

# STEADFAST. ADVANCING SUSTAINABLY.

PETRONAS CHEMICALS GROUP BERHAD | FINANCIAL REPORT 2023



**PETRONAS**



# STEADFAST. ADVANCING SUSTAINABLY.

“Steadfast. Advancing Sustainably.” encapsulates the essence of our mission – a fusion of relentless dedication, innovative and sustainable progress. This tagline signifies our unwavering commitment to excellence, especially under challenging circumstances, through the continuous evolution of our chemical products. Our resilience is interwoven with a spirit of innovation, as we expand to include environmentally conscious solutions. By embodying this tagline, our firm resolve, ethical practices and investment in cutting-edge technologies not only navigate us through the immediate challenges but also illuminate our path towards a prosperous and sustainable future.

## Dear Stakeholders,

At PETRONAS Chemicals Group Berhad, creating value for stakeholders is achieved through our Sustainability Agenda, covering Economic, Environmental and Social pillars. Governance is an all-encompassing factor in the agenda.

The Company values the importance of transparency, accountability and responsibility, which are essential for building and maintaining trust.

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# INSIDE THIS REPORT

## OUR REPORTING SUITE

PCG is a global integrated chemicals enterprise, bolstered by a strong network of stakeholders. The confidence these stakeholders place in PCG is vital to our long-term growth. In our efforts to build upon this trust, we are committed to offering clear insights into our business trajectory, strategic approaches and performance, while also clearly identifying our material risks.



### Integrated Report (IR) 2023

The objective of PCG’s IR is to provide our stakeholders with a thorough and balanced assessment of both our financial and non-financial performance. By reading this report, stakeholders will gain a better understanding of our business operations, sustainability initiatives, performance metrics, governance strategies, risk management, and future prospects. This report demonstrates our commitment to transparency and aims to bolster the trust and confidence of our stakeholders. Within the governance section, we provide comprehensive coverage 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 the Statement on Risk Management and Internal Control.

### Financial Report (FR) 2023

Our FR includes the Directors’ Report, Audited Financial Statements and Independent Auditors’ Report. The report offers comprehensive financial information to our shareholders, investors, analysts and other relevant parties.

### Sustainability Report (SR) 2023

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.

### KEY FRAMEWORKS APPLIED

	IR	FR	SR
Integrated Reporting Framework (IRF) by Value Reporting Foundation (VRF) (previously known as International Integrated Reporting Council)	•		
Malaysian Code on Corporate Governance (MCCG)	•		
Main Market Listing Requirements (MMLR) issued by Bursa Malaysia	•	•	•
Companies Act 2016 (CA 2016)	•	•	
Malaysian Financial Reporting Standards (MFRS)	•	•	
IFRS Accounting Standards	•	•	
Corporate Governance Guide - 4 <sup>th</sup> Edition issued by Bursa Malaysia	•		
Global Reporting Initiative (GRI) Universal Standards 2021			•
MMLR on Sustainability Reporting			•
FTSE4Good Bursa Malaysia Index’s Environmental, Social and Governance (ESG) indicators			•
International Petroleum Industry Environmental Conservation Associations’ (IPIECA) Oil and Gas Industry Guidance for the Oil and Gas Industry - 4 <sup>th</sup> Edition, 2020			•
Dow Jones Sustainability Indices (DJSI)			•
The United Nations Sustainable Development Goals (UNSDGs)			•

# 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 2023. 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 non-current assets. Financing cash flows represent the cash flows between its shareholders and lenders.

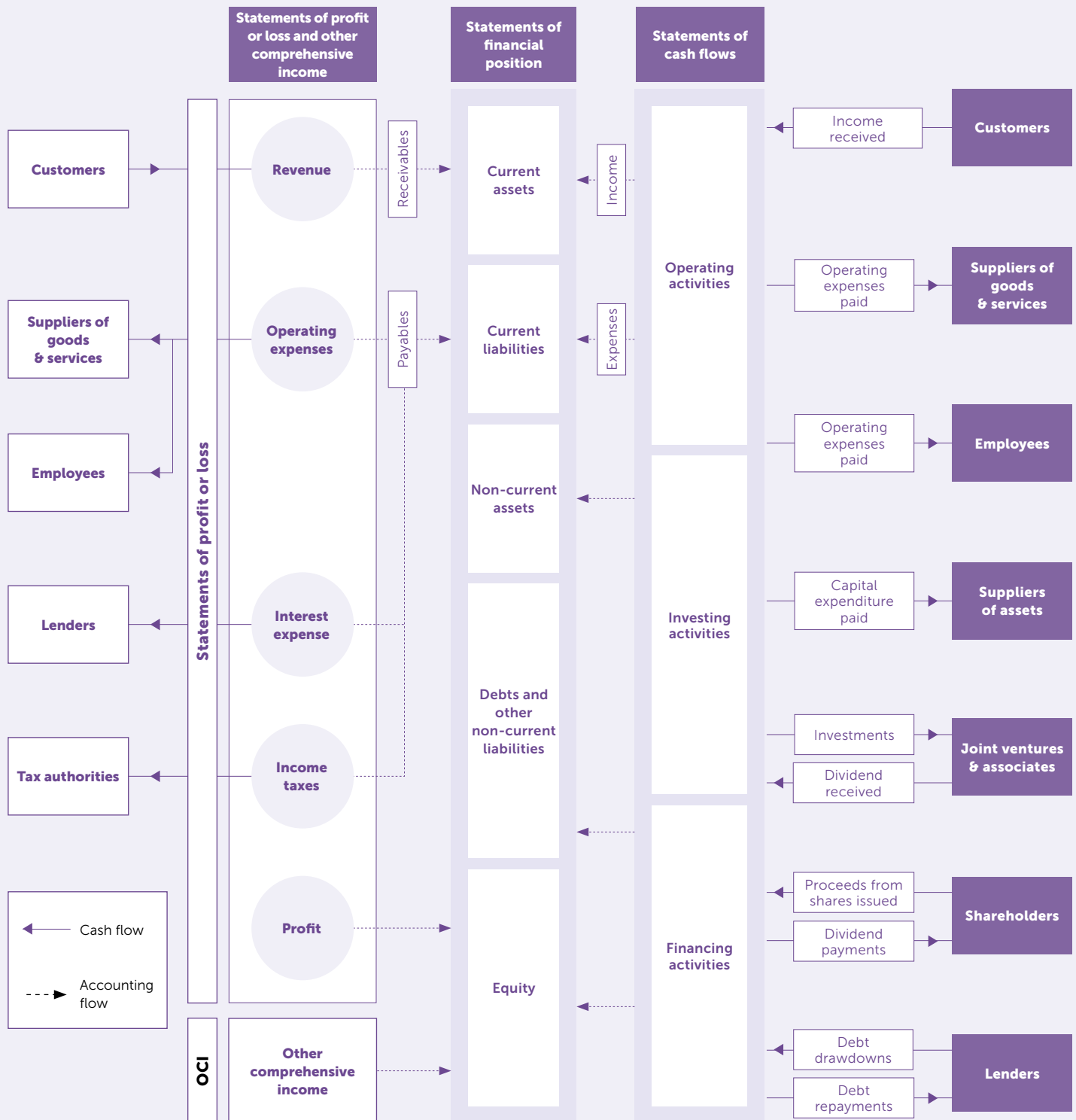
***'Where the company gets its cash and how it spends it'***

# APPROACHING OUR FINANCIAL REPORT

## 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 DIRECTORS' RESPONSIBILITY

(in relation to the Financial Statements)

The financial statements of the Group and of the Company as set out on pages 10 to 114 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 2023 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 2023.

