT**

OTHER STATUTORY INFORMATION (CONTINUED)

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

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.

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 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 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 41 to 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.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 42 to the financial statements.

AUDITORS

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

The auditors' remuneration of the Group and the Company during the year are RM9,372,000 and RM354,000 respectively.

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

Datuk Ir. (Dr.) Abdul Rahim bin Hashim
Chairman

Ir. Mohd Yusri bin Mohamed Yusof
Director

Kuala Lumpur,
Date: 23 February 2023

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 10 to 115, 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 2022 and of their financial performance and cash flows for the year then ended on that date.

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

Datuk Ir. (Dr.) Abdul Rahim bin Hashim
Chairman

Ir. Mohd Yusri bin Mohamed Yusof
Director

Kuala Lumpur,
Date: 23 February 2023

STATUTORY DECLARATION

I, Mohd Azli bin Ishak, the officer primarily responsible for the financial management of PETRONAS Chemicals Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 115 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

Mohd Azli bin Ishak
MIA Membership Number: 22217
at Kuala Lumpur in Wilayah Persekutuan
on 23 February 2023.

BEFORE ME:
Zainul Abidin bin Ahmad
Commissioner of Oaths (No. W790)

Malaysia
Date: 23 February 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

In RM Million	Note	Group			Company		
		31.12.2022	31.12.2021 restated	1.1.2021 restated	31.12.2022	31.12.2021 restated	1.1.2021 restated
ASSETS							
Property, plant and equipment	3	**27,213**	22,041	20,832	**8,521**	7,642	6,234
Investments in subsidiaries	4	**-**	-	-	**19,502**	20,451	20,940
Investments in joint ventures and associates	5	**1,665**	1,480	722	**1,408**	1,408	1,218
Intangible assets	6	**9,364**	684	744	**-**	-	-
Long term receivables	7	**284**	-	-	**-**	-	-
Retirement benefits	8	**88**	-	-	**-**	-	-
Deferred tax assets	9	**798**	823	879	**-**	-	-
TOTAL NON-CURRENT ASSETS		**39,412**	25,028	23,177	**29,431**	29,501	28,392
Trade and other inventories	10	**3,465**	2,214	1,806	**200**	45	27
Trade and other receivables	11	**3,619**	2,737	1,938	**98**	102	106
Tax recoverable		**46**	85	46	**-**	12	7
Cash and cash equivalents	13	**8,888**	16,390	12,707	**2,852**	1,223	3,523
TOTAL CURRENT ASSETS		**16,018**	21,426	16,497	**3,150**	1,382	3,663
TOTAL ASSETS		**55,430**	46,454	39,674	**32,581**	30,883	32,055
EQUITY							
Share capital	14	**8,871**	8,871	8,871	**8,871**	8,871	8,871
Reserves	15	**30,207**	25,980	21,420	**18,000**	17,103	19,704
Total equity attributable to shareholders of the Company		**39,078**	34,851	30,291	**26,871**	25,974	28,575
Non-controlling interests	16	**655**	535	563	**-**	-	-
TOTAL EQUITY		**39,733**	35,386	30,854	**26,871**	25,974	28,575
LIABILITIES							
Borrowings	17	**2,489**	2,156	1,994	**2,330**	2,014	1,845
Lease liabilities		**1,688**	1,389	908	**1,042**	886	468
Provisions	18	**221**	287	247	**77**	103	79
Retirement benefits	8	**242**	-	-	**-**	-	-
Other long term liabilities	18	**2,191**	1,309	1,434	**759**	-	-
Deferred tax liabilities	9	**2,364**	974	993	**-**	-	-
TOTAL NON-CURRENT LIABILITIES		**9,195**	6,115	5,576	**4,208**	3,003	2,392

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The notes set out on pages 19 to 115 are an integral part of these financial statements.

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2022

In RM Million	Note	Group 31.12.2022	Group 31.12.2021 restated	Group 1.1.2021 restated	Company 31.12.2022	Company 31.12.2021 restated	Company 1.1.2021 restated
LIABILITIES (continued)							
Borrowings	17	**229**	232	198	**115**	139	148
Lease liabilities		**125**	73	80	**6**	10	4
Trade and other payables	19	**5,914**	4,378	2,893	**1,378**	1,757	936
Taxation		**234**	270	73	**3**	-	-
TOTAL CURRENT LIABILITIES		**6,502**	4,953	3,244	**1,502**	1,906	1,088
TOTAL LIABILITIES		**15,697**	11,068	8,820	**5,710**	4,909	3,480
TOTAL EQUITY AND LIABILITIES		**55,430**	46,454	39,674	**32,581**	30,883	32,055

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STATEMENTS OF
PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
In RM Million	Note	2022	2021 restated	2022	2021
Revenue	20	**28,953**	23,026	**4,879**	689
Cost of revenue		**(20,277)**	(14,447)	**(453)**	-
Gross profit		**8,676**	8,579	**4,426**	689
Selling and distribution expenses		**(1,436)**	(1,091)	**-**	-
Administration expenses		**(1,157)**	(839)	**(359)**	(369)
Other expenses		**(166)**	(60)	**(228)**	(12)
Other income		**717**	422	**931**	285
Operating profit	21	**6,634**	7,011	**4,770**	593
Financing costs	22	**(66)**	(29)	**(18)**	(5)
Share of profit after tax of equity-accounted joint ventures and associates		**165**	729	**-**	-
Profit before taxation		**6,733**	7,711	**4,752**	588
Tax expense	23	**(406)**	(391)	**(31)**	(4)
Profit for the year		**6,327**	7,320	**4,721**	584
Profit/(Loss) attributable to:					
Shareholders of the Company		**6,322**	7,346	**4,721**	584
Non-controlling interests		**5**	(26)	**-**	-
PROFIT FOR THE YEAR		**6,327**	7,320	**4,721**	584
Basic earnings per ordinary share (sen)	24	**79.0**	91.8	**-**	-

The notes set out on pages 19 to 115 are an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

In RM Million	Note	Group 2022	Group 2021 restated	Company 2022	Company 2021
Profit for the year					
Other comprehensive income/(loss)		**6,327**	7,320	**4,721**	584
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	8	**33**	-	**-**	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**1,550**	374	**16**	16
Share of other comprehensive income of equity-accounted joint ventures and associates		**89**	41	**-**	-
Others		**-**	(1)	**-**	(1)
		1,639	414	**16**	15
Total other comprehensive income for the year		**1,672**	414	**16**	15
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,999**	7,734	**4,737**	599
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		**7,993**	7,760	**4,737**	599
Non-controlling interests		**6**	(26)	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,999**	7,734	**4,737**	599

The notes set out on pages 19 to 115 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group *In RM Million*	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Non-distributable				Distributable			
	Share capital (Note 14)	Foreign currency translation reserve (Note 15)	Merger reserve (Note 15)	Other reserves (Note 15)	Retained profits	Total		
Balance at 1 January 2022, as previously reported	**8,871**	**24**	**(204)**	**1,042**	**25,272**	**35,005**	**535**	**35,540**
- Effect of amendments to MFRS 116 (Note 38)	**-**	**-**	**-**	**-**	**(154)**	**(154)**	**-**	**(154)**
Balance at 1 January 2022, restated	**8,871**	**24**	**(204)**	**1,042**	**25,118**	**34,851**	**535**	**35,386**
Foreign currency translation differences	**-**	**1,549**	**-**	**-**	**-**	**1,549**	**1**	**1,550**
Share of other comprehensive income of equity-accounted joint ventures and associates	**-**	**-**	**-**	**89**	**-**	**89**	**-**	**89**
Remeasurement of defined benefit liability	**-**	**-**	**-**	**33**	**-**	**33**	**-**	**33**
Total other comprehensive income for the year	**-**	**1,549**	**-**	**122**	**-**	**1,671**	**1**	**1,672**
Profit for the year	**-**	**-**	**-**	**-**	**6,322**	**6,322**	**5**	**6,327**
Total comprehensive income for the year	**-**	**1,549**	**-**	**122**	**6,322**	**7,993**	**6**	**7,999**
Dividends to shareholders of the Company (Note 25)	**-**	**-**	**-**	**-**	**(3,840)**	**(3,840)**	**-**	**(3,840)**
Dividends to a non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Others	**-**	**-**	**-**	**1**	**73**	**74**	**(77)**	**(3)**
Total transactions with owners of the Group	**-**	**-**	**-**	**1**	**(3,767)**	**(3,766)**	**(81)**	**(3,847)**
Acquisition of a subsidiary with non-controlling interest (Note 41)	**-**	**-**	**-**	**-**	**-**	**-**	**195**	**195**
Balance at 31 December 2022	**8,871**	**1,573**	**(204)**	**1,165**	**27,673**	**39,078**	**655**	**39,733**

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2022

Group *In RM Million*	Attributable to shareholders of the Company							
	Non-distributable				Distributable			
	Share capital (Note 14)	Foreign currency translation reserve (Note 15)	Merger reserve (Note 15)	Other reserves (Note 15)	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2021, as previously reported	8,871	(350)	(204)	1,001	21,128	30,446	563	31,009
- Effect of amendments to MFRS 116 (Note 38)	-	-	-	-	(155)	(155)	-	(155)
Balance at 1 January 2021, restated	8,871	(350)	(204)	1,001	20,973	30,291	563	30,854
Foreign currency translation differences	-	374	-	-	-	374	-	374
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	41	-	41	-	41
Others	-	-	-	(1)	-	(1)	-	(1)
Total other comprehensive income for the year	-	374	-	40	-	414	-	414
Profit/(Loss) for the year	-	-	-	-	7,346	7,346	(26)	7,320
Total comprehensive income/(loss) for the year	-	374	-	40	7,346	7,760	(26)	7,734
Additional shares issued to a non-controlling interest	-	-	-	-	-	-	4	4
Dividends to shareholders of the Company (Note 25)	-	-	-	-	(3,200)	(3,200)	-	(3,200)
Dividends to a non-controlling interest	-	-	-	-	-	-	(6)	(6)
Others	-	-	-	1	(1)	-	-	-
Total transactions with owners of the Group	-	-	-	1	(3,201)	(3,200)	(2)	(3,202)
Balance at 31 December 2021	8,871	24	(204)	1,042	25,118	34,851	535	35,386

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2022

Company *In RM Million*	*Attributable to shareholders of the Company*					
	Non-distributable				*Distributable*	
	Share capital (Note 14)	**Foreign currency translation reserve (Note 15)**	**Merger reserve (Note 15)**	**Other reserves (Note 15)**	**Retained profits**	**Total equity**
Balance at 1 January 2022, as previously reported	**8,871**	**15**	**7,176**	**(5)**	**10,068**	**26,125**
- Effect of amendments to MFRS 116 (Note 38)	**-**	**-**	**-**	**-**	**(151)**	**(151)**
Balance at 1 January 2022, restated	**8,871**	**15**	**7,176**	**(5)**	**9,917**	**25,974**
Foreign currency translation differences	**-**	**16**	**-**	**-**	**-**	**16**
Profit for the year	**-**	**-**	**-**	**-**	**4,721**	**4,721**
Total comprehensive income for the year	**-**	**16**	**-**	**-**	**4,721**	**4,737**
Dividends to shareholders of the Company (Note 25)	**-**	**-**	**-**	**-**	**(3,840)**	**(3,840)**
Balance at 31 December 2022	**8,871**	**31**	**7,176**	**(5)**	**10,798**	**26,871**
Balance at 1 January 2021, as previously reported	8,871	(1)	7,176	(4)	12,684	28,726
- Effect of amendments to MFRS 116 (Note 38)	-	-	-	-	(151)	(151)
Balance at 1 January 2021, restated	8,871	(1)	7,176	(4)	12,533	28,575
Foreign currency translation differences	-	16	-	-	-	16
Others	-	-	-	(1)	-	(1)
Profit for the year	-	-	-	-	584	584
Total comprehensive income/(loss) for the year	-	16	-	(1)	584	599
Dividends to shareholders of the Company (Note 25)	-	-	-	-	(3,200)	(3,200)
Balance at 31 December 2021	8,871	15	7,176	(5)	9,917	25,974

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

In RM Million	Note	Group 2022	Group 2021 restated	Company 2022	Company 2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**6,733**	7,711	**4,752**	588
Adjustments for:					
- amortisation of deferred income		**(88)**	(140)	**-**	-
- depreciation and amortisation		**1,589**	1,650	**1**	1
- dividend income		**-**	-	**(4,650)**	(689)
- financing costs		**66**	29	**18**	5
- finance income		**(242)**	-	**(257)**	-
- interest income		**(247)**	(117)	**(74)**	(58)
- share of profit after tax of equity-accounted joint ventures and associates		**(165)**	(729)	**-**	-
- unrealised forex gain		**(494)**	(96)	**(195)**	(118)
- other non-cash items		**202**	146	**(77)**	(30)
Operating profit/(loss) before changes in working capital		**7,354**	8,454	**(482)**	(301)
Change in trade and other inventories		**96**	(529)	**(273)**	(17)
Change in trade and other receivables		**(225)**	(799)	**198**	122
Change in trade and other payables		**1,039**	1,140	**854**	441
Cash generated from operations		**8,264**	8,266	**297**	245
Interest income received		**247**	117	**74**	58
Taxation paid		**(462)**	(197)	**(16)**	(9)
Net cash generated from operating activities		**8,049**	8,186	**355**	294
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from:					
- subsidiaries		**-**	-	**4,544**	489
- joint ventures and associates		**106**	201	**106**	200
Financial assistance to a subsidiary		**-**	-	**-**	(14)
Investments in:					
- subsidiaries		**-**	-	**(468)**	(228)
- joint ventures and associates		**(47)**	(169)	**(26)**	(169)
Payment for acquisition of a subsidiary, net of cash acquired	41	**(11,107)**	-	**-**	-
Payment of deferred consideration		**(49)**	(50)	**-**	-
Payment for settlement of forward foreign exchange contract		**(49)**	(51)	**-**	(51)
Proceeds from settlement of forward foreign exchange contract		**49**	50	**-**	50
Proceeds from disposal of property, plant and equipment		**-**	1	**-**	-
Proceeds from transfer of shares to a subsidiary		**-**	-	**725**	-
Purchase of property, plant and equipment	(i)	**(1,881)**	(1,539)	**(367)**	(327)
Redemption of preference shares in:					
- subsidiaries		**-**	-	**693**	717
- an associate		**27**	-	**27**	-
Net cash (used in)/generated from investing activities		**(12,951)**	(1,557)	**5,234**	667

The notes set out on pages 19 to 115 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

In RM Million	Note	Group 2022	Group 2021 restated	Company 2022	Company 2021
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- PETRONAS		**(2,471)**	(2,059)	**(2,471)**	(2,059)
- others (third parties)		**(1,369)**	(1,141)	**(1,369)**	(1,141)
- non-controlling interest		**(4)**	(6)	**-**	-
Drawdown of:					
- term loans	26	**352**	321	**352**	276
- revolving credit	26	**150**	83	**-**	-
Payment of lease liabilities:					
- principal	26	**(67)**	(68)	**(1)**	(1)
- interest	26	**(50)**	(50)	**(13)**	(11)
Proceeds from shares issued to a non- controlling interest		**-**	4	**-**	-
Repayment of revolving credit	26	**(141)**	(33)	**-**	-
Repayment of term loans:					
- principal	26	**(146)**	(206)	**(146)**	(161)
- interest	26	**(60)**	(29)	**(54)**	(27)
Net cash used in financing activities		**(3,806)**	(3,184)	**(3,702)**	(3,124)
Net cash flows from operating, investing and financing activities		**(8,708)**	3,445	**1,887**	(2,163)
Effect of foreign currency translation differences		**470**	11	**(258)**	(137)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(8,238)**	3,456	**1,629**	(2,300)
NET FOREIGN EXCHANGE DIFFERENCES ON CASH HELD		**736**	227	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**16,390**	12,707	**1,223**	3,523
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	**8,888**	16,390	**2,852**	1,223

Total cash outflows for leases for the Group and the Company comprise payment of lease liabilities, short-term lease, low-value assets and variable lease payments amounting to RM142 million (2021: RM143 million) and RM13 million (2021: RM15 million) respectively.

i) Purchase of property, plant and equipment

During the financial year, the Group and the Company purchased property, plant and equipment with an aggregated cost of RM2,277 million (2021: RM2,021 million) and RM540 million (2021: RM770 million) respectively. Reconciliation of the acquisition cost in the property, plant and equipment as disclosed in Note 3 and Statements of Cash Flows is as follows:

In RM Million	Note	Group 2022	Group 2021 restated	Company 2022	Company 2021
Addition of property, plant and equipment excluding right-of-use assets	3	**2,277**	2,021	**540**	770
Adjustment for non-cash items:					
Accruals movement		**(111)**	(319)	**6**	(316)
Interest on term loan capitalised	3	**(66)**	(30)	**(66)**	(30)
Interest on lease liabilities capitalised	3	**(101)**	(96)	**(72)**	(71)
Depreciation on right-of-use assets capitalised	3	**(30)**	(29)	**(18)**	(19)
Others		**(88)**	(8)	**(23)**	(7)
Purchase of property, plant and equipment		**1,881**	1,539	**367**	327

NOTES TO THE FINANCIAL STATEMENTS

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.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

As of 1 January 2022, 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 35.