### 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 entity 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

<i>In RM Mil</i>	Group	Company
Profit for the year	1,750	1,711
Attributable to:		
Shareholders of the Company	1,696	1,711
Non-controlling interests	54	-

### 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 2022 as reported in the Directors' Report of that year, a second interim dividend of 16 sen per ordinary share amounting to RM1,280 million was declared on 23 February 2023 and was paid on 23 March 2023; and
- ii. In respect of the financial year ended 31 December 2023, a first interim dividend of 8 sen per ordinary share amounting to RM640 million was declared on 22 August 2023 and was paid on 21 September 2023.

The Directors had on 26 February 2024 declared a second interim dividend of 5 sen per ordinary share amounting to RM400 million in respect of the financial year ended 31 December 2023 which is payable on 26 March 2024. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

### RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial 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  
 Mazuin bin Ismail (appointed on 1 January 2024)  
 Yeoh Siew Ming  
 Datuk Sazali bin Hamzah  
 Warren William Wilder  
 Dr. Zafar Abdulmajid Momin  
 Farehana binti Hanapiah  
 Datin Seri Sunita Mei-Lin Rajakumar  
 Ir. Mohd Yusri bin Mohamed Yusof (resigned on 1 January 2024)  
 Datuk Toh Ah Wah (retired on 12 June 2023)

In accordance with Article 107 of the Company's Constitution, Datuk Sazali bin Hamzah, Dr Zafar Abdulmajid Momin and Warren William Wilder 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, Mazuin bin Ismail who was appointed to fill casual vacancy on the Board, will retire at the forthcoming AGM, and being eligible, offers himself 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:

Name	Number of ordinary shares in the Company			
	Balance at 1.1.2023	Bought	Sold	Balance at 31.12.2023
Datuk Ir. (Dr.) Abdul Rahim bin Hashim	60,000	-	-	60,000
Ir. Mohd Yusri bin Mohamed Yusof	23,000	27,000	-	50,000
Datuk Sazali bin Hamzah - child	6,000	2,000	-	8,000
Farehana binti Hanapiah	6,000	-	-	6,000

None of the other Directors holding office as at 31 December 2023 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## 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 2023 was RM3,901,000 comprising fees and other short-term employee benefits of RM3,871,000 and RM30,000 respectively.



# DIRECTORS' REPORT

## 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 per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM608,278 and RM63,055 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
- (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 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature, 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.

## SIGNIFICANT EVENT

The significant event is as disclosed in Note 41 to the financial statements.

# DIRECTORS' REPORT

## AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept reappointment.

The auditors' remuneration for the financial year ended 31 December 2023 is as follows:

<i>In RM'000</i>	<b>Group</b>	<b>Company</b>
<b>Audit fees</b>		
- KPMG PLT	1,758	493
- Overseas affiliate of KPMG PLT	385	-
- Other auditors	6,431	29
	<b>8,574</b>	<b>522</b>
<b>Non audit service fees</b>		
- KPMG PLT	411	391
- Overseas affiliate of KPMG PLT	55	-
- Other auditors and their affiliates	15,908	43
	<b>16,374</b>	<b>434</b>

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

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

Chairman

**Mazuin bin Ismail**

Director

Kuala Lumpur,

Date: 26 February 2024

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 10 to 114, are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting 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 2023 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

**Mazuin bin Ismail**

Director

Kuala Lumpur,

Date: 26 February 2024

## 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 114 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 26 February 2024

BEFORE ME:

**Zainul Abidin bin Ahmad**

Commissioner of Oaths (No. W790)

Malaysia

Date: 26 February 2024

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
<b>ASSETS</b>					
Property, plant and equipment	3	29,437	27,213	9,617	8,521
Investments in subsidiaries	4	-	-	18,796	19,502
Investments in joint ventures and associates	5	1,710	1,665	1,408	1,408
Intangible assets	6	10,253	9,364	-	-
Long term receivables	7	1,027	284	958	-
Retirement benefits	8	95	88	-	-
Deferred tax assets	9	746	798	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>43,268</b>	39,412	<b>30,779</b>	29,431
Trade and other inventories	10	3,767	3,465	427	200
Trade and other receivables	11	3,857	3,619	362	98
Tax recoverable		46	46	-	-
Cash and cash equivalents	13	9,268	8,888	2,394	2,852
<b>TOTAL CURRENT ASSETS</b>		<b>16,938</b>	16,018	<b>3,183</b>	3,150
<b>TOTAL ASSETS</b>		<b>60,206</b>	55,430	<b>33,962</b>	32,581
<b>EQUITY</b>					
Share capital	14	8,871	8,871	8,871	8,871
Reserves	15	31,544	30,207	17,803	18,000
<b>Total equity attributable to shareholders of the Company</b>		<b>40,415</b>	39,078	<b>26,674</b>	26,871
Non-controlling interests	16	1,659	655	-	-
<b>TOTAL EQUITY</b>		<b>42,074</b>	39,733	<b>26,674</b>	26,871

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## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

<i>In RM Mil</i>	Note	Group		Company	
		2023	2022	2023	2022
<b>LIABILITIES</b>					
Borrowings	17	<b>2,473</b>	2,489	<b>2,312</b>	2,330
Lease liabilities		<b>1,930</b>	1,688	<b>1,078</b>	1,042
Provisions	18	<b>299</b>	221	<b>110</b>	77
Retirement benefits	8	<b>279</b>	242	-	-
Other long term liabilities	18	<b>1,831</b>	2,191	<b>692</b>	759
Deferred tax liabilities	9	<b>2,371</b>	2,364	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,183</b>	9,195	<b>4,192</b>	4,208
Borrowings	17	<b>500</b>	229	<b>141</b>	115
Lease liabilities		<b>229</b>	125	<b>63</b>	6
Trade and other payables	19	<b>8,042</b>	5,914	<b>2,877</b>	1,378
Taxation		<b>178</b>	234	<b>15</b>	3
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,949</b>	6,502	<b>3,096</b>	1,502
<b>TOTAL LIABILITIES</b>		<b>18,132</b>	15,697	<b>7,288</b>	5,710
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>60,206</b>	55,430	<b>33,962</b>	32,581

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## STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
Revenue	20	<b>28,667</b>	28,953	<b>2,941</b>	4,879
Cost of revenue		<b>(23,882)</b>	(20,277)	<b>(1,440)</b>	(453)
<b>Gross profit</b>		<b>4,785</b>	8,676	<b>1,501</b>	4,426
Selling and distribution expenses		<b>(1,906)</b>	(1,436)	-	-
Administration expenses		<b>(1,394)</b>	(1,157)	<b>(386)</b>	(359)
Other expenses		<b>(40)</b>	(166)	<b>119</b>	(228)
Other income		<b>711</b>	717	<b>582</b>	931
<b>Operating profit</b>	21	<b>2,156</b>	6,634	<b>1,816</b>	4,770
Financing costs	22	<b>(139)</b>	(66)	<b>(42)</b>	(18)
Share of profit after tax of equity-accounted joint ventures and associates		<b>93</b>	165	-	-
<b>Profit before taxation</b>		<b>2,110</b>	6,733	<b>1,774</b>	4,752
Tax expense	23	<b>(360)</b>	(406)	<b>(63)</b>	(31)
<b>Profit for the year</b>		<b>1,750</b>	6,327	<b>1,711</b>	4,721
<b>Profit attributable to:</b>					
Shareholders of the Company		<b>1,696</b>	6,322	<b>1,711</b>	4,721
Non-controlling interests		<b>54</b>	5	-	-
<b>PROFIT FOR THE YEAR</b>		<b>1,750</b>	6,327	<b>1,711</b>	4,721
Basic earnings per ordinary share (sen)	24	<b>21.2</b>	79.0	-	-

The notes set out on pages 23 to 114 are an integral part of these financial statements.

## STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
<b>Profit for the year</b>		<b>1,750</b>	6,327	<b>1,711</b>	4,721
<b>Other comprehensive (loss)/income</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability	8	<b>(67)</b>	33	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		<b>1,635</b>	1,550	<b>12</b>	16
Share of other comprehensive (loss)/income of equity-accounted joint ventures and associates		<b>(23)</b>	89	-	-
		<b>1,612</b>	1,639	<b>12</b>	16
<b>Total other comprehensive income for the year</b>		<b>1,545</b>	1,672	<b>12</b>	16
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,295</b>	7,999	<b>1,723</b>	4,737
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		<b>3,228</b>	7,993	<b>1,723</b>	4,737
Non-controlling interests		<b>67</b>	6	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,295</b>	7,999	<b>1,723</b>	4,737

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Group <i>In RM Mil</i>	Attributable to shareholders of the Company			
	Non-distributable			
	Share capital (Note 14)	Foreign currency translation reserve (Note 15)	Merger reserve (Note 15)	Other reserves (Note 15)
<b>Balance at 1 January 2023</b>	<b>8,871</b>	<b>1,573</b>	<b>(204)</b>	<b>1,165</b>
Foreign currency translation differences	-	<b>1,622</b>	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	<b>(23)</b>
Remeasurement of defined benefit liability	-	-	-	<b>(67)</b>
Total other comprehensive income/(loss) for the year	-	<b>1,622</b>	-	<b>(90)</b>
Profit for the year	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	-	<b>1,622</b>	-	<b>(90)</b>
Transfer from retained profits upon redemption of redeemable preference shares of a subsidiary	-	-	-	<b>532</b>
Changes in ownership interest in a subsidiary (Note 41)	-	-	-	<b>(91)</b>
Dividends to shareholders of the Company (Note 25)	-	-	-	-
Others	-	-	-	<b>1</b>
<b>Total transactions with owners of the Group</b>	-	-	-	<b>442</b>
<b>Balance at 31 December 2023</b>	<b>8,871</b>	<b>3,195</b>	<b>(204)</b>	<b>1,517</b>

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## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Group <i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>		<b>Non- controlling interests</b>	<b>Total equity</b>
	<i>Distributable</i>	<b>Total</b>		
	<b>Retained profits</b>			
<b>Balance at 1 January 2023</b>	<b>27,673</b>	<b>39,078</b>	<b>655</b>	<b>39,733</b>
Foreign currency translation differences	-	<b>1,622</b>	<b>13</b>	<b>1,635</b>
Share of other comprehensive income of equity-accounted joint ventures and associates	-	<b>(23)</b>	-	<b>(23)</b>
Remeasurement of defined benefit liability	-	<b>(67)</b>	-	<b>(67)</b>
Total other comprehensive income/(loss) for the year	-	<b>1,532</b>	<b>13</b>	<b>1,545</b>
Profit for the year	<b>1,696</b>	<b>1,696</b>	<b>54</b>	<b>1,750</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>1,696</b>	<b>3,228</b>	<b>67</b>	<b>3,295</b>
Transfer from retained profits upon redemption of redeemable preference shares of a subsidiary	<b>(532)</b>	-	<b>(177)</b>	<b>(177)</b>
Changes in ownership interest in a subsidiary (Note 41)	<b>120</b>	<b>29</b>	<b>1,114</b>	<b>1,143</b>
Dividends to shareholders of the Company (Note 25)	<b>(1,920)</b>	<b>(1,920)</b>	-	<b>(1,920)</b>
Others	<b>(1)</b>	-	-	-
<b>Total transactions with owners of the Group</b>	<b>(2,333)</b>	<b>(1,891)</b>	<b>937</b>	<b>(954)</b>
<b>Balance at 31 December 2023</b>	<b>27,036</b>	<b>40,415</b>	<b>1,659</b>	<b>42,074</b>

*continued from previous page*

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Group <i>In RM Mil</i>	Attributable to shareholders of the Company			
	Non-distributable			
	Share capital (Note 14)	Foreign currency translation reserve (Note 15)	Merger reserve (Note 15)	Other reserves (Note 15)
<b>Balance at 1 January 2022</b>	8,871	24	(204)	1,042
Foreign currency translation differences	-	1,549	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	89
Remeasurement of defined benefit liability	-	-	-	33
Total other comprehensive income for the year	-	1,549	-	122
Profit for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	1,549	-	122
Dividends to shareholders of the Company (Note 25)	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Others	-	-	-	1
<b>Total transactions with owners of the Group</b>	-	-	-	1
Acquisition of a subsidiary with non-controlling interest (Note 40)	-	-	-	-
<b>Balance at 31 December 2022</b>	8,871	1,573	(204)	1,165

*continue to next page*

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

<b>Group</b> <i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>		<b>Non- controlling interests</b>	<b>Total equity</b>
	<i>Distributable</i>	<b>Total</b>		
	<b>Retained profits</b>			
<b>Balance at 1 January 2022</b>	25,118	34,851	535	35,386
Foreign currency translation differences	-	1,549	1	1,550
Share of other comprehensive income of equity-accounted joint ventures and associates	-	89	-	89
Remeasurement of defined benefit liability	-	33	-	33
Total other comprehensive income for the year	-	1,671	1	1,672
Profit for the year	6,322	6,322	5	6,327
<b>Total comprehensive income for the year</b>	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	73	74	(77)	(3)
<b>Total transactions with owners of the Group</b>	(3,767)	(3,766)	(81)	(3,847)
Acquisition of a subsidiary with non-controlling interest (Note 40)	-	-	195	195
<b>Balance at 31 December 2022</b>	27,673	39,078	655	39,733

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## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Company <i>In RM Mil</i>	Attributable to shareholders of the Company					
	Non-distributable				Distributable	Total equity
	Share capital (Note 14)	Foreign currency translation reserve (Note 15)	Merger relief (Note 15)	Other reserve (Note 15)	Retained profits	
<b>Balance at 1 January 2023</b>	<b>8,871</b>	<b>31</b>	<b>7,176</b>	<b>(5)</b>	<b>10,798</b>	<b>26,871</b>
Foreign currency translation differences	-	<b>12</b>	-	-	-	<b>12</b>
Profit for the year	-	-	-	-	<b>1,711</b>	<b>1,711</b>
Total comprehensive income for the year	-	<b>12</b>	-	-	<b>1,711</b>	<b>1,723</b>
Dividends to shareholders of the Company (Note 25)	-	-	-	-	<b>(1,920)</b>	<b>(1,920)</b>
<b>Balance at 31 December 2023</b>	<b>8,871</b>	<b>43</b>	<b>7,176</b>	<b>(5)</b>	<b>10,589</b>	<b>26,674</b>
<b>Balance at 1 January 2022</b>	8,871	15	7,176	(5)	9,917	25,974
Foreign currency translation differences	-	16	-	-	-	16
Others	-	-	-	-	-	-
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)
<b>Balance at 31 December 2022</b>	8,871	31	7,176	(5)	10,798	26,871