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 36. Revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 37.

These financial statements were approved and authorised for issue by the Board of Directors on 23 February 2023.

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 which are measured at fair value, as disclosed in 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 Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM 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.

NOTES TO THE **FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgments (continued)

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 2.13 : Taxation;
(ii) Note 3 : Property, plant and equipment;
(iii) Note 6 : Intangible assets;
(iv) Note 8 : Retirement benefits;
(v) Note 18 : Provisions and other long term liabilities; and
(vi) Note 41 : Acquisition of a subsidiary.

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

(i) Subsidiaries

Subsidiaries are 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.

Subsidiaries that were acquired from PETRONAS upon Initial Public Offering ("IPO") are consolidated using the merger method of accounting. Other subsidiaries are consolidated using the acquisition method of accounting.

Under the merger method of accounting, the results of entities or businesses under common control 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 in the consolidated statements of financial position. The difference between the cost of acquisition and the nominal value of the shares acquired are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within the Group.

All intercompany 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

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 the liabilities assumed are measured at their fair values at the acquisition date. The cost of the acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interest 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.

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.

Non-controlling interests

Non-controlling interests at the end of 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 statements of financial position and statements 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 statements of profit or loss and consolidated statement of other comprehensive income as an allocation of the profit or loss and total comprehensive income for the financial 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

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 as other income or other expense respectively 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, joint operation or as fair value through comprehensive income financial asset depending on the level of influence retained.

(ii) Joint arrangements

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

Joint arrangement are classified as either a joint operation or a 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 or the Company has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.1 (iii).

(iii) 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 profit or loss 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 statements 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(iii) Associates (continued)

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.

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.

2.2 Property, plant and equipment and depreciation

Recognition and measurement

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

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Property, plant and equipment and depreciation (continued)

Depreciation

Depreciation for property, plant and equipment other than 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.

Buildings are depreciated over their useful lives or over the remaining land lease period, whichever is shorter.

The estimated useful lives for property, plant and equipment have been revised during the year as follows:

	2022	2021
Buildings	6 - 66 years	14 - 66 years
Plant and equipment	3 - 66 years	3 - 67 years
Office equipment, furniture and fittings	3 - 20 years	5 - 7 years
Computer software and hardware	3 - 20 years	5 years
Motor vehicles	3 - 10 years	3 - 5 years

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 lives of the right-of-use asset or the end of the lease term.

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.

2.3 Leases

Definition of 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Leases (continued)

Definition of lease (continued)

- 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.

(i) As a lessee

Recognition and initial measurement

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; 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 'lease liabilities' in the statement of financial position.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Leases (continued)

(i) As a lessee (continued)

Subsequent measurement

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. 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.

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 their assessment of whether they will exercise a purchase, extension or termination option. The Group and the Company 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 scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the modification is 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.

The Group and the Company have applied the amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* whereby rent concessions received as a direct consequence of the COVID-19 pandemic are not assessed as a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are met, rent concessions are treated as variable lease payments and impact will be recognised in the profit or loss for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Leases (continued)

(ii) As a lessor

Recognition and initial measurement

When the Group or the Company acts 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 or the Company 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 or the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

Subsequent measurement

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 'other income'.

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 2.8).

2.4 Investments

Long term investments in subsidiaries, joint ventures and associates are stated at cost less impairment losses, if any, in the Company's financial statements, unless the investments are 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 (Note 2.6 (i)).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(i) Goodwill

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1 (i). Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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.

(ii) Trademarks

Trademarks arising from business combinations are initially measured at cost. Trademarks relating to acquisition of a subsidiary in 2019 have useful lives of 20 years. The trademarks of a newly acquired subsidiary during the year have indefinite useful lives due to their continuous renewal processes.

(iii) Customer relations

Customer relations reflect the future value generation related to core customers. The initial measurement is stated at cost and has a straight line amortisation basis over the estimated useful lives.

(iv) Patents and know-how

Patents and know-how are the proprietary processes which give an edge over competitors. The patents and know-how are continually renewed when the Group introduces an innovation to the existing patents. Patents and know-how acquired through business combination are measured at cost and has a straight line amortisation basis over the estimated useful lives.

(v) Formulae

Formulae relate to product formulation for specialty chemicals and are measured at cost. The formulae has a straight line amortisation basis over the estimated useful lives of 20 years.

(vi) Other intangible assets

Other intangible assets comprise license from third party are measured on initial recognition at cost. The estimated useful life for the license from third party for the current and comparative year is 10 years.

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

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that it may be impaired. Impairment assessment for indefinite useful lives intangibles asset is performed annually.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

The estimated useful lives of certain intangible assets of a newly acquired subsidiary during the year will be finalised upon completion of purchase price allocation in 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments

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

(i) Financial assets

Recognition and initial measurement

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

Regular way purchases or sales of financial assets (purchases or sales under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned) are recognised on the trade date i.e. the date that the Group or the Company commits to purchase or to sell the financial assets.

Fair value adjustments on shareholders' 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

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

The Group and the Company determine the classification of financial assets at initial recognition and are not subsequently reclassified unless the Group and the Company change 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 of the business model.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost as described below 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 2.6 (iii)). On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortised cost or at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 2.7.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(i) Financial assets (continued)

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 to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.6 (vi)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

Amortised cost financial assets are subject to impairment as stated in Note 2.8 (i).

(ii) Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised initially at fair value plus or minus, in the case of financial instrument not at fair value through profit or loss, any directly attributable transaction costs incurred at the acquisition or issuance of financial instrument.

The Group's and the Company's financial liabilities include borrowings, trade and other payables, lease liabilities and derivative financial instruments.

Classification and subsequent measurement

Financial liabilities are classified as measured at FVTPL and amortised cost, as appropriate.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(ii) Financial liabilities (continued)

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.6 (vi)).

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) Hedge accounting

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 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 the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(iv) Hedge accounting (continued)

Cash flow hedge (continued)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(v) Derivative financial instruments

The Group uses derivative financial instruments such as forward rate contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

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.

Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments during the financial year, other than those accounted for under hedge accounting as described in Note 2.6 (iv) are recognised in the profit or loss.

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.

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.

(vi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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.

(viii) 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 where the effective interest rate is applied to the amortised cost (see Note 2.8 (i)).

(ix) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group or the Company has transferred its rights to receive cash flows from the asset or has 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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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. In the case of waiver of debt from owners, the gain is recognised in equity as other reserve.

Interest rate benchmark reform

The Group and the Company have applied 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)*.

As of 31 December 2022, the Group and the Company have applied the practical expedients provided in the amendments for the benchmark rate that had been replaced with an alternative benchmark rate. Certain transitional activities are currently ongoing, with an aim to achieve economically equivalent transactions and minimal impact upon transition.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.8 Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost.

The Group and the Company measure loss allowances on debt securities and cash and cash equivalents 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 are measured as 12-month expected credit loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(i) Financial assets (continued)

Loss allowances for trade receivables 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 and the Company'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 months 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 and the Company are 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 asset is reduced through the use of an allowance account.

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, are subject to impairment.

(ii) Other assets

The carrying amounts of other assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. The carrying amounts are reviewed more frequently if events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(ii) Other assets (continued)

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 amounts 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 costs of disposal 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, 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 financial year in which the reversals are recognised.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw material costs, production overheads and other costs necessary to bring the inventory to its present location and condition, and is determined on a weighted average basis.

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

2.10 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 with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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. Future operating losses are not provided for. 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 net 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.

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 or the Company, 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.

2.12 Employee benefits

(i) 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.

(ii) 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.

(iii) Defined benefit plans

Some of the Group's subsidiaries make contributions to retirement benefit plans which are funded defined benefit plans.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation of defined benefit obligations is performed annually by an independent actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Employee benefits (continued)

(iii) Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest of the defined benefit liability or asset) and any effect of the asset ceiling (excluding amounts included in the net interest of defined benefit liability or asset), are recognised immediately in other comprehensive income.

The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Interest expense, interest income and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.13 Taxation

Tax on the profit or loss for the financial 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.

(i) Current tax

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

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation (continued)

(ii) Deferred tax (continued)

Tax incentives with the features similar to government grant are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised, as deferred tax assets with a corresponding deferred income. Subsequently, the deferred income is amortised to profit or loss as other income on a systematic basis over the periods in which the related costs, for which the tax incentives are intended to compensate, are expensed to profit or loss. The Group continues to account for tax incentives that do not have features similar to government grant as tax credits.

Deferred tax is not recognised for 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 nor 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 the end of 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.

2.14 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 at the reporting date.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss.

On consolidation, the assets and liabilities of subsidiaries or at the separate financial statements of the Company, the assets and liabilities of joint operation with functional currencies other than Ringgit Malaysia are translated into Ringgit Malaysia at the exchange rates ruling at reporting date.

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 impact are recognised in the foreign currency translation reserve within equity.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Foreign currency transactions (continued)

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 a net investment in a foreign operation and are reclassified to other comprehensive income and presented 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.

2.15 Revenue

Revenue from contract with customers is measured based on the consideration specified in the contract and exclude amounts collected on behalf of third parties. The Group or the Company recognises revenue from sales of petrochemical and specialty products when or as it transfers control over a product or service to customer. Control of a product is transferred when it is delivered at an agreed delivery point, upon which revenue is recognised at a point in time.

Dividend income is recognised on the date the right to receive payment is established.

Other revenue comprises revenue from port services rendered which is recognised based on the actual and estimated throughput volume and port charges.

2.16 Interest income

Income arising from assets yielding interest and proceeds from Shariah compliant instruments are recognised on a time proportion basis that takes into account the effective yield on the assets.

2.17 Financing costs

Financing costs comprise interest payable on borrowings and lease liabilities as well as any 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 borrowing costs attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale), which are capitalised as part of the cost of those assets.

The interest component of finance lease payment is accounted for in accordance with policy set out in Note 2.3.

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 is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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 subsequent to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issuance expenses

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2.19 Basic earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year.

2.20 Operating segments

An operating segment is a component of the Group 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 components of the Group, and for which discrete financial information is available) whose operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director/Chief Executive Officer ("MD/CEO"), to make decisions about resources to be allocated to the segments and to assess the performance of the Group.

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT

Group 2022 *In RM Million*	**At 1.1.2022 as previously reported**	**Effect of amendments of MFRS 116 (Note 38)**	**At 1.1.2022 as restated**	**Additions**	**Disposals/ Write-offs**
At cost:					
Own use					
Freehold land	-	-	-	-	-
Buildings	1,962	-	1,962	4	(1)
Plant and equipment	29,184	-	29,184	120	(597)
Office equipment, furniture and fittings	374	-	374	-	(2)
Computer software and hardware	416	-	416	4	(8)
Motor vehicles	33	-	33	-	-
Projects-in-progress	9,622	(154)	9,468	2,149	(6)
	41,591	(154)	41,437	2,277	(614)
Right-of-use					
Leasehold land	690	-	690	-	-
Buildings	155	-	155	12	(5)
Plant and equipment	1,145	-	1,145	31	-
Computer software and hardware	-	-	-	-	-
Motor vehicles	66	-	66	2	(3)
Vessels	76	-	76	165	(80)
	2,132	-	2,132	210	^(88)
	43,723	(154)	43,569	2,487	(702)

continue to next page

^ Relates to derecognition of right-of-use assets in accordance with MFRS 16 *Leases* following end of lease of contracts.

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2022 *In RM Million*	**Acquisition of a subsidiary (Note 41)**	**Transfers/ Adjustments**	**Translation exchange difference**	**At 31.12.2022**
At cost:				
Own use				
Freehold land	163	-	4	167
Buildings	406	27	6	2,404
Plant and equipment	2,379	1,260	30	32,376
Office equipment, furniture and fittings	-	-	-	372
Computer software and hardware	67	50	4	533
Motor vehicles	-	-	-	33
Projects-in-progress	747	(1,465)	523	11,416
	3,762	(128)	567	47,301
Right-of-use				
Leasehold land	-	(26)	8	672
Buildings	12	-	7	181
Plant and equipment	14	(40)	63	1,213
Computer software and hardware	1	-	-	1
Motor vehicles	8	-	-	73
Vessels	-	-	5	166
	35	(66)	83	2,306
	3,797	^^(194)	650	49,607

continued from previous page

^^ Relates to remeasurement of right-of-use assets in accordance with MFRS 16 *Leases* following extension or amendment of existing lease contract as well as transfers of property, plant and equipment to inventory.

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group **2022** *In RM Million*	**At 1.1.2022**	**Charge for the year**	**Disposals/ Write-offs**
Accumulated depreciation and impairment losses:			
Own use			
Buildings	**851**	**56**	**(1)**
Plant and equipment	**19,735**	**1,305**	**(578)**
Office equipment, furniture and fittings	**249**	**25**	**(2)**
Computer software and hardware	**308**	**45**	**(8)**
Motor vehicles	**30**	**1**	**-**
	21,173	**1,432**	**(589)**
Right-of-use			
Leasehold land	**152**	**15**	**-**
Buildings	**15**	**12**	**(5)**
Plant and equipment	**103**	**47**	**-**
Computer software and hardware	**-**	**-**	**-**
Motor vehicles	**16**	**11**	**(2)**
Vessels	**69**	**31**	**(80)**
	355	**116**	**^(87)**
	21,528	**1,548**	**(676)**

continue to next page

^ Relates to derecognition of right-of-use assets in accordance with MFRS 16 *Leases* following end of lease of contracts.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2022 *In RM Million*	Transfers/ Adjustments	Translation exchange difference	At 31.12.2022
Accumulated depreciation and impairment losses:			
Own use			
Buildings	**-**	**(2)**	**904**
Plant and equipment	**(7)**	**(8)**	**20,447**
Office equipment, furniture and fittings	**-**	**-**	**272**
Computer software and hardware	**-**	**2**	**347**
Motor vehicles	**-**	**-**	**31**
	(7)	**(8)**	**22,001**
Right-of-use			
Leasehold land	**-**	**1**	**168**
Buildings	**-**	**-**	**22**
Plant and equipment	**-**	**5**	**155**
Computer software and hardware	**-**	**-**	**-**
Motor vehicles	**-**	**-**	**25**
Vessels	**-**	**3**	**23**
	-	**9**	**393**
	#(7)	**1**	**22,394**

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Relates to transfers of property, plant and equipment to inventory.

Included in the accumulated depreciation and impairment losses of property, plant and equipment are impairment losses carried forward of RM266 million (2021: RM266 million).

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2021 *In RM Million*	At 1.1.2021 as previously reported	Effect of amendments of MFRS 116 (Note 38)	At 1.1.2021 as restated	Additions
At cost:				
Own use				
Buildings	1,933	-	1,933	1
Plant and equipment	28,823	-	28,823	54
Office equipment, furniture and fittings	359	-	359	17
Computer software and hardware	392	-	392	2
Motor vehicles	35	-	35	-
Projects-in-progress	8,377	(155)	8,222	1,947
	39,919	(155)	39,764	2,021
Right-of-use				
Leasehold land	689	-	689	-
Buildings	50	-	50	97
Plant and equipment	1,127	-	1,127	515
Motor vehicles	12	-	12	21
Vessels	97	-	97	-
	1,975	-	1,975	633
	41,894	(155)	41,739	2,654

continue to next page

In RM Million	At 1.1.2021	Charge for the year
Accumulated depreciation and impairment losses:		
Own use		
Buildings	804	49
Plant and equipment	18,908	1,408
Office equipment, furniture and fittings	218	41
Computer software and hardware	304	35
Motor vehicles	31	1
	20,265	1,534
Right-of-use		
Leasehold land	137	15
Buildings	1	14
Plant and equipment	459	46
Motor vehicles	9	11
Vessels	36	32
	642	118
	20,907	1,652

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NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2021 *In RM Million*	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**Translation exchange difference**	**At 31.12.2021**
At cost:				
Own use				
Buildings	(1)	30	(1)	1,962
Plant and equipment	(596)	903	-	29,184
Office equipment, furniture and fittings	(9)	9	(2)	374
Computer software and hardware	(33)	53	2	416
Motor vehicles	(2)	-	-	33
Projects-in-progress	(1)	(995)	295	9,468
	(642)	-	294	41,437
Right-of-use				
Leasehold land	-	(4)	5	690
Buildings	-	6	2	155
Plant and equipment	(404)	(131)	38	1,145
Motor vehicles	(4)	37	-	66
Vessels	-	(23)	2	76
	^(408)	^^(115)	47	2,132
	(1,050)	(115)	341	43,569

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In RM Million	**Disposals/ Write-offs**	**Translation exchange difference**	**At 31.12.2021**
Accumulated depreciation and impairment losses:			
Own use			
Buildings	(1)	(1)	851
Plant and equipment	(581)	-	19,735
Office equipment, furniture and fittings	(9)	(1)	249
Computer software and hardware	(32)	1	308
Motor vehicles	(2)	-	30
	(625)	(1)	21,173
Right-of-use			
Leasehold land	-	-	152
Buildings	-	-	15
Plant and equipment	(404)	2	103
Motor vehicles	(4)	-	16
Vessels	-	1	69
	^(408)	3	355
	(1,033)	2	21,528

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^ Relates to derecognition of right-of-use assets in accordance with MFRS 16 *Leases* following end of lease of contracts.

^^ Relates to remeasurement of right-of-use assets in accordance with MFRS 16 *Leases* following extension or amendment of existing lease contract.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2022 *In RM'000*	At 1.1.2022 as previously reported	Effect of amendments of MFRS 116 (Note 38)	At 1.1.2022 as restated	Additions
At cost:				
Own use				
Office equipment, furniture and fittings	**756**	**-**	**756**	**13**
Computer software and hardware	**18,677**	**-**	**18,677**	**62**
Motor vehicles	**308**	**-**	**308**	**-**
Projects-in-progress	**6,855,391**	**(151,095)**	**6,704,296**	**538,825**
	6,875,132	**(151,095)**	**6,724,037**	**539,900**
Right-of-use				
Leasehold land	**141,165**	**-**	**141,165**	**-**
Buildings	**60,204**	**-**	**60,204**	**-**
Plant and equipment	**780,374**	**-**	**780,374**	**-**
	981,743	**-**	**981,743**	**-**
	7,856,875	**(151,095)**	**7,705,780**	**539,900**

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In RM'000	At 1.1.2022	Charge for the year	Disposals/ Write-offs
Accumulated depreciation:			
Own use			
Office equipment, furniture and fittings	**627**	**46**	**(44)**
Computer software and hardware	**16,968**	**944**	**(1,077)**
Motor vehicles	**308**	**-**	**(308)**
	17,903	**990**	**(1,429)**
Right-of-use			
Leasehold land	**6,179**	**1,647**	**-**
Buildings	**1,141**	**1,164**	**-**
Plant and equipment	**38,651**	**14,777**	**-**
	45,971	**17,588**	**-**
	63,874	**18,578**	**(1,429)**

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NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2022 *In RM'000*	**Disposals/ Write-offs**	**Transfers/ Adjustments**	**Translation exchange difference**	**At 31.12.2022**
At cost:				
Own use				
Office equipment, furniture and fittings	(44)	-	-	725
Computer software and hardware	(1,236)	-	-	17,503
Motor vehicles	(308)	-	-	-
Projects-in-progress	-	(105,680)	408,270	7,546,711
	(1,588)	#(105,680)	408,270	7,564,939
Right-of-use				
Leasehold land	-	40,948	4,279	186,392
Buildings	-	(3,994)	3,462	59,672
Plant and equipment	-	(31,177)	44,871	794,068
	-	5,777	52,612	1,040,132
	(1,588)	(99,903)	460,882	8,605,071

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In RM'000	**Translation exchange difference**	**At 31.12.2022**
Accumulated depreciation:		
Own use		
Office equipment, furniture and fittings	-	629
Computer software and hardware	-	16,835
Motor vehicles	-	-
	-	17,464
Right-of-use		
Leasehold land	362	8,188
Buildings	70	2,375
Plant and equipment	2,282	55,710
	2,714	66,273
	2,714	83,737

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Relates to transfers from property, plant and equipment to inventory.

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2021 *In RM'000*	**At 1.1.2021 as previously reported**	**Effect of amendments of MFRS 116 (Note 38)**	**At 1.1.2021 as restated**	**Additions**
At cost:				
Own use				
Office equipment, furniture and fittings	770	-	770	-
Computer software and hardware	18,700	-	18,700	32
Motor vehicles	308	-	308	-
Projects-in-progress	5,859,183	(151,095)	5,708,088	770,303
	5,878,961	(151,095)	5,727,866	770,335
Right-of-use				
Leasehold land	138,665	-	138,665	-
Buildings	-	-	-	58,430
Plant and equipment	410,301	-	410,301	456,085
	548,966	-	548,966	514,515
	6,427,927	(151,095)	6,276,832	1,284,850

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In RM'000	**At 1.1.2021**	**Charge for the year**
Accumulated depreciation:		
Own use		
Office equipment, furniture and fittings	537	90
Computer software and hardware	15,963	1,005
Motor vehicles	302	6
	16,802	1,101
Right-of-use		
Leasehold land	4,803	1,235
Buildings	-	1,133
Plant and equipment	21,359	16,670
	26,162	19,038
	42,964	20,139

continue to next page

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company **2021** *In RM'000*	**Transfers/ Adjustments**	**Translation exchange difference**	**At 31.12.2021**
At cost:			
Own use			
Office equipment, furniture and fittings	(14)	-	756
Computer software and hardware	(55)	-	18,677
Motor vehicles	-	-	308
Projects-in-progress	(2,439)	228,344	6,704,296
	*(2,508)	228,344	6,724,037
Right-of-use			
Leasehold land	-	2,500	141,165
Buildings	-	1,774	60,204
Plant and equipment	(113,799)	27,787	780,374
	^^(113,799)	32,061	981,743
	(116,307)	260,405	7,705,780

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In RM'000	**Translation exchange difference**	**At 31.12.2021**
Accumulated depreciation:		
Own use		
Office equipment, furniture and fittings	-	627
Computer software and hardware	-	16,968
Motor vehicles	-	308
	-	17,903
Right-of-use		
Leasehold land	141	6,179
Buildings	8	1,141
Plant and equipment	622	38,651
	771	45,971
	771	63,874

continued from previous page

* Relates to software development expenditure back charged to subsidiaries.

^^ Relates to remeasurement of right-of-use assets in accordance with MFRS 16 *Leases* following extension or amendment of existing lease contract.

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In RM Million	Group 2022	Group 2021 restated
Carrying amount		
Own use		
Freehold land	**167**	-
Buildings	**1,500**	1,111
Plant and equipment	**11,929**	9,449
Office equipment, furniture and fittings	**100**	125
Computer software and hardware	**186**	108
Motor vehicles	**2**	3
Projects-in-progress	**11,416**	9,468
	25,300	20,264
Right-of-use		
Leasehold land	**504**	538
Buildings	**159**	140
Plant and equipment	**1,058**	1,042
Computer software and hardware	**1**	-
Motor vehicles	**48**	50
Vessels	**143**	7
	1,913	1,777
	27,213	22,041

In RM '000	Company 2022	Company 2021 restated
Carrying amount:		
Own use		
Office equipment, furniture and fittings	**96**	129
Computer software and hardware	**668**	1,709
Projects-in-progress	**7,546,711**	6,704,296
	7,547,475	6,706,134
Right-of-use		
Leasehold land	**178,204**	134,986
Buildings	**57,297**	59,063
Plant and equipment	**738,358**	741,723
	973,859	935,772
	8,521,334	7,641,906

For the Group and the Company, the land lease right amounting to RM109 million (2021: RM66 million) is pledged as a security for loan facility as set out in Note 17.

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Projects-in-progress

The additions to projects-in-progress during the financial year include the following:

In RM Million	Note	Group		Company	
		2022	**2021**	**2022**	**2021**
Interest on term loan	22	**66**	30	**66**	30
Interest on lease liabilities	22	**101**	96	**72**	71
Depreciation of right-of-use assets		**30**	29	**18**	19
Amortisation of transaction cost	22	**9**	7	**9**	7
		206	162	**165**	127

The capitalisation rates used to determine the amount of the borrowing cost eligible for capitalisation for the Group and the Company are 3.99% (2021: 3.57%) and 4.22% (2021: 3.65%) per annum respectively.

As a lessee

Right-of-use assets

Depreciation of right-of-use assets

In RM Million	Group		Company	
	2022	**2021**	**2022**	**2021**
Capitalised in property, plant and equipment	**30**	29	**18**	19
Recognised in profit or loss	**86**	89	**-**	-
Total depreciation	**116**	118	**18**	19

Extension options

Certain lease contracts contain extension options exercisable 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 leases contracts to provide operational flexibility.

Change in estimates

During the year, the Group and the Company revised the expected useful lives of certain property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates and the effect of these changes on depreciation expenses, in current and future periods are not material.

4. INVESTMENTS IN SUBSIDIARIES

In RM Million	Company	
	2022	**2021**
Investments at cost	**20,142**	21,091
Less: Impairment losses	**(640)**	(640)
	19,502	20,451

Summarised financial information of non-controlling interests has not been included as the non-controlling interests of the subsidiaries are not individually material to the Group.

Details of subsidiaries are stated in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Group		Company	
In RM Million	2022	2021	2022	2021
Investments at cost	**1,315**	1,283	**1,408**	1,408
Share of post-acquisition profit or loss and reserves	**350**	197	**-**	-
	1,665	1,480	**1,408**	1,408

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

Details of joint ventures and associates are stated in Note 28 and Note 29 respectively.

6. INTANGIBLE ASSETS

Group 2022 *In RM Million*	At 1.1.2022	Addition	Acquisition of a subsidiary (Note 41)	Translation exchange difference	At 31.12.2022
At cost:					
Goodwill	**231**	**-**	**2,885**	**(102)**	**3,014**
Trademarks	**1**	**-**	**2,197**	**47**	**2,245**
Customer relations	**-**	**-**	**1,886**	**39**	**1,925**
Patents and know-how	**1**	**8**	**1,666**	**35**	**1,710**
Formulae	**509**	**-**	**-**	**(2)**	**507**
Others	**23**	**8**	**84**	**(2)**	**113**
	765	**16**	**8,718**	**15**	**9,514**

	At 1.1.2022	Charge for the year	Translation exchange difference	At 31.12.2022
Accumulated amortisation:				
Customer relations	**-**	**28**	**(1)**	**27**
Patents and know-how	**-**	**18**	**(1)**	**17**
Formulae	**58**	**25**	**-**	**83**
Others	**23**	**-**	**-**	**23**
	81	**71**	**(2)**	**150**

NOTES TO THE **FINANCIAL STATEMENTS**

6. INTANGIBLE ASSETS (CONTINUED)

Group **2021** *In RM Million*	**At 1.1.2021**	**Translation exchange difference**	**At 31.12.2021**
At cost:			
Goodwill	242	(11)	231
Trademarks	1	-	1
Patents	1	-	1
Formulae	534	(25)	509
Others	23	-	23
	801	(36)	765

	At 1.1.2021	**Charge for the year**	**Translation exchange difference**	**At 31.12.2021**
Accumulated amortisation:				
Formulae	34	27	(3)	58
Others	23	-	-	23
	57	27	(3)	81

Group *In RM Million*	**Carrying amount**	
	2022	**2021**
Goodwill	**3,014**	231
Trademarks	**2,245**	1
Customer relations	**1,898**	-
Patents and know-how	**1,693**	1
Formulae	**424**	451
Others	**90**	-
	9,364	684

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating unit ("CGU") which represents the lowest level within the Group and at which the goodwill is monitored for internal management purposes.

6. INTANGIBLE ASSETS (CONTINUED)

Impairment review of goodwill (continued)

	Carrying amount	
In RM Million	**2022**	**2021**
Silicone and Lubricant Additives Chemicals CGU	**230**	231
Advanced Chemicals & Solutions and Animal Nutrition CGU	**2,784**	-
	3,014	231

Silicone and Lubricant Additives Chemicals CGU

In performing the impairment assessment for goodwill that arose from the acquisition of a subsidiary in 2019, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit.

The recoverable amount for the cash-generating unit was based on fair value less costs to sell, which is estimated using income approach. The fair value measurement was categorised as a Level 3 fair value.

The recoverable amount of cash-generating unit was determined by discounting the future amounts of cash flows incorporating current market expectations about the future amounts.

The cash flow was projected based on plans and forecast approved by management for the next 10 years. For the period thereafter, a terminal value was calculated using perpetuity growth rate of 2.1% (2021: 2.1%) based on external macroeconomics and industry specific sources. The future cash flow was discounted using discount rate at about 8% (2021: 8%).

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) An increase of 0.5 percentage point in discount rate used would have reduced the recoverable amount by approximately RM202 million (2021: RM158 million); and

(ii) A decrease of 0.5 percentage point in perpetuity growth rate used would have reduced the recoverable amount by approximately RM122 million (2021: RM94 million).

Advanced Chemicals & Solutions and Animal Nutrition CGU

For impairment testing of goodwill relating to current year acquisition, the consideration paid represented the best evidence of the subsidiary's fair value less cost to sell since there was no significant adverse events between the date of acquisition until the year end.

NOTES TO THE **FINANCIAL STATEMENTS**

7. LONG TERM RECEIVABLES

In RM Million	Note	Group 2022	Group 2021
Trade receivable	7.1	**22**	-
Other receivables and prepayments	7.2	**262**	-
		284	-

7.1 During the year, the Group via its subsidiary has entered into an arrangement on trade receivable amounting to RM37 million which resulted in adjustment of timing for payments of the balances. The receivable was fair valued on initial measurement and resulted in recognition of loss amounting to RM15 million. The trade receivable is subjected to accretion of interest income over the period of the arrangement.

7.2 Included in other receivables are amount transferred into escrow account in relation to acquisition of a subsidiary (refer Note 41).

8. RETIREMENT BENEFITS

In RM Million	Group 2022	Group 2021
Net defined benefit liability		
Defined benefit obligations (funded/unfunded)	**326**	-
Salary taxes, defined benefit obligation	**4**	-
Fair value of plan assets	**(196)**	-
Salary taxes, direct pension	**20**	-
	154	-

Arising from the acquisition of a subsidiary during the year, the Group has defined benefit pension plans that provide pension benefits and specific pension insurance plans excluding healthcare for employees upon retirement.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

The defined benefit pension obligations are divided into funded and unfunded pension plans. The plan assets for the funded plans relate primarily to Group's subsidiaries in the United States of America ("US"). The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purpose for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the plans.

The Group expects to pay RM7,344,000 in contributions to its defined benefit plans in 2023.

NOTES TO THE FINANCIAL STATEMENTS

8. RETIREMENT BENEFITS (CONTINUED)

Movement in net defined liability

The following table shows a reconciliation from the opening balance to the closing balance for the net defined benefit liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
In RM Million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Balance as at acquisition date	**378**	-	**(213)**	-	**165**	-
Included in profit or loss						
Current service cost	**10**	-	**-**	-	**10**	-
Expected return on plan assets	**-**	-	**51**	-	**51**	-
Fees from employer	**-**	-	**(5)**	-	**(5)**	-
Disbursement	**(14)**	-	**8**	-	**(6)**	-
Translation effects	**35**	-	**(31)**	-	**4**	-
Interest cost/(income)	**9**	-	**(6)**	-	**3**	-
Salary taxes, defined benefit obligation	**4**	-	**-**	-	**4**	-
Salary taxes, direct pension	**20**	-	**-**	-	**20**	-
Others	**(59)**	-	**-**	-	**(59)**	-
	5	-	**17**	-	**22**	-
Included in other comprehensive income						
Actuarial profit	**(33)**	-	**-**	-	**(33)**	-
Balance as at 31 December	**350**	-	**(196)**	-	**154**	-

Plan assets

The plan assets relates primarily to subsidiaries in the US, of which 87% are invested in debt securities, 10% in equity and 3% in cash and cash equivalents.