The notes set out on pages 23 to 114 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		2,110	6,733	1,774	4,752
Adjustments for:					
- amortisation of deferred income		(87)	(88)	-	-
- depreciation and amortisation		1,978	1,589	1	1
- dividend income		-	-	(1,923)	(4,650)
- financing costs		139	66	42	18
- finance income		(133)	(242)	(133)	(257)
- interest income		(386)	(247)	(57)	(74)
- share of profit after tax of equity-accounted joint ventures and associates		(93)	(165)	-	-
- unrealised gain on foreign exchange		(38)	(494)	(185)	(195)
- other non-cash items		331	202	(253)	(77)
Operating profit/(loss) before changes in working capital		3,821	7,354	(734)	(482)
Change in trade and other inventories		(332)	96	(218)	(273)
Change in trade and other receivables		165	(225)	129	198
Change in trade and other payables		1,502	1,039	1,147	854
Cash generated from operations		5,156	8,264	324	297
Interest income received		386	247	57	74
Taxation paid		(423)	(462)	(51)	(16)
<b>Net cash generated from operating activities</b>		<b>5,119</b>	<b>8,049</b>	<b>330</b>	<b>355</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Adjustment on purchase consideration for acquisition of a subsidiary	40	2	-	-	-
Dividends received from:					
- subsidiaries		-	-	1,900	4,544
- joint ventures and associates		23	106	23	106
Investments in:					
- subsidiaries		-	-	(706)	(468)
- joint ventures and associates		-	(47)	-	(26)
Payment for acquisition of a subsidiary, net of cash acquired	40	-	(11,107)	-	-

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## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES (continued)</b>					
Payment of deferred consideration		-	(49)	-	-
Payment of earn out for a subsidiary		(231)	-	-	-
Payment for settlement of forward foreign exchange contract		-	(49)	-	-
Proceeds from settlement of forward foreign exchange contract		-	49	-	-
Proceeds from disposal of property, plant and equipment		3	-	-	-
Proceeds from transfer of shares to a subsidiary		-	-	-	725
Purchase of property, plant and equipment	(i)	(2,352)	(1,881)	(203)	(367)
Redemption of preference shares in:					
- subsidiaries		-	-	532	693
- an associate		-	27	-	27
- non-controlling interest		(38)	-	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,593)</b>	<b>(12,951)</b>	<b>1,546</b>	<b>5,234</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid to:					
- PETRONAS	25	(1,236)	(2,471)	(1,236)	(2,471)
- others (third parties)	25	(684)	(1,369)	(684)	(1,369)
- non-controlling interest		-	(4)	-	-
Drawdown of:					
- term loans	26	-	352	-	352
- revolving credit	26	226	150	-	-
Payment of lease liabilities:					
- principal	26	(141)	(67)	-	(1)
- interest	26	(84)	(50)	(22)	(13)

continue to next page

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES (continued)</b>					
Repayment of revolving credit	26	(1)	(141)	-	-
Repayment of term loans:					
- principal	26	(124)	(146)	(119)	(146)
- interest	26	(131)	(60)	(125)	(54)
<b>Net cash used in financing activities</b>		<b>(2,175)</b>	<b>(3,806)</b>	<b>(2,186)</b>	<b>(3,702)</b>
<b>Net cash flows from operating, investing and financing activities</b>		<b>351</b>	<b>(8,708)</b>	<b>(310)</b>	<b>1,887</b>
Effect of foreign currency translation differences		(172)	470	(148)	(258)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>179</b>	<b>(8,238)</b>	<b>(458)</b>	<b>1,629</b>
<b>NET FOREIGN EXCHANGE DIFFERENCES ON CASH HELD</b>		<b>201</b>	<b>736</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>8,888</b>	<b>16,390</b>	<b>2,852</b>	<b>1,223</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	13	<b>9,268</b>	<b>8,888</b>	<b>2,394</b>	<b>2,852</b>

*continued from previous page*

Total cash outflows for leases for the Group and the Company are disclosed in Note 21.

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

### (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 RM3,077 million (2022: RM2,277 million) and RM747 million (2022: RM540 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 Mil	Note	Group		Company	
		2023	2022	2023	2022
Addition of property, plant and equipment excluding right-of-use assets	3	<b>3,077</b>	2,277	<b>747</b>	540
Adjustment for non-cash items:					
Accruals movement		<b>(458)</b>	(111)	<b>(300)</b>	6
Interest on term loan capitalised	3	<b>(142)</b>	(66)	<b>(142)</b>	(66)
Interest on lease liabilities capitalised	3	<b>(105)</b>	(101)	<b>(76)</b>	(72)
Depreciation on right-of-use assets capitalised	3	<b>(29)</b>	(30)	<b>(18)</b>	(18)
Others		<b>9</b>	(88)	<b>(8)</b>	(23)
Purchase of property, plant and equipment		<b>2,352</b>	1,881	<b>203</b>	367



# 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"), IFRS Accounting Standards as issued by the International Accounting Standards Board 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 2023, the Group and the Company had adopted a new MFRS and 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 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 26 February 2024.

### 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 has been rounded to the nearest million, unless otherwise stated.

### 1.4 Use of estimates and judgments

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

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

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

- (i) Note 3 : Property, plant and equipment;
- (ii) Note 6 : Intangible assets;
- (iii) Note 8 : Retirement benefits;
- (iv) Note 9 : Deferred tax;
- (v) Note 18 : Provisions and other long term liabilities;
- (vi) Note 23 : Tax expense; and
- (vii) Note 40 : Finalisation of purchase price allocation for acquisition of a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES

The Group adopted amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments did not result in any changes to the accounting policy information disclosed in the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements 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.

#### **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 an acquisition is measured as the aggregate of the fair value of the consideration. 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 aggregate fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of consolidation (continued)

#### (i) Subsidiaries (continued)

##### ***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.

##### ***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 arrangements 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).

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of consolidation (continued)

#### (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.

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**

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

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

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

#### **Subsequent costs**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Property, plant and equipment and depreciation (continued)

#### **Depreciation**

Depreciation for property, plant and equipment 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.

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

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

	2023	2022
Buildings	6 - 58 years	6 - 66 years
Plant and equipment	3 - 66 years	3 - 66 years
Office equipment, furniture and fittings	3 - 20 years	3 - 20 years
Computer software and hardware	3 - 20 years	3 - 20 years
Motor vehicles	3 - 10 years	3 - 10 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
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Leases (continued)

#### (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.

##### **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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Leases (continued)

#### (i) As a lessee (continued)

##### **Subsequent measurement (continued)**

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.

#### (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).

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 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)).

### 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.

#### (i) 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 subsidiary acquired in 2022 have indefinite useful lives due to their continuous renewal processes. Trademarks with indefinite useful lives are not amortised but instead, are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### (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 of 30 years.

#### (iv) Know-how and patents

Know-how and patents are the proprietary processes which give an edge over competitors. The know-how and patents are continually renewed when the Group introduces an innovation to the existing patents. Know-how and patents and acquired through business combination are measured at cost and has a straight line amortisation basis over the estimated useful lives of 30 years.

#### (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 the intangible assets may be impaired. Impairment assessment on intangible assets with indefinite useful lives 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments

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

#### (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.

Receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15 *Revenue from Contracts with Customers*, are measured at the transactions price determined under MFRS 15.

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.

##### **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).

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments (continued)

#### (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.

##### **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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments (continued)

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments (continued)

#### (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.

#### (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)* upon transition from London Inter-Bank Offered Rate ("LIBOR") to Secured Overnight Financing Rate ("SOFR").

As at reporting date, the Group and the Company's negotiated contracts for which alternative benchmark rate SOFR had been used to replace LIBOR resulted in economically equivalent position with no profit or loss impact upon initial transition.

For certain contracts which are still in transition to SOFR as at reporting date, the Group and the Company have applied alternative benchmark rate available in the market.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL 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 transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.8 Impairment

#### (i) Financial assets

The Group recognises 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.

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-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.8 Impairment (continued)

#### (ii) Other assets (continued)

For goodwill and assets with indefinite useful lives, 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 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.

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 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 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.

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 or loss.

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

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

Deferred tax asset is reviewed at 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.

#### **Global minimum top-up tax**

The Group has adopted International Tax Reform – Pillar Two Model Rules upon its release on 2 June 2023. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption. The application by the respective entity is subject to when the law is being enacted or substantively enacted in the respective country jurisdiction.

Upon its application, the Group will apply a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. The application of the pronouncements is further discussed in Note 35.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 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 RM are translated into RM 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.

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 specialties 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.17 Financing costs (continued)

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.

### 2.18 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.

### 2.19 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 2023 <i>In RM Mil</i>	At 1.1.2023	Additions	Disposals/ Write-offs
<b>At cost:</b>			
<u>Own use</u>			
Freehold land	167	-	-
Buildings	2,404	12	(11)
Plant and equipment	32,376	231	(220)
Office equipment, furniture and fittings	372	16	(3)
Computer software and hardware	533	11	(24)
Motor vehicles	33	-	-
Projects-in-progress	11,416	2,807	(6)
	<b>47,301</b>	<b>3,077</b>	<b>(264)</b>
<u>Right-of-use</u>			
Leasehold land	672	19	-
Buildings	181	9	(4)
Plant and equipment	1,213	34	(28)
Computer software and hardware	1	-	-
Motor vehicles	73	20	(7)
Vessels	166	288	-
	<b>2,306</b>	<b>370</b>	<b>*(39)</b>
	<b>49,607</b>	<b>3,447</b>	<b>(303)</b>

*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 2023 <i>In RM Mil</i>	Effect upon finalisation of purchase price allocation (Note 40)	Transfers/ Adjustments	Translation exchange difference	At 31.12.2023
<b>At cost:</b>				
<u>Own use</u>				
Freehold land	14	-	16	197
Buildings	321	37	108	2,871
Plant and equipment	(399)	1,115	397	33,500
Office equipment, furniture and fittings	-	(165)	3	223
Computer software and hardware	-	31	20	571
Motor vehicles	-	-	-	33
Projects-in-progress	-	(1,159)	494	13,552
	(64)	(141)	1,038	50,947
<u>Right-of-use</u>				
Leasehold land	-	15	7	713
Buildings	-	9	12	207
Plant and equipment	-	19	51	1,289
Computer software and hardware	-	-	-	1
Motor vehicles	-	1	2	89
Vessels	-	-	9	463
	-	44	81	2,762
	(64)	^(97)	1,119	53,709

*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 2023 <i>In RM Mil</i>	At 1.1.2023	Charge for the year	Disposals/ Write-offs
<b>Accumulated depreciation and impairment losses:</b>			
<u>Own use</u>			
Buildings	904	106	(4)
Plant and equipment	20,447	1,600	(196)
Office equipment, furniture and fittings	272	(123)	(2)
Computer software and hardware	347	54	(25)
Motor vehicles	31	1	-
	<b>22,001</b>	<b>1,638</b>	<b>(227)</b>
<u>Right-of-use</u>			
Leasehold land	168	13	-
Buildings	22	25	(3)
Plant and equipment	155	57	(15)
Motor vehicles	25	17	(6)
Vessels	23	85	-
	<b>393</b>	<b>197</b>	<b> #(24)</b>
	<b>22,394</b>	<b>1,835</b>	<b>(251)</b>

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 2023 <i>In RM Mil</i>	Translation exchange difference	At 31.12.2023
<b>Accumulated depreciation and impairment losses:</b>		
<u>Own use</u>		
Buildings	35	1,041
Plant and equipment	230	22,081
Office equipment, furniture and fittings	1	148
Computer software and hardware	13	389
Motor vehicles	-	32
	<b>279</b>	<b>23,691</b>
<u>Right-of-use</u>		
Leasehold land	1	182
Buildings	4	48
Plant and equipment	7	204
Motor vehicles	1	37
Vessels	2	110
	<b>15</b>	<b>581</b>
	<b>294</b>	<b>24,272</b>

*continued from previous page*

Included in the accumulated depreciation and impairment losses of property, plant and equipment are impairment losses carried forward of RM266 million (2022: RM266 million).

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 <i>In RM Mil</i>	At 1.1.2022	Additions	Disposals/ Write-offs
<b>At cost:</b>			
<u>Own use</u>			
Freehold land	-	-	-
Buildings	1,962	4	(1)
Plant and equipment	29,184	120	(597)
Office equipment, furniture and fittings	374	-	(2)
Computer software and hardware	416	4	(8)
Motor vehicles	33	-	-
Projects-in-progress	9,468	2,149	(6)
	41,437	2,277	(614)
<u>Right-of-use</u>			
Leasehold land	690	-	-
Buildings	155	12	(5)
Plant and equipment	1,145	31	-
Computer software and hardware	-	-	-
Motor vehicles	66	2	(3)
Vessels	76	165	(80)
	2,132	210	**(88)
	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 <i>In RM Mil</i>	Acquisition of a subsidiary	Transfers/ Adjustments	Translation exchange difference	At 31.12.2022
<b>At cost:</b>				
<u>Own use</u>				
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
<u>Right-of-use</u>				
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 transfer of property, plant and equipment to inventory.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 <i>In RM Mil</i>	At 1.1.2022	Charge for the year	Disposals/ Write-offs
<b>Accumulated depreciation and impairment losses:</b>			
<u>Own use</u>			
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)
<u>Right-of-use</u>			
Leasehold land	152	15	-
Buildings	15	12	(5)
Plant and equipment	103	47	-
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.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 <i>In RM Mil</i>	Transfers/ Adjustments	Translation exchange difference	At 31.12.2022
<b>Accumulated depreciation and impairment losses:</b>			
<u>Own use</u>			
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
<u>Right-of-use</u>			
Leasehold land	-	1	168
Buildings	-	-	22
Plant and equipment	-	5	155
Motor vehicles	-	-	25
Vessels	-	3	23
	-	9	393
	*** (7)	1	22,394

*continued from previous page*

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

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023 In RM'000	At 1.1.2023	Additions	Disposals/ Write-offs
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	725	41	(6)
Computer software and hardware	17,503	49	(265)
Motor vehicles	-	-	-
Projects-in-progress	7,546,711	747,259	-
	<b>7,564,939</b>	<b>747,349</b>	<b>(271)</b>
<u>Right-of-use</u>			
Leasehold land	186,392	-	-
Buildings	59,672	-	-
Plant and equipment	794,068	-	-
	<b>1,040,132</b>	<b>-</b>	<b>-</b>
	<b>8,605,071</b>	<b>747,349</b>	<b>(271)</b>

continue to next page

In RM'000	At 1.1.2023	Charge for the year	Disposals/ Write-offs
<b>Accumulated depreciation:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	629	34	(2)
Computer software and hardware	16,835	557	(186)
Motor vehicles	-	-	-
	<b>17,464</b>	<b>591</b>	<b>(188)</b>
<u>Right-of-use</u>			
Leasehold land	8,188	2,118	-
Buildings	2,375	1,176	-
Plant and equipment	55,710	15,128	-
	<b>66,273</b>	<b>18,422</b>	<b>-</b>
	<b>83,737</b>	<b>19,013</b>	<b>(188)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023 <i>In RM'000</i>	Transfers/ Adjustments	Translation exchange difference	At 31.12.2023
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	(13)	-	747
Computer software and hardware	-	(2)	17,285
Motor vehicles	-	-	-
Projects-in-progress	-	330,090	8,624,060
	<b>(13)</b>	<b>330,088</b>	<b>8,642,092</b>
<u>Right-of-use</u>			
Leasehold land	-	4,887	191,279
Buildings	-	2,494	62,166
Plant and equipment	-	33,125	827,193
	-	40,506	1,080,638
	<b>*(13)</b>	<b>370,594</b>	<b>9,722,730</b>