Defined benefit obligation

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2022	**2021**
Discount rate	**4.3%**	- %
Future salary growth	**3.1%**	- %
Anticipated return on plan assets	**2.7%**	- %
Anticipated average remaining employment term, year	**11.9**	-

Sensitivity analysis

Any possible changes at the reporting date to one of the relevant actuarial assumptions as disclosed below, holding other assumptions constant, would have immaterial effect to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

9. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**	
In RM Million	**2022**	**2021**	**2022**	**2021**
Property, plant and equipment	**20**	26	**(2,630)**	(2,238)
Unused tax losses	**387**	8	**-**	-
Unabsorbed capital allowances	**386**	491	**-**	-
Unused investment tax allowances	**1,544**	1,592	**-**	-
Intangible assets	**-**	-	**(1,138)**	(115)
Others	**114**	87	**(249)**	(2)
Tax assets/(liabilities)	**2,451**	2,204	**(4,017)**	(2,355)
Set off tax	**(1,653)**	(1,381)	**1,653**	1,381
Net tax assets/(liabilities)	**798**	823	**(2,364)**	(974)

continue below

Group	**Net**	
In RM Million	**2022**	**2021**
Property, plant and equipment	**(2,610)**	(2,212)
Unused tax losses	**387**	8
Unabsorbed capital allowances	**386**	491
Unused investment tax allowances	**1,544**	1,592
Intangible assets	**(1,138)**	(115)
Others	**(135)**	85
Tax liabilities	**(1,566)**	(151)
Set off tax	**-**	-
Net tax liabilities	**(1,566)**	(151)

continued from above

NOTES TO THE **FINANCIAL STATEMENTS**

9. DEFERRED TAX (CONTINUED)

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

Group 2022 *In RM Million*	**At 1.1.2022**	**(Charged)/ Credited to profit or loss (Note 23)**	**Acquisition of a subsidiary (Note 41)**	**Translation exchange difference**	**At 31.12.2022**
Deferred tax assets					
Property, plant and equipment	**26**	**(6)**	**-**	**-**	**20**
Unused tax losses	**8**	**180**	**199**	**-**	**387**
Unabsorbed capital allowances	**491**	**(105)**	**-**	**-**	**386**
Unused investment tax allowances	**1,592**	**(48)**	**-**	**-**	**1,544**
Others	**87**	**(24)**	**66**	**(15)**	**114**
	2,204	**(3)**	**265**	**(15)**	**2,451**
Deferred tax liabilities					
Property, plant and equipment	**(2,238)**	**40**	**(432)**	**-**	**(2,630)**
Intangible assets	**(115)**	**19**	**(1,043)**	**1**	**(1,138)**
Others	**(2)**	**(13)**	**(219)**	**(15)**	**(249)**
	(2,355)	**46**	**(1,694)**	**(14)**	**(4,017)**
	(151)	**43**	**(1,429)**	**(29)**	**(1,566)**

Group 2021 *In RM Million*	**At 1.1.2021**	**(Charged)/ Credited to profit or less (Note 23)**	**Translation exchange difference**	**At 31.12.2021**
Deferred tax assets				
Property, plant and equipment	63	(37)	-	26
Unused tax losses	17	(9)	-	8
Unabsorbed capital allowances	503	(12)	-	491
Unused investment tax allowances	1,659	(67)	-	1,592
Others	50	37	-	87
	2,292	(88)	-	2,204
Deferred tax liabilities				
Property, plant and equipment	(2,280)	42	-	(2,238)
Intangible assets	(125)	11	(1)	(115)
Others	(1)	(1)	-	(2)
	(2,406)	52	(1)	(2,355)
	(114)	(36)	(1)	(151)

9. 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 Million	2022	2021	2022	2021
Unused tax losses	**1,908**	1,785	**327**	163
Unused reinvestment tax allowances	**-**	27	**-**	-
	1,908	1,812	**327**	163

In accordance with the provision of Finance Act 2021 of Malaysia, the utilisation of unused tax losses will be limited to ten years with effect from year of assessment 2019. 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 subsidiaries can utilise the benefits.

A significant portion of the unused tax losses above will expire earliest in year 2028 (2021: 2028) whilst the unused reinvestment tax allowances will expire in year 2027.

In accordance with the Income Tax (Exemption) (No.7) Order 2013 P.U.(A) 41, the joint operation company has been granted 100% tax exemption on statutory income arising from qualifying activities for 15 years. Within 90 days before the expiry of the exemption period, the joint operation company may apply for another tax exemption of 50% on qualifying statutory income for further five years pursuant to the Income Tax (Exemption) (No.2) Order 2014 P.U.(A).

The carry-forward of unused losses is limited to ten consecutive years of assessment, in which any unused losses will be disregarded thereafter. The 10-year assessment commences immediately after expiry of the pioneer period above. Deferred tax assets have not been recognised in respect of these items due to uncertainty of future taxable profit at the time the deductible temporary difference is expected to reverse.

10. TRADE AND OTHER INVENTORIES

	Group		Company	
In RM Million	2022	2021	2022	2021
Petrochemical products				
- Raw materials	**37**	24	**-**	-
- Finished goods	**870**	719	**106**	-
Specialties products	**1,311**	-	**-**	-
Stores, spares and others	**1,247**	1,471	**94**	45
	3,465	2,214	**200**	45
Recognised in profit or loss:				
Inventories recognised as cost of revenue	**20,150**	14,401	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
In RM Million	Note	2022	2021	2022	2021
Trade receivables		**2,714**	2,096	**-**	-
Other receivables, deposits and prepayments		**531**	225	**50**	72
Amount due from subsidiaries					
- Non-trade		**-**	-	**28**	26
Amount due from associates and joint ventures					
- Trade		**253**	296	**-**	-
- Non-trade		**4**	2	**-**	2
Amount due from related companies					
- Trade		**103**	111	**-**	-
- Non-trade		**7**	3	**20**	2
Derivative assets	12	**7**	4	**-**	-
		3,619	2,737	**98**	102

Trade amount are unsecured and under normal trade terms. Non-trade amount are unsecured and receivable on demand.

There were no trade receivables and trade payables that were set off for presentation purposes.

12. DERIVATIVE ASSETS/(LIABILITIES)

		Group	
In RM Million	Note	2022	2021
Derivative asset			
Current			
Forward foreign exchange contracts		**7**	4
Included within:			
Trade and other receivables	11	**7**	4
Derivative liability			
Current			
Forward foreign exchange contracts		**(11)**	(4)
Included within:			
Trade and other payables	19	**(11)**	(4)

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage its normal business exposures in relation to foreign currency exchange rates in accordance with the Group's and the Company's risk management policies and objectives.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
In RM Million	**2022**	**2021**	**2022**	**2021**
Cash with PETRONAS Integrated Financial Shared Services Centre ("IFSSC")				
- Conventional	**5,913**	14,981	**753**	173
- Islamic	**2,038**	975	**2,037**	975
Cash and bank balances	**937**	434	**62**	75
	8,888	16,390	**2,852**	1,223

The Group's and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS IFSSC to enable more efficient cash management for the Group and the Company.

Included in cash with PETRONAS IFSSC and cash and bank balances of the Group and of the Company are interest-bearing and profit sharing amounting to RM8,850 million (2021: RM16,189 million) and RM2,852 million (2021: RM1,223 million) respectively.

14. SHARE CAPITAL

	Group and Company	
In RM Million	**2022**	**2021**
Issued and fully paid:		
8,000,000,000 ordinary shares with no par value	**8,871**	8,871

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.

15. RESERVES

Merger reserve

Group

Merger reserve arose from the differences between the nominal value and share premium of ordinary shares issued by the Company as consideration for the acquisition of companies that are accounted using the merger method of accounting and the nominal value of ordinary shares and share premium of the companies.

Company

Merger relief of the Company is premium arising from issuance of shares for the acquisition of wholly-owned subsidiaries.

Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries and joint operation whose functional currencies are not Ringgit Malaysia, and the Group's net investment in foreign operations.

NOTES TO THE FINANCIAL STATEMENTS

15. RESERVES (CONTINUED)

Merger reserve (continued)

Other reserve

Other reserve comprise primarily reserve created upon redemption of preference shares, gain or loss on the hedging instrument in the cash flow hedge that is determined to be an effective hedge and the Group's share of its joint venture and associate companies' reserves as well as statutory reserves transferred from retained earnings for certain overseas subsidiaries of the Group as required by local authorities of the respective subsidiaries. This reserve also comprises of actuarial gains and losses upon remeasurement of net defined benefit liability or asset.

16. NON-CONTROLLING INTERESTS

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

17. BORROWINGS

	Group		Company	
In RM Million	**2022**	**2021**	**2022**	**2021**
Non-current				
Term loans - secured	**1,635**	1,646	**1,635**	1,646
Term loans - unsecured	**854**	510	**695**	368
	2,489	2,156	**2,330**	2,014
Current				
Term loans - secured	**115**	139	**115**	139
Term loans - unsecured	**13**	-	**-**	-
Revolving credit - unsecured	**101**	93	**-**	-
	229	232	**115**	139
	2,718	2,388	**2,445**	2,153

In RM Million		Group		Company	
Secured term loans	**Denominated currency**	**2022**	**2021**	**2022**	**2021**
Term loans	USD	**396**	427	**396**	427

The USD secured term loans relate to 50% share of project financing facility of a joint operation company. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% (2021: 0.80% to 1.74%) per annum and is repayable on various dates between 2022 and 2034.

The loans are secured in the following manner:

(i) Completion guarantee from the ultimate holding company, PETRONAS on several and not joint basis which will be uplifted and terminated upon meeting all project completion requirements;

17. BORROWINGS (CONTINUED)

The loans are secured in the following manner: (continued)

(ii) Cross-guarantee arrangement under an integrated borrowing structure due to the nature of the project with a related party as disclosed in Note 34; and

(iii) Charge over ordinary shares and the land lease rights of the said joint operation company.

In RM Million		Group		Company	
Unsecured term loans and revolving credit	**Denominated currency**	**2022**	**2021**	**2022**	**2021**
Term loan	USD	**157**	88	**157**	88
Term loan	EUR	**34**	30	**-**	-
Term loan	CNY	**20**	-	**-**	-
Revolving credit	^CAD	**-**	-	**-**	-
Revolving credit	EUR	**-**	20	**-**	-
Revolving credit	RM	**100**	-	**-**	-

The USD unsecured term loan is pursuant to the co-borrowing agreement between the joint operation company and a related party under an integrated borrowing structure. The loan which bears nil interest was fair valued as a Level 3 fair value on initial recognition with an effective interest rate ranging from 2.33% to 4.18% (2021: 2.33%) per annum and due for a final repayment twelve months following final discharge of the project financing.

There are two EUR unsecured term loans (2021: one EUR unsecured term loan) which bear interests of 0.71% (2021: 0.71%) per annum and interest margin above EURIBOR of 0.85% (2021: nil) per annum respectively. These loans are repayable in 2025 and 2027 respectively.

There are two CNY term loans (2021: nil) which bear interest rates of 3.85% and 4.10% per annum respectively.

The RM unsecured revolving credit bears interest margin of 0.70% above KLIBOR for first RM30 million and 0.90% above KLIBOR for the remaining outstanding amount of the facility.

^ Amount of revolving credit - unsecured is CAD355,000 (RM1,156,311) which bears interest margin of 1.5% above Prime rate Canada.

18. PROVISIONS AND OTHER LONG TERM LIABILITIES

18.1 Provisions

In RM Million	**Note**	Group 2022	Group 2021	Company 2022	Company 2021
Non-current		**221**	287	**77**	103
Current	19	**177**	14	**-**	1
		398	301	**77**	104

NOTES TO THE FINANCIAL STATEMENTS

18. PROVISIONS AND OTHER LONG TERM LIABILITIES (CONTINUED)

18.1 Provisions (continued)

The movements of provisions are as follows:

In RM Million	Group	Company
At 1 January 2022	**301**	**104**
Provisions made	**172**	**-**
Provisions reversed	**(92)**	**(36)**
Provision utilised	**(1)**	**-**
Unwinding of discount	**12**	**5**
Translation exchange difference	**6**	**4**
At 31 December 2022	**398**	**77**

The Group's provisions mainly comprise:

(i) Provisions for decommissioning activities in relation to the discontinuation of the Group's vinyl business which includes dismantling/demolishing and removal of equipment, structures and foundation as well as site remediation.

The provisions have been made based on present value of estimated decommissioning amount payable over a period of 13 years (2021: 14 years) using discount rate of 4.3% (2021: 3.9%).

(ii) Provision for decommissioning of property, plant and equipment in relation to certain subsidiaries' and a joint operation company's obligation to decommission and remove all property, plant and equipment, and to restore land subleased to its original condition upon expiry between 2040 to 2076.

The provision has been made based on present value of estimated decommissioning amount using discount rates ranging from 4.3% to 4.6% (2021: 4.0% to 4.2%).

The Company's provisions comprise:

(i) Provision for financial assistance in relation to subscription of redeemable preference shares in a subsidiary to meet the subsidiary's obligation in respect of decommissioning activities and other related expenses.

The provision amounting to RM11 million (2021: RM30 million) as at 31 December 2022 has been made based on present value of estimated funding requirements for decommissioning costs over a period of 13 years (2021: 14 years) using a discount rate of 9.2% (2021: 8.2%).

(ii) Provision for decommissioning of property, plant and equipment in relation to joint operation company's obligation to decommission and remove all property, plant and equipment, and to restore land subleased to its original condition upon expiry in 2076.

The provision amounting to RM66 million (2021: RM74 million) as at 31 December 2022 has been made based on present value of estimated decommissioning amount using a discount rate of 4.0% (2021: 4.0%).

The corresponding asset of an amount equivalent to the provision is also created and will be depreciated in accordance with the policy set out in Note 2.2. The increase in the present value of the provision for the expected cost due to the passage of time is included within finance costs.

18. PROVISIONS AND OTHER LONG TERM LIABILITIES (CONTINUED)

18.2 Other long term liabilities

		Group		Company	
In RM Million	**Note**	**2022**	**2021**	**2022**	**2021**
Deferred income	i	**1,169**	1,257	**-**	-
Contingent consideration	ii	**208**	-	**-**	-
Trade payables	iii	**759**	-	**759**	-
Other payables		**55**	52	**-**	-
		2,191	1,309	**759**	-

(i) The Group's deferred income relates to tax incentives with the features similar to government grant for which the current portion is as disclosed in Note 19.1.

(ii) The Group's contingent consideration relates to amount transferred into escrow account in relation to acquisition of a subsidiary (refer Note 41).

(iii) During the year, the Group via its joint operation entity has entered into arrangements on trade payables amounting to RM915 million, which resulted in adjustment of timing for payments of the balances. These arrangements resulted in recognition of gain amounting to RM257 million in the profit or loss. The trade payables are subjected to periodic accretion of interest expense which is expected to approximate this gain.

19. TRADE AND OTHER PAYABLES

		Group		Company	
In RM Million	**Note**	**2022**	**2021**	**2022**	**2021**
Trade payables		**820**	411	**-**	-
Other payables	19.1	**2,867**	1,421	**524**	489
Amount due to holding company	19.2				
- Trade		**515**	246	**-**	-
- Non-trade		**129**	162	**26**	30
Amount due to subsidiaries	19.2				
- Non-trade		**-**	-	**338**	336
Amount due to related companies	19.2				
- Trade		**1,180**	1,047	**-**	-
- Non-trade		**208**	1,027	**490**	880
Amount due to joint ventures and associates	19.2				
- Trade		**6**	25	**-**	-
- Non-trade		**1**	21	**-**	21
Provisions	19.3	**177**	14	**-**	1
Derivative liabilities	12	**11**	4	**-**	-
		5,914	4,378	**1,378**	1,757

NOTES TO THE FINANCIAL STATEMENTS

19. TRADE AND OTHER PAYABLES (CONTINUED)

19.1 Included in other payables for the Group is the current portion of deferred income as per Note 18.2 amounting to RM88 million (2021: RM88 million).

19.2 Trade amount is unsecured and under normal trade terms. Non-trade amount is unsecured and repayable on demand.

19.3 Included in provisions are earn out costs amounting to RM172 million arising from acquisition of a subsidiary in 2019.

20. REVENUE

	Group		Company	
In RM Million	**2022**	**Restated 2021**	**2022**	**2021**
Sales of petrochemical products	**25,779**	21,806	**229**	-
Sales of specialties products	**3,125**	-	**-**	-
Dividend income	**-**	-	**4,650**	689
Others	**49**	1,220	**-**	-
	28,953	23,026	**4,879**	689

Disaggregation of revenue by geographical location and by segment is as disclosed in Note 33.

Nature of goods

Nature of goods	Timing of recognition and method used to recognise revenue	Significant payment terms
Petrochemical and specialties products	Revenue is recognised at a point in time upon transfer of control as per INCOTERM	Average credit term of 45 days

There are no variable elements in consideration, obligation for returns or refunds nor warranty in substantially all of the contracts for the provision of goods by the Group.

Transaction price allocated to remaining performance obligations

Most of the Group's contracts are based on master service agreements whereby the contracted volumes are agreed on annual basis. An insignificant amount of contracts have original contract period of more than one year.

The future revenue of the Group is dependent on the market price movement of the products, the prevailing exchange rate on the transaction date as well as production volume which is dependent on feedstock availability and plant utilisation.