continued from previous page

<i>In RM'000</i>	Translation exchange difference	At 31.12.2023
<b>Accumulated depreciation:</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	-	661
Computer software and hardware	2	17,208
Motor vehicles	-	-
	<b>2</b>	<b>17,869</b>
<u>Right-of-use</u>		
Leasehold land	342	10,648
Buildings	99	3,650
Plant and equipment	2,328	73,166
	<b>2,769</b>	<b>87,464</b>
	<b>2,771</b>	<b>105,333</b>

continued from previous page

# Relates to transfers from property, plant and equipment to consumable assets.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2022 In RM'000	At 1.1.2022	Additions	Disposals/ Write-offs
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	756	13	(44)
Computer software and hardware	18,677	62	(1,236)
Motor vehicles	308	-	(308)
Projects-in-progress	6,704,296	539,825	-
	6,724,037	539,900	(1,588)
<u>Right-of-use</u>			
Leasehold land	141,165	-	-
Buildings	60,204	-	-
Plant and equipment	780,374	-	-
	981,743	-	-
	7,705,780	539,900	(1,588)

continue to next page

In RM'000	At 1.1.2022	Charge for the year	Disposals/ Write-offs
<b>Accumulated depreciation:</b>			
<u>Own use</u>			
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)
<u>Right-of-use</u>			
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)

continue to next page

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2022 <i>In RM'000</i>	Transfers/ Adjustments	Translation exchange difference	At 31.12.2022
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	-	-	725
Computer software and hardware	-	-	17,503
Motor vehicles	-	-	-
Projects-in-progress	(105,680)	408,270	7,546,711
	#(105,680)	408,270	7,564,939
<u>Right-of-use</u>			
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
	(99,903)	460,882	8,605,071

*continued from previous page*

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

*continued from previous page*

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

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In RM Mil</i>	Group	
	2023	2022
<b>Carrying amount</b>		
<u>Own use</u>		
Freehold land	197	167
Buildings	1,830	1,500
Plant and equipment	11,419	11,929
Office equipment, furniture and fittings	75	100
Computer software and hardware	182	186
Motor vehicles	1	2
Projects-in-progress	13,552	11,416
	<b>27,256</b>	25,300
<u>Right-of-use</u>		
Leasehold land	531	504
Buildings	159	159
Plant and equipment	1,085	1,058
Computer software and hardware	1	1
Motor vehicles	52	48
Vessels	353	143
	<b>2,181</b>	1,913
	<b>29,437</b>	27,213
<b>Carrying amount</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	86	96
Computer software and hardware	77	668
Projects-in-progress	8,624,060	7,546,711
	<b>8,624,223</b>	7,547,475
<u>Right-of-use</u>		
Leasehold land	180,631	178,204
Buildings	58,516	57,297
Plant and equipment	754,027	738,358
	<b>993,174</b>	973,859
	<b>9,617,397</b>	8,521,334

For the Group and the Company, the land lease right amounting to RM111 million (2022: RM109 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:

<i>In RM Mil</i>	Note	Group		Company	
		2023	2022	2023	2022
Interest on term loan	22	142	66	142	66
Interest on lease liabilities	22	105	101	76	72
Depreciation of right-of-use assets		29	30	18	18
Amortisation of transaction cost	22	8	9	8	9
		284	206	244	165

The capitalisation rates used to determine the amount of the borrowing cost eligible for capitalisation for the Group and the Company are 5.11% (2022: 3.99%) and 6.17% (2022: 4.22%) per annum respectively.

**As a lessee****Right-of-use assets****Depreciation of right-of-use assets**

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
Capitalised in property, plant and equipment	29	30	18	18
Recognised in profit or loss	168	86	-	-
Total depreciation	197	116	18	18

**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.

**Impairment review of property, plant and equipment**

The prices of petrochemical products and their underlying feedstock are subject to fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. In view of this, an impairment test was conducted by management on the property, plant, and equipment for a joint operation entity of the Group and the Company.

The carrying amount of the property, plant, and equipment of the joint operation entity was RM9,546 million for the Group and RM9,617 million for the Company respectively. For impairment testing purposes, the respective carrying amounts of property, plant, and equipment were compared with their value in use. The value in use for the Group and the Company were RM13,101 million and RM11,831 million respectively, which exceeded the carrying amount. Therefore, no impairment loss was recognised.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Impairment review of property, plant and equipment (continued)

##### Key assumptions and sensitivity

The value in use involved the discounting of the future cash flows expected to be generated from the continued use of the assets over their useful lives of 50 years. The key assumptions applied in the impairment testing were as follows:

- The feedstock prices were based on forecast prices by an independent market consultant, applying an agreed formula with a related party and ranges between USD750 to USD2,000 per metric ton; and
- A discount rate of 9.50% was applied to determine the value in use of the assets.

The main sensitivity of the above estimates in relation to the impairment assessment would result in value in use of the property, plant and equipment equals to carrying amount in the following scenarios:

- An increase of 7.4 percentage point and 4.6 percentage point in the feedstock prices for the Group and the Company respectively; and
- An increase of 2.6 percentage point and 1.6 percentage point in the discount rate for the Group and the Company respectively.

### 4. INVESTMENTS IN SUBSIDIARIES

In RM Mil	Company	
	2023	2022
Investments at cost	19,436	20,142
Less: Impairment losses	(640)	(640)
	18,796	19,502

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.

### 5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In RM Mil	Group		Company	
	2023	2022	2023	2022
Investments at cost	1,315	1,315	1,408	1,408
Share of post-acquisition profit or loss and reserves	395	350	-	-
	1,710	1,665	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.

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS

Group 2023 <i>In RM Mil</i>	At 1.1.2023	Addition	Effect upon finalisation of purchase price allocation (Note 40)	Translation exchange difference	At 31.12.2023
<b>At cost:</b>					
Goodwill	3,014	-	58	460	3,532
Trademarks	2,245	-	(2)	206	2,449
Customer relations	1,925	-	(38)	189	2,076
Know-how and patents	1,710	1	1	183	1,895
Formulae	507	-	-	41	548
Others	113	22	-	11	146
	<b>9,514</b>	<b>23</b>	<b>19</b>	<b>1,090</b>	<b>10,646</b>

Group 2023 <i>In RM Mil</i>	At 1.1.2023	Charge for the year	Translation exchange difference	At 31.12.2023
<b>Accumulated amortisation:</b>				
Trademarks	-	2	1	3
Customer relations	27	71	26	124
Know-how and patents	17	69	35	121
Formulae	83	26	7	116
Others	23	4	2	29
	<b>150</b>	<b>172</b>	<b>71</b>	<b>393</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS (continued)

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

Group 2022 <i>In RM Mil</i>	At 1.1.2022	Charge for the year	Translation exchange difference	At 31.12.2022
<b>Accumulated amortisation:</b>				
Customer relations	-	28	(1)	27
Know-how and patents	-	18	(1)	17
Formulae	58	25	-	83
Others	23	-	-	23
	81	71	(2)	150

Group 2022 <i>In RM Mil</i>	Carrying amount	
	2023	2022
Goodwill	3,532	3,014
Trademarks	2,446	2,245
Customer relations	1,952	1,898
Know-how and patents	1,774	1,693
Formulae	432	424
Others	117	90
	10,253	9,364

**Impairment review of goodwill**

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are 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.

<i>In RM Mil</i>	Carrying amount	
	2023	2022
Silicone and Lubricant Additives Chemicals CGU	249	230
Advanced Chemicals & Solutions and Animal Nutrition CGU	3,283	2,784
	3,532	3,014

## NOTES TO THE FINANCIAL STATEMENTS

### 6. INTANGIBLE ASSETS (continued)

#### **Impairment review of goodwill (continued)**

##### **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 CGU (including goodwill) is compared with the recoverable amount of the CGU.

The recoverable amount for the CGU 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 CGU 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% (2022: 2.1%) based on external macroeconomics and industry specific sources. The future cash flow was discounted using discount rate at about 8.4% (2022: 8.4%).

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 RM163 million (2022: RM202 million); and
- (ii) A decrease of 0.5 percentage point in perpetuity growth rate used would have reduced the recoverable amount by approximately RM98 million (2022: RM122 million).

##### **Advanced Chemicals & Solutions and Animal Nutrition CGU**

In performing the impairment assessment for goodwill and intangible assets with indefinite useful lives that arose from the acquisition of a subsidiary in 2022, the carrying amount of the CGU (including goodwill) is compared with the recoverable amount of the CGU.

The recoverable amount for the CGU 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 CGU 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 2.0% based on external macroeconomics. The future cash flow was discounted using discount rate at about 8.6% .

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 0.4 percentage point in discount rate used would have reduced the recoverable amount by approximately RM1,360 million.
- ii. A decrease of 0.5 percentage point in perpetuity growth rate used would have reduced the recoverable amount by approximately RM932 million.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. LONG TERM RECEIVABLES

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
Trade receivable	7.1	22	22	-	-
Other receivables and prepayments	7.2	1,005	262	958	-
		1,027	284	958	-

7.1 The Group via its subsidiary has entered into an arrangement on trade receivable which resulted in adjustment of timing for payments of the balances. The receivable was fair valued on initial measurement and is subjected to periodic accretion of interest income over the period of the arrangement.

7.2 Included in other receivables and prepayments is consideration on a deferred payment arrangement in relation to a partial divestment of a subsidiary as disclosed in Note 41.

### 8. RETIREMENT BENEFITS

In RM Mil	Group	
	2023	2022
<b>Net defined benefit liability</b>		
Defined benefit obligations (funded/unfunded)	365	326
Salary taxes, defined benefit obligation	3	4
Fair value of plan assets	(205)	(196)
Salary taxes, direct pension	21	20
	184	154

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 a Group's subsidiary in the United States of America ("USA"). 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. Employees are not required to contribute to the plans.

The Group expects to pay RM8,229,000 in contributions to its defined benefit plans in 2024.

## 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.

Group <i>In RM Mil</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2023	2022	2023	2022	2023	2022
Balance as at 1 January/ at acquisition date	350	378	(196)	(213)	154	165
<b>Included in profit or loss</b>						
Current service cost	8	10	-	-	8	10
Expected return on plan assets	-	-	5	51	5	51
Fees from employer	-	-	(6)	(5)	(6)	(5)
Disbursement	(17)	(14)	10	8	(7)	(6)
Translation effects	(3)	35	(8)	(31)	(11)	4
Interest cost/(income)	15	9	(10)	(6)	5	3
Salary taxes, defined benefit obligation	3	4	-	-	3	4
Salary taxes, direct pension	22	20	-	-	22	20
Others	(56)	(59)	-	-	(56)	(59)
	(28)	5	(9)	17	(37)	22
<b>Included in other comprehensive income</b>						
Actuarial loss/(profit)	67	(33)	-	-	67	(33)
Balance as at 31 December	389	350	(205)	(196)	184	154

**Plan assets**

The plan assets relates primarily to subsidiaries in the USA, of which 85% (2022: 85%) are invested in debt securities, 10% (2022: 10%) in equity and 5% (2022: 5%) in cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. RETIREMENT BENEFITS (continued)

#### Defined benefit obligation

##### Actuarial assumptions

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

	Group	
	2023	2022
Discount rate	4.3%	4.3%
Future salary growth	3.9%	3.1%
Anticipated return on plan assets	4.7%	2.7%
Anticipated average remaining employment term, year	11.1	11.5

##### Sensitivity analysis

Any possible changes at the reporting date to one of the relevant actuarial assumptions as disclosed above, 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 <i>In RM Mil</i>	Assets		Liabilities	
	2023	2022	2023	2022
Property, plant and equipment	23	20	(2,557)	(2,630)
Unused tax losses	540	387	-	-
Unabsorbed capital allowances	175	386	-	-
Unused reinvestment allowances	6	6	-	-
Unused investment tax allowances	1,487	1,544	-	-
Intangible assets	-	-	(1,205)	(1,138)
Others	123	108	(217)	(249)
Tax assets/(liabilities)	2,354	2,451	(3,979)	(4,017)
Set off tax	(1,608)	(1,653)	1,608	1,653
Net tax assets/(liabilities)	746	798	(2,371)	(2,364)

*continue below*

Group <i>In RM Mil</i>	Net	
	2023	2022
Property, plant and equipment	(2,534)	(2,610)
Unused tax losses	540	387
Unabsorbed capital allowances	175	386
Unused reinvestment allowances	6	6
Unused investment tax allowances	1,487	1,544
Intangible assets	(1,205)	(1,138)
Others	(94)	(141)
Net tax liabilities	(1,625)	(1,566)

*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 2023 <i>In RM Mil</i>	At 1.1.2023	Credited/ (Charged) to profit or loss (Note 23)	Effect upon finalisation of purchase price allocation (Note 40)	Translation exchange difference	At 31.12.2023
<b>Deferred tax assets</b>					
Property, plant and equipment	20	3	-	-	23
Unused tax losses	387	118	-	35	540
Unabsorbed capital allowances	386	(211)	-	-	175
Unused reinvestment allowances	6	-	-	-	6
Unused investment tax allowances	1,544	(57)	-	-	1,487
Others	108	3	-	12	123
	<b>2,451</b>	<b>(144)</b>	<b>-</b>	<b>47</b>	<b>2,354</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(2,630)	77	30	(34)	(2,557)
Intangible assets	(1,138)	49	33	(149)	(1,205)
Others	(249)	11	11	10	(217)
	<b>(4,017)</b>	<b>137</b>	<b>74</b>	<b>(173)</b>	<b>(3,979)</b>
	<b>(1,566)</b>	<b>(7)</b>	<b>74</b>	<b>(126)</b>	<b>(1,625)</b>

Group 2022 <i>In RM Mil</i>	At 1.1.2022	(Charged)/ Credited to profit or loss (Note 23)	Acquisition of a subsidiary	Translation exchange difference	At 31.12.2022
<b>Deferred tax assets</b>					
Property, plant and equipment	26	(6)	-	-	20
Unused tax losses	8	180	199	-	387
Unabsorbed capital allowances	491	(105)	-	-	386
Unused reinvestment allowances	-	6	-	-	6
Unused investment tax allowances	1,592	(48)	-	-	1,544
Others	87	(30)	66	(15)	108
	<b>2,204</b>	<b>(3)</b>	<b>265</b>	<b>(15)</b>	<b>2,451</b>
<b>Deferred tax liabilities</b>					
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)
	<b>(2,355)</b>	<b>46</b>	<b>(1,694)</b>	<b>(14)</b>	<b>(4,017)</b>
	<b>(151)</b>	<b>43</b>	<b>(1,429)</b>	<b>(29)</b>	<b>(1,566)</b>

## NOTES TO THE FINANCIAL STATEMENTS

**9. DEFERRED TAX (continued)****Unrecognised deferred tax assets**

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

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
Unused tax losses	<b>2,655</b>	1,593	<b>602</b>	192

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 (2022: 2028).