NOTES TO THE FINANCIAL STATEMENTS

21. OPERATING PROFIT

In RM Million	Note	Group 2022	Group 2021	Company 2022	Company 2021
Included in operating profit are the following charges:					
Auditors' remuneration*		**22**	14	**1**	4
Amortisation of intangible assets	6	**71**	27	**-**	-
Depreciation of property, plant and equipment	3	**1,518**	1,623	**1**	1
Inventories:					
- write down to net realisable value		**14**	7	**-**	-
- written off		**11**	48	**-**	-
Finance loss		**15**	-	**-**	-
Net loss on foreign exchange		**149**	-	**-**	-
Staff costs:					
- contribution to pension funds		**121**	131	**22**	22
- wages, salaries and others		**1,458**	1,069	**159**	157
and credits:					
Amortisation of deferred income		**88**	140	**-**	-
Dividend income					
- subsidiaries		**-**	-	**4,544**	489
- joint ventures and associates		**-**	-	**106**	200
Net gain on foreign exchange		**-**	99	**205**	118
Interest income		**247**	117	**74**	58
Finance income		**257**	-	**257**	-
Fair value gain		**60**	40	**60**	40
Management fee		**-**	-	**88**	67

* The auditors' remuneration includes the following:

In RM'000	Group 2022	Group 2021	Company 2022	Company 2021
Statutory audit fees				
- KPMG PLT	**1,518**	1,359	**317**	192
- Overseas affiliate of KPMG PLT	**178**	172	**-**	-
- Other auditors	**7,676**	2,345	**37**	28
Non-statutory audit fees				
- KPMG PLT	**520**	372	**380**	372
- Overseas affiliate of KPMG PLT	**433**	341	**-**	-
- Other auditors and their affiliates	**11,235**	9,252	**175**	3,128
	21,560	13,841	**909**	3,720

NOTES TO THE **FINANCIAL STATEMENTS**

22. FINANCING COSTS

In RM Million	Group 2022	Group 2021	Company 2022	Company 2021
Recognised in profit or loss:				
Interest expense on lease liabilities	**19**	15	**-**	-
Unwinding of discount factor for other long term liabilities and provisions	**34**	12	**18**	5
Interest expense on term loan	**5**	2	**-**	-
Other finance cost	**8**	-	**-**	-
	66	29	**18**	5
Capitalised into qualifying assets:				
Interest expense on lease liabilities	**101**	96	**72**	71
Interest expense on term loan	**66**	30	**66**	30
Amortisation of transaction cost	**9**	7	**9**	7
	176	133	**147**	108
	242	162	**165**	113

23. TAX EXPENSE

In RM Million	Group 2022	Group 2021	Company 2022	Company 2021
Current tax expenses				
Current year	**449**	371	**28**	6
Under/(Over) provision in prior year	**-**	(16)	**3**	(2)
	449	355	**31**	4
Deferred tax (credit)/expenses				
Origination and reversal of temporary differences	**(59)**	60	**-**	-
Under/(Over) provision in prior year	**16**	(24)	**-**	-
	(43)	36	**-**	-
	406	391	**31**	4

23. TAX EXPENSE (CONTINUED)

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

Group *In RM Million*	**%**	**2022**	**%**	**2021 restated**
Profit before taxation		**6,733**		7,711
Taxation at Malaysian statutory tax rate	**24**	**1,616**	24	1,851
Non-deductible expenses, net of non-assessable income	**3**	**170**	-	12
Effects of income subject to different tax rates	**-**	**17**	-	5
Tax exempt income and incentives	**(2)**	**(126)**	-	(31)
Effect of lower tax rate under Global Incentive for Trading (GIFT)	**(18)**	**(1,224)**	(17)	(1,297)
Effect of net deferred tax benefits not recognised	**1**	**52**	-	26
Recognition of unrecognised tax losses and reinvestment allowance	**(1)**	**(72)**	-	-
Effect from share of profit from joint ventures and associates	**(1)**	**(39)**	(2)	(175)
Others	**-**	**(4)**	1	40
	6	**390**	6	431
Under/(Over) provision in prior years		**16**		(40)
Tax expense		**406**		391

Company *In RM Million*	**%**	**2022**	**%**	**2021 restated**
Profit before taxation		**4,752**		588
Taxation at Malaysian statutory tax rate	**24**	**1,141**	24	141
Non assessable income, net of non-deductible expenses	**-**	**(8)**	5	29
Tax exempt income and incentives	**(23)**	**(1,105)**	(29)	(170)
Effect of deferred tax benefits not recognised	**-**	**-**	1	6
	1	**28**	1	6
Over provision in prior years		**3**		(2)
Tax expense		**31**		4

NOTES TO THE FINANCIAL STATEMENTS

24. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to shareholders of the Company and number of ordinary shares of the Company as follows:

Group *In RM Million*	**2022**	**2021 restated**
Profit for the year attributable to shareholders	**6,322**	7,346
In millions of shares		
Number of shares issued at 31 December	**8,000**	8,000
In sen		
Basic earnings per ordinary share	**79.0**	91.8

Diluted earnings per ordinary share

No diluted earnings per share is disclosed in these financial statements as there is no dilutive potential ordinary share.

25. DIVIDENDS

Company	**Sen per share**	**Total amount In RM Million**	**Date of payment**
2022			
Second interim dividend for financial year ended 31 December 2021	**23**	**1,840**	**25 March 2022**
First interim dividend for financial year ended 31 December 2022	**25**	**2,000**	**21 September 2022**
		3,840	
2021			
Second interim dividend for financial year ended 31 December 2020	7	560	25 March 2021
First interim dividend for financial year ended 31 December 2021	23	1,840	30 September 2021
Special dividend for financial year ended 31 December 2021	10	800	30 December 2021
		3,200	

25. DIVIDENDS (CONTINUED)

After the financial year end, the following dividend was approved by the Board of Directors:

	Sen per share	Total amount In RM Million
Second interim dividend for financial year ended 31 December 2022	**16**	**1,280**

The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

26. NET CASH USED IN FINANCING ACTIVITIES

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

Group **2022** *In RM Million*	Borrowings (Note 17)	Lease liabilities
At 1.1.2022	**2,388**	**1,462**
Changes from financing cash flows		
Repayment of term loans:		
- principal	**(146)**	**-**
- interests	**(60)**	**-**
Repayment of revolving credit	**(141)**	**-**
Payment of lease liabilities:		
- principal	**-**	**(67)**
- interests	**-**	**(50)**
Drawdown of term loans	**352**	**-**
Drawdown of revolving credit	**150**	**-**
Total changes from financing cash flows	**155**	**(117)**
Other changes		
Acquisition of new leases	**-**	**210**
Leases adjustments	**-**	**(66)**
Fair value gain	**(60)**	**-**
Amortisation of transaction costs	**9**	**-**
Financing costs	**71**	**120**
Acquisition of a subsidiary	**32**	**37**
Others	**-**	**125**
Effect of foreign currency translation difference	**123**	**42**
Total other changes	**175**	**468**
At 31.12.2022	**2,718**	**1,813**

NOTES TO THE FINANCIAL STATEMENTS

26. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

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

Group **2021** *In RM Million*	**Borrowings (Note 17)**	**Lease liabilities**
At 1.1.2021	2,192	988
Changes from financing cash flows		
Repayment of term loans:		
- principal	(206)	-
- interests	(29)	-
Repayment of revolving credit	(33)	-
Payment of lease liabilities:		
- principal	-	(68)
- interests	-	(50)
Drawdown of term loans	321	-
Drawdown of revolving credit	83	-
Total changes from financing cash flows	136	(118)
Other changes		
Acquisition of new leases	-	633
Leases adjustments	-	(116)
Fair value gain	(40)	-
Amortisation of transaction costs	7	-
Financing costs	32	111
Others	-	(72)
Effect of foreign currency translation difference	61	36
Total other changes	60	592
At 31.12.2021	2,388	1,462

NOTES TO THE **FINANCIAL STATEMENTS**

26. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

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

Company **2022** *In RM Million*	**Borrowings (Note 17)**	**Lease liabilities**
At 1.1.2022	**2,153**	**896**
Changes from financing cash flows		
Repayment of term loans:		
- principal	**(146)**	**-**
- interests	**(54)**	**-**
Payment of lease liabilities:		
- principal	**-**	**(1)**
- interests	**-**	**(13)**
Drawdown of term loan	**352**	**-**
Total changes from financing cash flows	**152**	**(14)**
Other changes		
Acquisition of new leases	**-**	**-**
Leases adjustments	**-**	**6**
Fair value gain	**(60)**	**-**
Financing costs	**66**	**72**
Amortisation of transaction costs	**9**	**-**
Others	**-**	**57**
Effect of foreign currency translation difference	**125**	**31**
Total other changes	**140**	**166**
At 31.12.2022	**2,445**	**1,048**

NOTES TO THE FINANCIAL STATEMENTS

26. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

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

Company **2021** *In RM Million*	**Borrowings (Note 17)**	**Lease liabilities**
At 1.1.2021	1,993	472
Changes from financing cash flows		
Repayment of term loans:		
- principal	(161)	-
- interests	(27)	-
Payment of lease liabilities:		
- principal	-	(1)
- interests	-	(11)
Drawdown of term loan	276	-
Total changes from financing cash flows	88	(12)
Other changes		
Acquisition of new leases	-	515
Leases adjustments	-	(114)
Fair value gain	(40)	-
Financing costs	30	71
Amortisation of transaction costs	7	-
Others	-	(65)
Effect of foreign currency translation difference	75	29
Total other changes	72	436
At 31.12.2021	2,153	896

NOTES TO THE **FINANCIAL STATEMENTS**

27. SUBSIDIARIES AND ACTIVITIES

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2022	2021		
Subsidiaries of the Company				
PETRONAS Chemicals Ammonia Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ammonia, syngas and carbon monoxide.
PETRONAS Chemicals Derivatives Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ethylene oxide derivatives, propylene derivatives products and other related chemical products.
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into urea, ammonia and methanol.
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	**100**	100	Malaysia	Production and sale of ammonia and urea.
PETRONAS Chemicals Glycols Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ethylene oxide, ethylene glycol and other related by-products.
PETRONAS Chemicals Isononanol Sdn. Bhd.	**100**	100	Malaysia	Production and sale of processed chemicals and all petrochemicals and chemicals products. The Company has yet to commence operations during the financial year.
PETRONAS Chemicals LDPE Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into low-density polyethylene.
PETRONAS Chemicals International Holdings Sdn. Bhd. (formerly known as PETRONAS Chemicals Marketing Sdn. Bhd.)	**100**	100	Malaysia	Investment holding company.
PETRONAS Chemicals Methanol Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into methanol.
PETRONAS Chemicals MTBE Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into methyl tertiary butyl ether (MTBE), propylene, n-butane, isobutylene and other related chemicals product for a fee.
PETRONAS Chemicals Olefins Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ethylene, propylene and other hydrocarbon by-products.
PETRONAS Chemicals Polyethylene Sdn. Bhd.	**100**	100	Malaysia	Processing of ethylene into polyethylene.
PRPC Elastomers Sdn. Bhd.	**100**	100	Malaysia	The company had ceased operation and remained dormant thereafter.
Kertih Port Sdn. Bhd.	**100**	100	Malaysia	Owning, operating and managing Kertih Marine Facilities.

NOTES TO THE **FINANCIAL STATEMENTS**

27. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%) 2022	2021	Country of incorporation	Principal activities
Subsidiaries of the Company (continued)				
Polypropylene Malaysia Sdn. Bhd.	**100**	100	Malaysia	The Company had ceased operations and is currently engaged in investment holding activity.
Vinyl Chloride (Malaysia) Sdn. Bhd.	**100**	100	Malaysia	The Company had ceased operations and is currently under going decommissioning activities.
PETRONAS Chemicals Aromatics Sdn. Bhd	**^100**	70	Malaysia	Production and sale of paraxylene, benzene and other by-products.
PETRONAS Chemicals Ethylene Sdn. Bhd	**87.50**	87.50	Malaysia	Processing of ethane into ethylene.
ASEAN Bintulu Fertilizer Sdn. Bhd.	**63.47**	63.47	Malaysia	Processing of natural gas into urea and ammonia.
PETRONAS Chemicals International B.V.	**-**	100	Netherlands	Investment holding company.
PCM Chemical India Private Limited*	**-**	^^0.01	India	The Company had ceased operation and remained dormant thereafter.
Subsidiaries of PETRONAS Chemicals International Holdings Sdn. Bhd.				
PETRONAS Chemicals Marketing (Labuan) Ltd.	**100**	100	Malaysia	Marketing and trading of petrochemical products.
PCM (China) Company Limited*	**100**	100	China	Marketing of petrochemical products.
PETRONAS Chemicals International B.V.	**100**	-	Netherlands	Investment holding company.
PCM (Thailand) Company Limited*	**#99.99**	#99.99	Thailand	Marketing of petrochemical products.
PT PCM Kimia Indonesia*	**#99.67**	#99.67	Indonesia	Marketing of petrochemical products.
Subsidiaries of PETRONAS Chemicals International B.V.				
Da Vinci Group B.V.*	**100**	100	Netherlands	Investment holding company.
Perstorp Holding AB*	**100**	-	Sweden	Investment holding company.

NOTES TO THE **FINANCIAL STATEMENTS**

27. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%) 2022	2021	Country of incorporation	Principal activities
Subsidiaries of Da Vinci Group B.V.				
BRB SIL Invest B.V.*	**100**	100	Netherlands	Real estate company.
BRB LAC Invest B.V.*	**100**	100	Netherlands	Real estate company.
Subsidiary of BRB SIL Invest B.V.				
BRB International B.V.*	**100**	100	Netherlands	Own-brand reselling, formulating and manufacturing of silicones.
Subsidiaries of BRB International B.V.				
BRB North America, Inc.*	**100**	100	USA	Own-brand reselling of silicones.
BRB Silicones South Africa Pty Ltd.*	**100**	100	South Africa	Own-brand reselling of silicones.
BRB South America Representacao Comercial Ltda.*	**100**	100	Brazil	Representative office.
BRB Central Eastern Europe Sp. z.o.o.*	**100**	100	Poland	Own-brand reselling of silicones.
BRB ST Kimyasal Sanayi ve Ticaret A.S.*	**100**	100	Turkey	Own-brand reselling of silicones.
BRB Real Estate Canada Inc.*	**100**	100	Canada	Real estate company.
BRB Singapore Pte. Ltd.*	**100**	100	Singapore	Own-brand reselling, formulating and manufacturing of silicones.
CSL Silicones Inc.*	**100**	100	Canada	Own-brand reselling, formulating and manufacturing of silicones
Subsidiaries of BRB Singapore Pte. Ltd.				
BRB Malaysia Sdn. Bhd.*	**100**	100	Malaysia	Formulating and manufacturing of silicones.
Qingdao BRB Trading Co. Ltd.*	**100**	100	China	Own-brand reselling of silicones, lube oil additives and chemicals.
BRB Hong Kong Limited*	**100**	100	Hong Kong	Own-brand reselling of silicones.
BRB South Korea Limited*	**100**	-	Korea	Own-brand reselling of silicones.
Subsidiary of BRB LAC Invest B.V.				
BRB Lube Oil Additives & Chemicals B.V.*	**100**	100	Netherlands	Own-brand reselling, formulating and manufacturing of lube oil additives and chemicals.

NOTES TO THE FINANCIAL STATEMENTS

27. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2022	2021		
Subsidiaries of BRB Lube Oil Additives & Chemicals B.V.				
BRB LAC Singapore Pte. Ltd.*	**100**	100	Singapore	Own-brand reselling, formulating and manufacturing of lube oil additives and chemicals.
Viscotech Asia Pte. Ltd.*	**65**	65	Singapore	Own-brand reselling, formulating and manufacturing of lube oil additives and chemicals.
Subsidiary of Perstorp Holding AB				
Perstorp Financial Services AB*	**100**	-	Sweden	Investment and trading company.
Subsidiaries of Perstorp Financial Services AB				
Perstorp Services AB*	**100**	-	Sweden	The company had ceased operation and remained dormant thereafter.
Perstorp AB*	**100**	-	Sweden	Investment holding company.
Perstorp Holding B.V.*	**100**	-	Netherlands	Investment holding company.
Perstorp Holding GmbH*	**100**	-	Germany	Investment holding company.
Subsidiaries of Perstorp AB				
Perstorp Quimica do Brasil Ltda*	**100**	-	Brazil	Marketing and trading of petrochemical products.
Perstorp Sales France Sas*	**100**	-	France	Trading of chemical products.
Perstorp S.p.A.*	**100**	-	Italy	Manufacturing of specialty polyols and propionates.
Perstorp Japan Co Ltd*	**100**	-	Japan	Trading of chemical products.
Perstorp Chemicals Asia PTE Ltd*	**100**	-	Singapore	Trading of chemical products.
Perstorp Storitve d.o.o.*	**100**	-	Slovenia	Trading of chemical products.
Perstorp Iberica SL*	**100**	-	Spain	Production and sale of products for the feed and agricultural industries and any other chemical product for other market sectors.
Perstorp Services UK Ltd*	**100**	-	United Kingdom	Trading of chemical products.
Perstorp Fastighets AB*	**100**	-	Sweden	Real estate company.
Perstorp Formulas AB*	**100**	-	Sweden	The company had ceased operation and remained dormant thereafter.
Perstorp Specialty Chemicals AB*	**100**	-	Sweden	Manufacturing of basic and specialty polyols, formates, organic acids and formaldehyde.

27. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2022	2021		
Subsidiaries of Perstorp AB (continued)				
Perstorp Specialty Fluids AB*	**100**	-	Sweden	The company had ceased operation and remained dormant thereafter.
Perstorp Holding (U.S.) Inc.*	**100**	-	USA	Investment holding company.
Perstorp Industries India Private Ltd*	**100**	-	India	The intended principal activity is manufactured pentaerythritol, di-pentaerythritol and calcium formate. The Company has not commenced operation during the financial year.
Perstorp India Private Ltd*	**100**	-	India	The company had ceased operation and remained dormant thereafter.
Perstorp Equipment S.r.l.*	**100**	-	Italy	Production of chemical products.
Shandong Fufeng Perstorp Chemical Co. Ltd*	**68.3**	-	China	Production of chemical products.
Subsidiaries of Perstorp Specialty Chemicals AB				
Perstorp Oxo AB*	**100**	-	Sweden	Manufacturing of aldehydes, oxo alcohols, carboxylic acids, plasticizers and phthalic anhydride.
Perstorp (Shanghai) Chemical Trading Co.,Ltd*	**100**	-	China	Trading of chemical products.
Subsidiary of Perstorp Holding (U.S) Inc.				
Perstorp Polyols Inc.*	**100**	-	USA	Manufacturing of trimethylolpropane, pentaerythritol and di- pentaerythritol and sodium formate.
Subsidiary of Perstorp Holding GmbH				
Perstorp Chemicals GmbH*	**100**	-	Germany	Manufacturing and distribution of pentaerythritol, calcium formate and formaldehyde.
Subsidiary of Perstorp Chemicals GmbH				
Perstorp Service GmbH*	**100**	-	Germany	Distribution of chemical products, provision of other services in the field of chemical industry and representation of third companies.

NOTES TO THE FINANCIAL STATEMENTS

27. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2022	2021		
Subsidiaries of Perstorp Holding B.V.				
Perstorp Specialty Chemicals Holding B.V.*	**100**	-	Netherlands	Investment holding company.
Perstorp Specialty Chemicals B.V.*	**100**	-	Netherlands	Manufacturing of formaldehyde and other chemical products.
Perstorp Waspik B.V.*	**100**	-	Netherlands	Manufacturing of preservative acids, nutritional salts and other chemical products.
Subsidiaries of Perstorp Specialty Chemicals Holding B.V.				
Perstorp Chemicals India Private Ltd*	**100**	-	India	Trading company including lab for product sales support.
Perstorp Chemicals Korea Co. Ltd*	**100**	-	South Korea	Trading of chemical products.

* Audited by firms of auditors other than KPMG PLT and their affiliate.

** Consolidated based on management financial statements.

^ The Group has completed the acquisition of PETRONAS Chemicals Aromatics Sdn. Bhd. ("PC Aromatics") non-controlling interest during the year. As a result, PC Aromatics becomes a wholly-owned subsidiary of the Group.

^^ The Group has loss its control of PCM Chemical India Private Limited following relinquishment of directorship in the subsidiary's Board of Directors. The investment in the entity has become a simple investment to the Group.

\# Wholly-owned subsidiary of the Group as the remaining shareholding is also held by other subsidiary of the Company.

28. JOINT VENTURES AND NATURE OF RELATIONSHIP

The Group includes the following joint ventures:

Name of company	Effective ownership interest and voting interest (%) 2022	2021	Country of incorporation	Nature of relationship
Viscotech GmbH	**50**	50	Germany	Processor of raw material supplied by the Group for production of lube oil additives and chemicals.
PCG PCC Oxyalkylates Sdn. Bhd.	**50**	50	Malaysia	Purchases highly purified ethylene oxide feedstock from the Group for production, marketing and sale of specialty ethoxylates and specialty polyether polyols. The Company has yet to commence operations during the financial year.
PT Anugerah Kimia Indonesia	**49**	49	Indonesia	Purchases methanol from the Group for local sales and distribution.
Kertih Terminals Sdn. Bhd.	**40**	40	Malaysia	Provides bulk chemical storage and handling services to the Group.
INEOS PCG Acetyls Sdn. Bhd.	**30**	30	Malaysia	Purchases carbon monoxide and methanol feedstock from the Group for production and sale of acetic acid.
Pengerang Intermediate Chemicals Sdn. Bhd.	**49**	-	Malaysia	Purchases propylene and ammonia from the Group for production of acrylonitrile ("AN"). The Company has yet to commence operations during the financial year.

29. ASSOCIATES AND NATURE OF RELATIONSHIP

The Group includes the following associates:

Name of company	Effective ownership interest and voting interest (%) 2022	2021	Country of incorporation	Nature of relationship
BASF PETRONAS Chemicals Sdn. Bhd	**40**	40	Malaysia	Purchases propylene and n-butane feedstocks from the Group for production, marketing and sale of acrylic, oxo and butanediol products.
Idemitsu SM (Malaysia) Sdn. Bhd.	**30**	30	Malaysia	Purchases ethylene and benzene feedstocks from the Group for production, marketing and sale of styrene monomer.

NOTES TO THE FINANCIAL STATEMENTS

29. ASSOCIATES AND NATURE OF RELATIONSHIP (CONTINUED)

The Group includes the following associates:(continued)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Nature of relationship
	2022	2021		
Malaysian NPK Fertilizer Sdn. Bhd.	**20**	20	Malaysia	Purchases urea feedstock and utilities from the Group for production and sale of NPK fertiliser products.
LG PETRONAS Chemicals Malaysia Sdn. Bhd.	**49**	49	Malaysia	Purchases butadiene feedstock from a related company of the Group for the production and sale of Nitrile Butadiene Latex (NBL) products. The Company has yet to commence operations during the financial year.
PetroPort Holding AB	**50**	-	Sweden	Port operations for industrial purposes, goods handling and other compatible activities.
Industrins Räddningstjänst i Stenungsund AB	**25**	-	Sweden	Industrial rescue services, fire inspection work, fire training and compatible tasks on assignment.
PetroPort AB	**50**	-	Sweden	Port operations for industrial purposes, goods handling and other compatible activities.

30. INTEREST IN JOINT OPERATION

The Group's investment in Pengerang Petrochemical Company Sdn. Bhd. ("PPC"), jointly held with Aramco Overseas Company B.V. with equal shareholdings is accounted for as a joint operation in accordance with MFRS 11 *Joint Arrangements*.

PPC's principal place of business is in Malaysia. The intended principal activity of PPC is sales of products within ethane, propane chains and ethane derivatives to the joint operators. PPC has not commenced operation during the financial year.

31. CAPITAL COMMITMENTS

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

In RM Million	Group		Company	
	2022	**2021**	**2022**	**2021**
Property, plant and equipment				
Approved and contracted for	**168**	353	**-**	50
Approved but not contracted for	**2,450**	1,691	**274**	464
	2,618	2,044	**274**	514
Investment in shares				
Approved but not contracted for	**-**	-	**-**	1
Lease contracts yet to commence				
Plant and equipment	**49**	-	**49**	-
	2,667	2,044	**323**	515

32. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or 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. The key management personnel include all the Directors of the Company and certain members of senior management of the Group.

The Group's and the Company's related parties include subsidiaries, associates, joint ventures as well as the holding company and its related entities. The Group's and the Company's related parties also include the Government of Malaysia and its related entities as the holding company is wholly-owned by the Government of Malaysia.

(a) Key management personnel compensation

In RM'000	Group and Company	
	2022	**2021**
Directors remuneration:		
- Fees	**1,152**	1,045
- Benefits-in-kind	**21**	18
	1,173	1,063

In addition to Directors' compensation paid as above, the Company reimbursed the holding company for payroll related costs and benefits of key management personnel as well as fees for Directors who are appointees of the holding company as disclosed in Note 32 (b).

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) 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 Million*	Note	2022	2021
PETRONAS:			
Fees and benefits for representation on the Board of Directors	32.1	**(1)**	(1)
Reimbursement of key management personnel costs and benefits	32.2	**(11)**	(9)
Centralised management services		**(68)**	(88)
Payroll charges		**(1,025)**	(987)
Information, communication and technology charges		**(90)**	(87)
Interest income from PETRONAS IFSSC		**243**	116
Purchase of processed gas and natural gas		**(2,929)**	(2,105)
Subsidiaries of PETRONAS:			
Pengerang Gas Solution Sdn. Bhd.			
Purchase of utilities		**(128)**	(102)
Pengerang Power Sdn. Bhd.			
Purchase of electricity and utilities		**(70)**	(107)
PETRONAS Carigali Sdn. Bhd.			
Purchase of processed gas and natural gas		**(121)**	(93)
PETRONAS Energy and Gas Trading Sdn. Bhd.			
Purchase of processed gas and natural gas		**(5,805)**	(3,776)
PETRONAS Gas Berhad			
Purchase of utilities, materials and supplies		**(1,332)**	(982)
PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.			
Project expenses		**(37)**	(39)
PETRONAS Technical Services Sdn. Bhd.			
Technical retainer fee		**(24)**	(46)
PETCO Trading Labuan Company Ltd.			
Purchase of heavy naphtha		**(1,910)**	(2,427)
Sale of petrochemical products		**918**	793
PRPC Utilities and Facilities Sdn. Bhd.			
Purchase of utilities		**(114)**	(284)

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

Group *In RM Million*	**2022**	**2021**
Joint ventures of PETRONAS:		
Pengerang Refining Company Sdn. Bhd.		
Project expenses	**(456)**	(110)
Purchase of petrochemical products	**(259)**	(9)
Joint ventures and associates of the Group:		
BASF PETRONAS Chemicals Sdn. Bhd.		
Sale of petrochemical products	**1,465**	1,616
INEOS PCG Acetyls Sdn. Bhd.		
Sale of petrochemical products	**724**	644
Idemitsu SM (Malaysia) Sdn. Bhd.		
Sale of petrochemical products	**435**	332
Kertih Terminals Sdn. Bhd.		
Purchase of warehouse and transportation services	**(123)**	(139)
Corporate shareholder of the Group:		
MJPX Co. Ltd.		
Sale of petrochemical products	**117**	642
Government related entities:		
Pertubuhan Peladang Kebangsaan		
Sale of petrochemical products	**435**	304
Tenaga Nasional Berhad		
Purchase of electricity	**(113)**	(73)

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

Company *In RM'000*	**Note**	**2022**	**2021**
PETRONAS:			
Fees and benefits for representation on the Board of Directors	32.1	**(778)**	(741)
Reimbursement of key management personnel costs and benefits	32.2	**(1,626)**	(1,289)
Interest income from PETRONAS IFSSC		**73,511**	57,475
Payroll charges		**(182,879)**	(173,954)
Subsidiaries:			
PETRONAS Chemicals Derivatives Sdn. Bhd.			
Dividend income		**224,948**	-
PETRONAS Chemicals Ethylene Sdn. Bhd.			
Dividend income		**26,250**	41,038
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.			
Redeemable preference shares		**663,000**	-
PETRONAS Chemicals Glycols Sdn. Bhd.			
Dividend income		**115,666**	109,754
PETRONAS Chemicals LDPE Sdn. Bhd.			
Dividend income		**62,000**	55,000
PETRONAS Chemicals International Holdings Sdn. Bhd.			
Dividend income		**3,500,000**	-
PETRONAS Chemicals Methanol Sdn. Bhd.			
Dividend income		**286,000**	-
PETRONAS Chemicals Olefins Sdn. Bhd.			
Dividend income		**109,190**	153,376
Kertih Port Sdn. Bhd.			
Dividend income		**-**	45,000
PETRONAS Chemicals MTBE Sdn. Bhd.			
Dividend income		**220,000**	85,000
Subsidiaries of PETRONAS:			
Pengerang Gas Solution Sdn. Bhd.			
Purchase of utilities		**(115,259)**	(94,093)
Pengerang Power Sdn. Bhd.			
Purchase of electricity and utilities		**(45,853)**	(80,962)
PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.			
Project expenses		**(16,113)**	(23,695)

NOTES TO THE **FINANCIAL STATEMENTS**

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

Company *In RM'000*	**2022**	**2021**
Subsidiaries of PETRONAS (continued):		
PRPC Utilities and Facilities Sdn. Bhd.		
Purchase of utilities	**(60,301)**	(266,885)
PETRONAS Technical Services Sdn. Bhd.		
Technical retainer fee	**(16,801)**	(23,022)
Joint ventures of PETRONAS:		
Pengerang Refining Company Sdn. Bhd.		
Project expenses	**(80,059)**	(110,089)
Pengerang Terminal (Two) Sdn. Bhd.		
Rendering of port services	**(33,697)**	(30,555)
Joint ventures and associates:		
Kertih Terminals Sdn. Bhd.		
Dividend income	**25,600**	32,000
INEOS PCG Acetyls Sdn. Bhd.		
Dividend income	**69,000**	151,680

32.1 Fees for representation on the Board of Directors paid directly to holding company relate to payment of fees for Directors who are appointees of the holding company.

32.2 Reimbursement of key management personnel costs and benefits paid to holding company relate to payroll related costs and benefits payment for services of certain key management personnel.

Information regarding outstanding balances arising from related party transactions as at 31 December 2022 are included in Notes 7, 11, 18.2 and 19. Related party balances on lease liabilities are as follows:

	Group		**Company**	
In RM Million	**2022**	**2021**	**2022**	**2021**
Subsidiaries of PETRONAS	**901**	745	**731**	594
Joint ventures of PETRONAS	**502**	495	**317**	302
	1,403	1,240	**1,048**	896

Other related party transactions have not been included as the transactions are not significant to the Group and the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

33. OPERATING SEGMENTS

Effective fourth quarter of 2022, the Group reportable segments comprise of Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others following acquisition of a new subsidiary, which are the Group's strategic business units. The strategic business units offer 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:

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.

- Fertilisers and Methanol – activities include manufacturing and marketing of methanol and a range of nitrogen, phosphate and compound fertilisers.

- Specialties – activities include manufacturing and marketing of advanced chemicals & solutions, animal nutrition, silicones and lube oil additives and chemicals.

- Others – other non reportable segments comprise operations related to investment holding and port services which provide product distribution infrastructure to the Group

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Performance is measured based on segment profit after tax as included in the internal management reports that are reviewed by the MD/CEO, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

Inter-segment pricing is established on commercial basis.

Segment assets

The total of segment assets are measured based on all assets of a segment, as included in the internal management reports that are reviewed by the MD/CEO. Segment total assets are used to measure the return of assets of each segment.

33. OPERATING SEGMENTS (CONTINUED)

Segment liabilities

The Group segment liabilities are measured and managed on a Group basis and are not allocated to operating segments.

2022 *In RM Million*	**Olefins and Derivatives**	**Fertilisers and Methanol**	**Specialties**	**^Others**	**Elimination and adjustment**	**Total**
Segment profit	**2,577**	**4,070**	**113**	**(433)**	**-**	**6,327**
Included in the measure of segment profit are:						
Revenue from external customers	**12,929**	**12,850**	**3,125**	**49**	**-**	**28,953**
Inter-segment revenue	**3**	**-**	**-**	**43**	**(46)**	**-**
Depreciation and amortisation	**(544)**	**(863)**	**(78)**	**(104)**	**-**	**(1,589)**
Interest income	**47**	**53**	**2**	**295**	**(150)**	**247**
Financing costs	**(30)**	**(17)**	**(43)**	**(7)**	**31**	**(66)**
Share of profit of equity accounted joint ventures and associates	**112**	**30**	**2**	**21**	**-**	**165**
Tax expense	**(89)**	**(259)**	**(37)**	**(21)**	**-**	**(406)**
Segment assets	**17,417**	**13,282**	**16,288**	**8,557**	**(114)**	**55,430**
Included in the measure of segment assets are:						
Investments in joint ventures and associates	**1,152**	**192**	**38**	**283**	**-**	**1,665**
Additions to non-current assets other than financial instruments and deferred tax assets	**1,205**	**1,100**	**13,214**	**66**	**-**	**15,585**

^ Includes unallocated assets.

NOTES TO THE **FINANCIAL STATEMENTS**

33. OPERATING SEGMENTS (CONTINUED)

2021 restated *In RM Million*	**Olefins and Derivatives**	**Fertilisers and Methanol**	**^Others**	**Elimination and adjustment**	**Total**
Segment profit	3,430	3,859	31	-	7,320
Included in the measure of segment profit are:					
Revenue from external customers	12,465	9,341	1,220	-	23,026
Inter-segment revenue	13	-	45	(58)	-
Depreciation and amortisation	(743)	(834)	(73)	-	(1,650)
Interest income	28	22	130	(63)	117
Financing costs	(9)	(13)	(7)	-	(29)
Share of profit of equity accounted joint ventures and associates	489	209	31	-	729
Tax expense	(166)	(172)	(53)	-	(391)
Segment assets	17,076	12,583	16,816	(21)	46,454
Included in the measure of segment assets are:					
Investments in joint ventures and associates	998	222	260	-	1,480
Additions to non-current assets other than financial instruments and deferred tax assets	1,698	558	128	-	2,384

^ Includes unallocated assets.

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 joint ventures and associates), retirement benefits and deferred tax assets.

Group 2022 *In RM Million*	**Revenue**	**Non-current assets**
Malaysia	**8,191**	**27,429**
Asia:		
- China	**3,518**	**71**
- Indonesia	**2,832**	**1**
- Thailand	**3,259**	**-**
- Others	**6,224**	**-**
Sweden	**103**	**7,525**
Rest of the world	**4,826**	**1,551**
	28,953	**36,577**

33. OPERATING SEGMENTS (CONTINUED)

Geographical information (continued)

Group 2021 *In RM Million*	Revenue	Non-current assets
Malaysia	7,041	22,109
Asia:		
- China	3,650	9
- Indonesia	2,484	1
- Thailand	2,502	2
- Others	4,351	-
Rest of the world	2,998	604
	23,026	22,725

* These balances exclude non-financial instruments balances.

Major customers

None of the customers individually contributes to more than 10% of the Group's revenue.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following tables provide an analysis of financial instruments categorised as follows:

i. Amortised cost ("AC"); and
ii. Fair value through profit or loss ("FVTPL")
   – Mandatorily required by MFRS 9 *Financial Instruments*

Group 2022 *In RM Million*	Note	AC	FVTPL	Total carrying amount
Financial assets				
Long term receivables*	**7**	**239**	**-**	**239**
Trade and other receivables*	**11**	**3,105**	**7**	**3,112**
Cash and cash equivalents	**13**	**8,888**	**-**	**8,888**
		12,232	**7**	**12,239**
Financial liabilities				
Other long term liabilities*		**(759)**	**(208)**	**(967)**
Borrowings	**17**	**(2,718)**	**-**	**(2,718)**
Trade and other payables*	**19**	**(5,484)**	**(11)**	**(5,495)**
		(8,961)	**(219)**	**(9,180)**

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Group 2021 In RM Million	Note	AC	FVTPL	Total carrying amount
Financial assets				
Trade and other receivables*	11	2,576	4	2,580
Cash and cash equivalents	13	16,390	-	16,390
		18,966	4	18,970
Financial liabilities				
Borrowings	17	(2,388)	-	(2,388)
Trade and other payables*	19	(4,222)	(4)	(4,226)
		(6,610)	(4)	(6,614)

* These balances exclude non-financial instruments balances.

Company 2022 In RM Million	Note	AC	Total carrying amount
Financial assets			
Trade and other receivables*	**11**	**96**	**96**
Cash and cash equivalents	**13**	**2,852**	**2,852**
		2,948	**2,948**
Financial liabilities			
Borrowings	**17**	**(2,445)**	**(2,445)**
Trade and other payables*	**19**	**(1,378)**	**(1,378)**
		(3,823)	**(3,823)**

2021 In RM Million	Note	AC	Total carrying amount
Financial assets			
Trade and other receivables*	11	99	99
Cash and cash equivalents	13	1,223	1,223
		1,322	1,322
Financial liabilities			
Borrowings	17	(2,153)	(2,153)
Trade and other payables*	19	(1,756)	(1,756)
		(3,909)	(3,909)

* These balances exclude non-financial instruments balances.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Financial risk management

The Group and the Company are exposed to various financial risks, that are particular to its core business of petrochemical. These risks, which arise in the normal course of the Group's and the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates and 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 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 is 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 faced by the Group and the Company. Based on this assessment, each business unit/Company adopts appropriate measures to mitigate these risks in accordance with the business unit's/Company's view of the balance between risk and reward.

Credit risk

Credit risk is the potential exposure of the Group and 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 its receivables from customers and intercompany loans and advances. Credit risks are managed by individual subsidiaries in line with PETRONAS' policies and guidelines.

Cash and cash equivalents

The Group and the Company are exposed to counterparty credit risk from financial institutions through fund investment activities which is managed by PETRONAS IFSSC on behalf of the Group and the Company comprising primarily money market placement. 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 and the Company's investment objectives 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**

34. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Credit risk (continued)

Cash and cash equivalents (continued)

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. The Group and the Company assume that there is a significant increase in credit risk when it is past due.

As at the reporting date, the Group and the Company do not expect any of the counterparties to fail to meet its obligation in view of their sound credit ratings.

Intercompany loans and advances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the end of the reporting period, the maximum exposure to credit risk arising from intercompany loans and advances is represented by their carrying amounts in the statements of financial position.

Receivables

The Group minimises credit risk by ensuring that all potential third-party counterparties are subject to credit assessment and approval prior to any transaction being concluded. 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 and the Company'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 further mitigates and limits risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit or bank guarantees.

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 newly acquired subsidiary has a non-recourse, long-term trade receivables programme to minimise credit risk with their customers.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Credit risk (continued)

Receivables (continued)

The Group's significant concentration of credit risk for receivables at the end of the reporting date by segment is as follows:

	Group	
In RM Million	**2022**	**2021**
Olefins and Derivatives	**1,084**	1,645
Fertilisers and Methanol	**1,608**	788
Specialties	**283**	-
Others	**130**	143
	3,105	2,576

The Group uses ageing analysis to monitor the credit quality of trade receivables.

The Group performs credit rating assessment of all its counterparties in order to measure ECLs of trade receivables for all segments using the PETRONAS Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties' customer's financial statements or a qualitative assessment of the counterparties customer, which includes but is not limited to their customer's reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the Group considers the probability of default and loss given default assigned to each counterparty customer. The probability of default 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 Company's historical experience.

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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; and
(iii) it is probable that the customer will enter bankruptcy or other financial reorganisation

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

NOTES TO THE **FINANCIAL STATEMENTS**

34. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Credit risk (continued)

Receivables (continued)

The gross carrying amounts of credit impaired trade receivables 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 that are written off could still be subject to enforcement activities.

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

The ageing of trade receivables and amount due from holding company, related companies and associates which are trade in nature as at the end of the financial year is analysed below:

	Group	
In RM Million	**2022**	**2021**
At net		
Current	**2,983**	2,464
Past due 1 to 30 days	**66**	38
Past due 31 to 60 days	**23**	-
Past due 61 to 90 days	**12**	1
Past due more than 90 days	**8**	-
	3,092	2,503

With respect to the Group's trade receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Financial guarantees

The Group provide corporate guarantee to certain subsidiaries' suppliers in respect of its obligation and responsibilities in a case where the subsidiaries default the payment. The maximum exposure to credit risk is amounting to RM111 million, which represents the outstanding balance of the subsidiaries as at reporting date. As at reporting date, there was no indication that the subsidiaries would default the repayment.

The Company provides unsecured financial guarantees to a bank in respect of banking facility granted to an associate. The Company monitors on an ongoing basis, the results of the associate and repayments made by the associate.

The maximum exposure to credit risk is amounting to RM168 million (2021: RM292 million), which represents the outstanding banking facility of the associate as at reporting date. As at reporting date, there was no indication that the associate would default on repayment.

In connection to the project financing facility undertaken by the joint operation company under an integrated borrowing structure with a related party (the "Borrowers") as disclosed in Note 17, the Borrowers provide cross-guarantee to the project financing lenders on each other's loan being the loan amount excluding any transaction costs. 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.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Credit risk (continued)

Financial guarantees (continued)

The Group's and the Company's share of maximum exposure to credit risk relating to the cross-guarantee provided by the joint operation company to the related party amounts to RM15,669 million (2021: RM15,995 million) which represents the outstanding loans of the related party as at financial year end. Similarly, the cross-guarantee provided by the related party to the joint operation company as at financial year end is RM1,842 million (2021: RM1,880 million), being the Group's and the Company's share in the joint operation company.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables and borrowings. In managing its liquidity risk, the Group monitors and maintains sufficient cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis

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

Group 2022 *In RM Million*	**Carrying amount**	**Contractual interest/ discount rates per annum %**	**Contractual cash flows**
Financial liabilities			
Borrowings	**2,718**	**4.85**	**3,396**
Lease liabilities	**1,813**	**6.64**	**3,959**
Other long term liabilities	**967**	**3.94**	**1,281**
Trade and other payables	**5,484**	**-**	**5,484**
Net derivative liabilities			
- inflow	**(7)**	**-**	**(933)**
- outflow	**11**	**-**	**1,015**
Financial guarantee			
- subsidiary	**-**	**-**	**111**
- associate	**-**	**-**	**168**
- related party	**-**	**-**	**15,669**
	10,986		**30,150**

continue below

Group 2022 *In RM Million*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Financial liabilities				
Borrowings	**333**	**354**	**544**	**2,165**
Lease liabilities	**212**	**250**	**470**	**3,027**
Other long term liabilities	**-**	**212**	**-**	**1,069**
Trade and other payables	**5,484**	**-**	**-**	**-**
Net derivative liabilities				
- inflow	**(933)**	**-**	**-**	**-**
- outflow	**1,015**	**-**	**-**	**-**
Financial guarantee				
- subsidiary	**111**	**-**	**-**	**-**
- associate	**168**	**-**	**-**	**-**
- related party	***15,669**	**-**	**-**	**-**
	22,059	**816**	**1,014**	**6,261**

continued from above

34. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2021 *In RM Million*	**Carrying amount**	**Contractual interest/ discount rates per annum %**	**Contractual cash flows**
Financial liabilities			
Borrowings	2,388	1.47	2,855
Lease liabilities	1,462	7.55	4,035
Trade and other payables	4,222	-	4,222
Net derivative liabilities			
- inflow	(4)	-	(960)
- outflow	4	-	959
Financial guarantee			
- associate	-	-	292
- related party	-	-	15,995
	8,072		27,398

continue below

Group 2021 *In RM Million*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Financial liabilities				
Borrowings	263	142	587	1,863
Lease liabilities	243	196	445	3,151
Trade and other payables	4,222	-	-	-
Net derivative liabilities				
- inflow	(960)	-	-	-
- outflow	959	-	-	-
Financial guarantee				
- associate	292	-	-	-
- related party	*15,995	-	-	-
	21,014	338	1,032	5,014

continued from above

* This relates to project financing facility undertaken by the joint operation company as disclosed in Note 17 and page 98-99 on financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2022 *In RM Million*	**Carrying amount**	**Contractual interest/ discount rates per annum %**	**Contractual cash flows**
Financial liabilities			
Borrowings	**2,445**	**1.66**	**3,120**
Lease liabilities	**1,048**	**6.88**	**2,738**
Trade and other payables	**1,378**	**-**	**1,378**
Financial guarantee			
- associate	**-**	**-**	**168**
- related party	**-**	**-**	**15,669**
	4,871		**23,073**

continue below

Company 2022 *In RM Million*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Financial liabilities				
Borrowings	**215**	**206**	**534**	**2,165**
Lease liabilities	**75**	**75**	**258**	**2,330**
Trade and other payables				
Financial guarantee	**1,378**	**-**	**-**	**-**
- associate	**168**	**-**	**-**	**-**
- related party	***15,669**	**-**	**-**	**-**
	17,505	**281**	**792**	**4,495**

continued from above

34. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company **2021** *In RM Million*	**Carrying amount**	**Contractual interest/ discount rates per annum %**	**Contractual cash flows**
Financial liabilities			
Borrowings	2,153	1.55	2,617
Lease liabilities	896	7.94	2,580
Trade and other payables	1,756	-	1,756
Financial guarantee			
- associate	-	-	292
- related party	-	-	15,995
	4,805		23,240

continue below

Company **2021** *In RM Million*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Financial liabilities				
Borrowings	169	142	443	1,863
Lease liabilities	77	77	230	2,196
Trade and other payables				
Financial guarantee	1,756	-	-	-
- associate	292	-	-	-
- related party	*15,995	-	-	-
	18,289	219	673	4,059

continued from above

* This relates to project financing facility undertaken by the joint operation company as disclosed in Note 17 and page 98-99 on financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk or uncertainty arising from changes in market prices and their impact on the performance of the business. The market price changes arising from financial instruments that the Group and the Company are exposed to include interest rates and foreign currency exchange rates 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 variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates whilst fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. 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 Group and the Company are also exposed to the ongoing interbank offered rates (IBOR) reforms on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

The Group's and the Company's main IBOR exposure are indexed to USD LIBOR which will be discontinued on a revised timeline of 30 June 2023. The alternative reference rate is Secured Overnight Financing Rate (SOFR). The Group has established PETRONAS LIBOR Transition committee which monitors and manages the Groupwide transition to alternative rates with an aim to achieve economically equivalent transactions and minimal impact upon transition. As at reporting date, transitional activities are currently ongoing, and the Group and the Company have applied the practical expedients to negotiated contracts for which the benchmark rate had been replaced with an alternative benchmark rate.

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 Million	2022	2021	2022	2021
Fixed rate instruments				
Financial assets	2,593	1,206	2,099	1,050
Financial liabilities	(2,662)	(1,972)	(1,742)	(1,264)
	(69)	(766)	357	(214)
Floating rate instruments				
Financial assets	6,257	14,983	753	173
Financial liabilities	(1,870)	(1,879)	(1,750)	(1,785)
	4,387	13,104	(997)	(1,612)

The Group's and the Company's financial assets and liabilities are measured at amortised cost. Any reasonable possible change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

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/or when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's and the Company's cash flows are Ringgit Malaysia and US Dollar.

The Group's and the Company's foreign exchange management policies are to minimise economic and significant transactional exposures arising from currency movements.

The Group mainly relies on the natural hedge arising from most of its revenue and expenses being denominated in US Dollar. In addition, the Group, where deemed necessary and appropriate will enter into derivative financial instruments to hedge and minimise exposure to the foreign currency movement in respect of current and forecasted transactions.

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 Million*	2022 Denominated in			2021 Denominated in		
	USD	THB	EURO	USD	THB	EURO
Financial assets						
Trade and other receivables*	**-**	**266**	**2**	110	269	-
Cash and cash equivalents	**-**	**59**	**-**	-	72	-
Financial liabilities						
Trade and other payables*	**(92)**	**-**	**(51)**	(35)	(10)	(33)
Net derivative liabilities at nominal value	**-**	**(224)**	**(1)**	-	(166)	-
Net exposure	**(92)**	**101**	**(50)**	75	165	(33)

* These amounts include foreign currency risk exposure arising from intra-group balances.

Company *In RM Million*	Denominated in USD	
	2022	2021
Financial assets		
Trade and other receivables	-	62
Net exposure	-	62

Most of the Group's and the Company's foreign currency financial instruments are denominated in US Dollar and since the net exposure is not material, any reasonable possible change in the exchange rate is not expected to have a material impact on the Group's and the Company's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information

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

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 statements of financial position.

Group 2022	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value	Carrying amount	Nominal value
In RM Million	Level 2	Level 3	Total	Level 3	Total	Total
Financial assets						
Forward foreign exchange contracts	**7**	**-**	**7**	**-**	**7**	**459**
Financial liabilities						
Forward foreign exchange contracts	**(11)**	**-**	**(11)**	**-**	**(11)**	**(562)**
Contingent consideration*	**-**	**(208)**	**(208)**	**-**	**(208)**	**(208)**
Borrowings	**-**	**-**	**-**	**(2,718)**	**(2,718)**	**-**

* Sensitivity analysis was not performed as the effect is immaterial to the financial statements.

Group 2021	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value	Carrying amount	Nominal value
In RM Million	Level 2	Level 3	Total	Level 3	Total	Total
Financial assets						
Forward foreign exchange contracts	4	-	4	-	4	597
Financial liabilities						
Forward foreign exchange contracts	(4)	-	(4)	-	(4)	(366)
Borrowings	-	-	-	(2,388)	(2,388)	-

34. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Group 2022 *In RM Million*	**Fair value of financial instruments not carried at fair value Level 3**	**Carrying amount Total**
Financial liabilities		
Borrowings	**(2,445)**	**(2,445)**

Group 2021 *In RM Million*	**Fair value of financial instruments not carried at fair value Level 3**	**Carrying amount Total**
Financial liabilities		
Borrowings	(2,153)	(2,153)

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on the fair value difference between forward exchange rates and the contracted rates.

Borrowings

The fair value of borrowings is calculated based on the present value of the projected repayment of loans, discounted at the market rate of interest at the end of the reporting period.

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

Group 2022 *In RM Million*	**Interest income**	**Interest expense**	**Others**	**Total**
Financial assets at amortised cost	**247**	**-**	**(1,224)**	**(977)**
Financial liabilities at amortised cost	**-**	**(71)**	**1,126**	**1,055**
	247	**(71)**	**(98)**	**78**

Group 2021 *In RM Million*	**Interest income**	**Interest expense**	**Others**	**Total**
Financial assets at amortised cost	117	-	(58)	59
Financial liabilities at amortised cost	-	(32)	190	158
	117	(32)	132	217

NOTES TO THE **FINANCIAL STATEMENTS**

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

Company 2022 *In RM Million*	**Interest income**	**Interest expense**	**Others**	**Total**
Financial assets measured at amortised cost	**74**	**-**	**206**	**280**
Financial liabilities measured at amortised cost	**-**	**(66)**	**(9)**	**(75)**
	74	**(66)**	**197**	**205**

Company 2021 *In RM Million*	**Interest income**	**Interest expense**	**Others**	**Total**
Financial assets measured at amortised cost	58	-	158	216
Financial liabilities measured at amortised cost	-	(30)	(7)	(37)
	58	(30)	151	179

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, fair value gains or losses and amortisation of transaction cost on borrowings.

35. ADOPTION OF REVISED PRONOUNCEMENTS

As of 1 January 2022 the Group and the Company adoption of revised pronouncements that have been issued by the MASB and are applicable as listed below:

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)*

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

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

The Amendments to MFRS 116 no longer allow companies to deduct any net proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in the statement of profit or loss.

The initial application of the above mentioned pronouncements did not have any material impact to the financial statements of the Group and of the Company except as disclosed in Note 38.

36. 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 2023

MFRS 17	*Insurance Contracts*
Amendments to MFRS 17	*Insurance Contracts*
Amendments to MFRS 17	*Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)*
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 Single Transaction)*

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16	*Leases (Lease Liability in a Sale and Leaseback)*
Amendments to MFRS 101	*Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*
Amendments to MFRS 101	*Presentation of Financial Statements (Non-current Liabilities with Covenants)*

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 of the Company.

37. REVISED PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which are not relevant to the Group and the Company 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)*

38. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS

The Group and the Company applied the requirements of Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment-Proceeds before Intended Use)* retrospectively with the cumulative effect of initial application at 1 January 2022. The impacts of the change in accounting policy are as follows:

(i) Reconciliation of consolidated statement of profit or loss and other comprehensive income as at 31 December 2021*

Group *In RM Million*	**As previously reported**	**Effect of amendments of MFRS 116**	**As restated**
Revenue	23,025	1	23,026
Gross profit	8,578	1	8,579
Profit before taxation	7,710	1	7,711
Profit for the year	7,319	1	7,320
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7,733	1	7,734
Profit attributable to:			
Shareholders of the Company	7,345	1	7,346
Non-controlling interest	(26)	-	(26)
Total comprehensive income attributable to:			
Shareholders of the Company	7,759	1	7,760
Non-controlling interest	(26)	-	(26)
Basic earnings per ordinary share (sen)	91.8	-	91.8

* An extract of consolidated statement of profit or loss and other comprehensive income on the affected lines.

38. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (CONTINUED)

(ii) Reconciliation of consolidated statement of financial position as at 31 December 2021

Group *In RM Million*	**As previously reported**	**Effect of amendments of MFRS 116**	**As restated**
Property, plant and equipment	22,195	(154)	22,041
Other assets	24,413	-	24,413
TOTAL ASSETS	46,608	(154)	46,454
EQUITY			
Share Capital	8,871	-	8,871
Reserves			
Retained Profits			
Balance as at 1 January 2021	21,128	(155)	20,973
Total comprehensive income for the year	7,345	1	7,346
Total transactions with owners of the Group	(3,201)	-	(3,201)
Balance as at 31 December 2021	25,272	(154)	25,118
Other reserves	862	-	862
Total equity attributable to shareholders of the Company	35,005	(154)	34,851
Non-controlling interests	535	-	535
TOTAL EQUITY	35,540	(154)	35,386
TOTAL LIABILITIES	11,068	-	11,068
TOTAL EQUITY AND LIABILITIES	46,608	(154)	46,454

Company *In RM Million*	**As previously reported**	**Effect of amendments of MFRS 116**	**As restated**
Property, plant and equipment	7,793	(151)	7,642
Other assets	23,241	-	23,241
TOTAL ASSETS	31,034	(151)	30,883
EQUITY			
Share Capital	8,871	-	8,871
Reserves			
Retained Profits			
Balance as at 1 January 2021	12,684	(151)	12,533
Total comprehensive income for the year	584	-	584
Total transactions with owners of the Group	(3,200)	-	(3,200)
Balance as at 31 December 2021	10,068	(151)	9,917
Other reserves	7,186	-	7,186
TOTAL EQUITY	26,125	(151)	25,974
TOTAL LIABILITIES	4,909	-	4,909
TOTAL EQUITY AND LIABILITIES	31,034	(151)	30,883

NOTES TO THE **FINANCIAL STATEMENTS**

38. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (CONTINUED)

(iii) Reconciliation of consolidated statement of financial position as at 1 January 2021

Group *In RM Million*	**As previously reported**	**Effect of amendments of MFRS 116**	**As restated**
Property, plant and equipment	20,987	(155)	20,832
Other assets	18,842	-	18,842
TOTAL ASSETS	39,829	(155)	39,674
EQUITY			
Share Capital	8,871	-	8,871
Reserves			
Retained Profits			
Balance as at 1 January 2020	20,464	(26)	20,438
Total comprehensive income for the year	1,628	(129)	1,499
Total transactions with owners of the Group	(964)	-	(964)
Balance as at 31 December 2020	21,128	(155)	20,973
Other reserves	447	-	447
Total equity attributable to shareholders of the Company	30,446	(155)	30,291
Non-controlling interests	563	-	563
TOTAL EQUITY	31,009	(155)	30,854
TOTAL LIABILITIES	8,820	-	8,820
TOTAL EQUITY AND LIABILITIES	39,829	(155)	39,674

Company *In RM Million*	**As previously reported**	**Effect of amendments of MFRS 116**	**As restated**
Property, plant and equipment	6,385	(151)	6,234
Other assets	25,821	-	25,821
TOTAL ASSETS	32,206	(151)	32,055
EQUITY			
Share Capital	8,871	-	8,871
Reserves			
Retained Profits			
Balance as at 1 January 2021	12,951	(151)	12,800
Total comprehensive income for the year	693	-	693
Total transactions with owners of the Group	(960)	-	(960)
Balance as at 31 December 2021	12,684	(151)	12,533
Other reserves	7,171	-	7,171
TOTAL EQUITY	28,726	(151)	28,575
TOTAL LIABILITIES	3,480	-	3,480
TOTAL EQUITY AND LIABILITIES	32,206	(151)	32,055

NOTES TO THE **FINANCIAL STATEMENTS**

38. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (CONTINUED)

(iv) Reconciliation of consolidated statement of cash flows as at 31 December 2021

Group *In RM Million*	**As previously reported**	**Effect of amendments of MFRS 116**	**As restated**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	7,710	1	7,711
Adjustment for:			
Other non-cash items	146	-	146
Other adjustments	597	-	597
Operating profit before changes in working capital	8,453	1	8,454
Changes in working capital	(188)	-	(188)
Cash generated from operations	8,265	1	8,266
Interest income received	117	-	117
Taxation paid	(197)	-	(197)
Net cash generated from operating activities	8,185	1	8,186
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	(1,556)	(1)	(1,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	(3,184)	-	(3,184)
Net cash flows from operating, investing and financing activities	3,445	-	3,445
Effect of foreign currency translation differences	11	-	11
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,456	-	3,456
NET FOREIGN EXCHANGE DIFFERENCES ON CASH HELD	227	-	227
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12,707	-	12,707
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16,390	-	16,390

39. CAPITAL MANAGEMENT

The Group defines capital as the total equity and debt of the Group. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximises shareholders' value. As a subsidiary of PETRONAS, the Group adopts PETRONAS Chemicals Group Financial Policy in managing its capital.

The Group monitors and maintains a prudent level of total debt to total assets.

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

NOTES TO THE **FINANCIAL STATEMENTS**

40. ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is PETRONAS, a company incorporated in Malaysia.

41. ACQUISITION OF A SUBSIDIARY

The Company via its wholly-owned subsidiary, PETRONAS Chemicals International B.V. ("PCIBV") had on 14 May 2022 entered into a Securities Purchase Agreement ("SPA") with Financière Forêt S.à.r.l, a company under PAI Partners, a European private equity firm ("Seller") to acquire 50,000,000 shares in Perstorp Holding AB ("Perstorp"), representing the entire issued share capital of Perstorp.

On 11 October 2022, PCG has fulfilled all the required conditions precedent and paid purchase price of EUR1,612.8 million (equivalent to approximately RM7,314.8 million) to the Seller, satisfied wholly in cash, to complete the acquisition.

PCIBV had repaid all outstanding and unpaid amounts owed by Perstorp and its subsidiaries ("Perstorp") as of the closing date of the SPA that relates to their existing financing agreements which amounts to EUR895.2 million (equivalent to approximately RM4,060.0 million) and paid earn-out payment into an escrow account which amounts to EUR45.0 million (equivalent to approximately RM204.1 million) related to Perstorp's new plant in Sayakha, India. The amount in the escrow account will be disbursed to the Seller subject to meeting certain conditions as agreed in the SPA. Following this completion, Perstorp has become an indirect wholly-owned subsidiary of the Group.

The net profit contributed by these subsidiaries from the date of acquisition is not material in relation to the consolidated net profit of the Group for the financial year.

If the acquisition had occurred on 1 January 2022, management estimates that consolidated revenue of the Group would have been RM34,293 million and consolidated profit for the financial year would have been RM6,391 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Purchase price allocation

As at reporting date, a provisional purchase price allocation for the acquisition has been performed whereby the fair value of the net assets and goodwill were updated based on provisional valuation of Perstorp which resulted in the recognition of intangible assets and fair value for certain tangible assets along with the corresponding deferred tax liabilities. The intangible assets relate to the fair value of trademarks, patents and know-how, customer relations and other intangibles, whilst the goodwill reflects the synergy that Perstorp will contribute to the Group.

41. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair value of the net identifiable assets and goodwill as disclosed below are based on provisional figures of which the independent valuation will be completed within twelve months after the acquisition date.

Effect of the above transaction are as below:

In RM Million	Note	Fair Value
Property, plant and equipment	3	3,797
Intangible assets	6	5,833
Deferred tax assets	9	265
Other non-current assets		133
Trade and other inventories		1,206
Trade and other receivables		670
Tax recoverable		7
Cash and cash equivalents		468
Borrowings		(4,092)
Lease liabilities		(37)
Deferred tax liabilities	9	(1,694)
Other non-current liabilities		(351)
Trade and other payables		(1,370)
Taxation		(10)
Net identifiable assets and liabilities		4,825
Less: Non-controlling interest		(195)
Add: Goodwill on acquisition		2,885
Purchase consideration		7,515
Add: Settlement of existing loans		4,060
Payment for acquisition		11,575
Less: Cash and cash equivalents acquired		(468)
Payment for acquisition, net of cash acquired		11,107

42. SUBSEQUENT EVENT

On 9 January 2023, the Company has entered into a Heads of Agreement to divest 25% of its equity interest in PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PCFS") to SMJ Sdn. Bhd. ("SMJ"), a wholly owned company of the Sabah State Government.

The divestment is part of the Group's strategic effort to position itself as a preferred partner in shaping and delivering the aspiration of the Group and SMJ to sustain and grow the petrochemicals business in the State of Sabah.

The divestment is expected to be completed in 2023, subject to execution of definitive agreement and conditions precedent being met. The financial estimate of the proposed divestment is yet to be finalised as at reporting date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD
(Company No. 199801003704 (459830-K))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PETRONAS Chemicals Group Berhad, which comprise the statements of financial position as at 31 December 2022 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 10 to 115.

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 2022, and of their financial performance and their 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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 consideration on property, plant and equipment and intangible assets

Refer to Note 2.8(ii) – Impairment – Other assets, Note 3 – Property, plant and equipment and Note 6 – Intangible assets of the financial statements.

There were risks of impairment on certain property, plant and equipment of the Group and the Company based on the external and internal sources of information assessed by the Group and the Company. In addition, the Group is required to carry out an annual impairment assessment on the goodwill for the respective cash-generating unit.

These assessments are key audit matters because:

- there were inherent uncertainties and significant judgment involved in the assessment of indicators of impairment, and forecasting and discounting future cash flows in determining the recoverable values where impairment tests were performed; and
- impairment assessment is complex and requires significant involvement of our more experienced team members and valuation specialist.

INDEPENDENT **AUDITORS' REPORT**

Key Audit Matters (continued)

Impairment consideration on property, plant and equipment and intangible asset (continued)

We performed the following audit procedures, among others:

- Evaluated the assessments performed by the Group and the Company on the impairment indicators to determine whether the relevant internal and external factors were considered;
- Where impairment tests were performed and the recoverable values were determined by discounting future cashflows:
  - challenged the impairment models by comparing them with market practices and the requirements of the accounting standards;
  - challenged and corroborated the Group's and the Company's key assumptions by comparing them with internal and external sources of information, and market practices;
  - engaged our valuation specialist to re-validate the discount rate;
  - where a component auditor was involved in evaluating the impairment assessments of property, plant and equipment, we engaged with the component auditor throughout the audit to satisfy our requirements under the international auditing standards and reviewed the audit workpapers performed by component auditor to determine sufficiency and the appropriateness of the audit procedures; and
  - determined the adequacy of the disclosures.

Acquisition of Perstorp Holding AB and its subsidiaries ("Perstorp Group")

Refer to Note 2.1(i) – Basis of consolidation – Subsidiaries – Business combinations and Note 41 Acquisition of a subsidiary of the financial statements.

On 11 October 2022, the Group, via a subsidiary, acquired 100% equity interest of Perstorp Holding AB ("Perstorp") with a purchase consideration of RM7,515 million.

This is a key audit matter because:

- accounting for the acquisition of a significant subsidiary is complex, and hence, requires significant involvement of more experienced engagement team members; and
- it has a material impact on the financial statements of the Group.

We performed the following audit procedures, among others:

- read and obtained understanding of the Securities Purchase Agreement;
- assessed that the investment cost of Perstorp Group, has been accounted for in accordance with the requirements of accounting standards;
- engaged component auditor to perform an audit on the carrying amount of the net assets at the acquisition date, obtained an understanding of the procedures performed by the component auditor, and reviewed the audit workpapers performed by component auditor to determine sufficiency and the appropriateness of the audit procedures;
- evaluated the computation of the provisional goodwill by comparing the purchase consideration to the provisional fair value of net assets at the date of acquisition; and
- determined the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

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 and Statement on Risk Management and Internal Control (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 other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 judgement 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.

INDEPENDENT **AUDITORS' REPORT**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 Note 27 to the financial statements.

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

Chua See Guan
Approval Number: 03169/02/2025 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 23 February 2023

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PCG's Financial Report 2022 has been produced in line with our theme: **Transcending. Next Level.** We considered the environmental impact of each decision made in the publication of this report. From the materials used and acquired to the design concept and production – everything is intentional.

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OPTIMAL PRODUCTION

- The production and printing of all reports followed the FSC® certified chain of custody
- The Governance section into the Integrated Report to reduce the usage of four-colour print for the Financial Report
- The cover is printed on FSC® certified Artizen Natural White 320 gsm paper, while inside pages are printed on FSC® certified Artizen Natural White 130 gsm paper
- A soy-based ink was used for a more sustainable approach

MINIMALIST PRESENTATION

The entirety of the report is presented in a straightforward and structured package, with simple design elements.

SIMPLICITY IN DESIGN

Replacing full-scale photographic images with other graphic representations such as graphs, charts and diagrams.

PRINTED SUSTAINABLY

The full report was produced using carbon-neutral press machines and eco-friendly materials certified with an ISO 14001 environmental management system in line with minimising environmental impact.

CONCISE LANGUAGE

The concepts are encapsulated in a concise and articulate manner, focusing on the presentation of the content beyond just words.

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