In accordance with the Income Tax (Exemption) (No.7) Order 2013 P.U.(A) 41, the joint operation entity 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 entity 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**

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
Petrochemical products				
- Raw materials	<b>49</b>	37	-	-
- Finished goods	<b>900</b>	870	<b>224</b>	106
Specialties products	<b>1,137</b>	1,311	-	-
Stores, spares and others	<b>1,681</b>	1,247	<b>203</b>	94
	<b>3,767</b>	3,465	<b>427</b>	200
Recognised in profit or loss:				
Inventories recognised as cost of revenue	<b>23,772</b>	20,150	<b>1,440</b>	453
Write-down to net realisable value	<b>137</b>	14	<b>58</b>	13
Reversal of write-down to net realisable value	<b>(63)</b>	-	<b>(13)</b>	-
Inventories written off	<b>4</b>	11	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 11. TRADE AND OTHER RECEIVABLES

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
Trade receivables		2,355	2,714	10	-
Other receivables, deposits and prepayments		1,200	531	132	50
Amount due from subsidiaries					
- Non-trade		-	-	214	28
Amount due from associates and joint ventures					
- Trade		190	253	-	-
- Non-trade		3	4	2	-
Amount due from related companies					
- Trade		93	103	-	-
- Non-trade		4	7	4	20
Derivative assets	12	12	7	-	-
		<b>3,857</b>	3,619	<b>362</b>	98

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)

In RM Mil	Note	Group	
		2023	2022
<b>Derivative asset</b>			
<b>Current</b>			
Forward foreign exchange contracts		12	7
<b>Included within:</b>			
Trade and other receivables	11	12	7
<b>Derivative liability</b>			
<b>Current</b>			
Forward foreign exchange contracts		(13)	(11)
<b>Included within:</b>			
Trade and other payables	19	(13)	(11)

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.

## NOTES TO THE FINANCIAL STATEMENTS

**13. CASH AND CASH EQUIVALENTS**

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
Cash with PETRONAS Integrated Financial Shared Services Centre ("IFSSC")				
- Conventional	6,543	5,914	490	753
- Islamic	1,778	2,037	1,778	2,037
Cash and bank balances	947	937	126	62
	9,268	8,888	2,394	2,852

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 RM9,001 million (2022: RM8,850 million) and RM2,394 million (2022: RM2,852 million) respectively.

**14. SHARE CAPITAL**

<i>In RM Mil</i>	Group and Company	
	2023	2022
<b>Issued and fully paid:</b>		
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 RM, and the Group's net investment in foreign operations.

**Other reserve**

Other reserve comprises 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 actuarial gains and losses upon remeasurement of net defined benefit liability or asset.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. NON-CONTROLLING INTERESTS

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

### 17. BORROWINGS

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
<b>Non-current</b>				
Term loans - secured	1,570	1,635	1,570	1,635
Term loans - unsecured	903	854	742	695
	<b>2,473</b>	2,489	<b>2,312</b>	2,330
<b>Current</b>				
Term loans - secured	141	115	141	115
Term loans - unsecured	17	13	-	-
Revolving credit - unsecured	342	101	-	-
	<b>500</b>	229	<b>141</b>	115
	<b>2,973</b>	2,718	<b>2,453</b>	2,445

<i>In Mil</i>	Denominated currency	Group		Company	
		2023	2022	2023	2022
<b>Secured term loans</b>					
Term loans	USD	372	396	372	396

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

The loans are secured in the following manner:

- (i) Completion guarantee from the ultimate holding company, which is a fully recourse guarantee to the Company, where the ultimate holding company on several and not joint basis which will be uplifted and terminated upon meeting all project completion requirements;
- (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 entity.

As at 31 December 2023, the Guaranteed Project Completion Date ("PCD") has been extended from 31 December 2023 to 31 March 2024. Subject to lenders agreement, the Guaranteed PCD is expected to be extended up to 2 years from 31 December 2023.

## NOTES TO THE FINANCIAL STATEMENTS

## 17. BORROWINGS (continued)

In Mil		Group		Company	
		2023	2022	2023	2022
<b>Unsecured term loans and revolving credit</b>	<b>Denominated currency</b>				
Term loan	USD	<b>161</b>	157	<b>161</b>	157
Term loan	EUR	<b>33</b>	34	-	-
Term loan	CNY	<b>20</b>	20	-	-
Revolving credit	CAD*	-	* -	-	-
Revolving credit	SEK	<b>525</b>	-	-	-
Revolving credit	RM	<b>100</b>	100	-	-

The USD unsecured term loan is pursuant to the co-borrowing agreement between the joint operation entity 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 2.38% to 4.18% (2022: 2.33% to 4.18%) per annum and due for a final repayment twelve months following final discharge of the project financing.

There are two EUR unsecured term loans which bear interest rate of 0.71% (2022: 0.71%) per annum and interest margin above EURIBOR of 0.85% (2022: 0.85%) per annum respectively. These loans are repayable in 2025 and 2027 respectively.

There are two CNY term loans which bear interest rates of 3.85% (2022: 3.85%) and 4.10% (2022: 4.10%) per annum respectively.

There are two SEK unsecured revolving credit which bear interest rates of 5.1% (2022: nil) and 4.8% (2022: nil) per annum respectively.

The RM unsecured revolving credit bears interest margin of 0.70% (2022: 0.70%) above KLIBOR for the first RM30 million and 0.90% (2022: 0.90%) above KLIBOR for the remaining outstanding amount of the facility.

\* Amount of revolving credit - unsecured in prior year was CAD355,000 (RM1,156,311) which bore interest margin of 1.5% above Prime rate Canada.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. PROVISIONS AND OTHER LONG TERM LIABILITIES

#### 18.1 Provisions

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
Non-current		299	221	110	77
Current	19	254	177	2	-
		553	398	112	77

The movements of provisions are as follows:

In RM Mil	Group	Company
<b>At 1 January 2023</b>	398	77
Provisions made	139	29
Provisions utilised	(1)	-
Unwinding of discount	12	3
Translation exchange difference	5	3
<b>At 31 December 2023</b>	553	112

During the year, the Group and the Company revised the provisions for its estimated future costs of decommissioning of plant and equipment resulting from increase in discount rate of RM38 million (2022: increase of RM24 million) coupled with an increase in the provision resulting from other changes in estimated cash flows of RM2 million (2022: decrease of RM100 million).

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 12 years (2022: 13 years) using discount rate of 3.9% (2022: 4.3%).

- (ii) Provisions for decommissioning of property, plant and equipment in relation to certain subsidiaries' and a joint operation entity's obligation to decommission and remove all property, plant and equipment, and to restore land subleased to its original condition upon expiry between 2035 to 2076.

The provisions has been made based on present value of estimated decommissioning amount using discount rates ranging from 3.9% to 4.3% (2022: 4.3% to 4.6%).



## NOTES TO THE FINANCIAL STATEMENTS

### 18. PROVISIONS AND OTHER LONG TERM LIABILITIES (continued)

#### 18.1 Provisions (continued)

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 RM22 million (2022: RM11 million) as at 31 December 2023 has been made based on present value of estimated funding requirements for decommissioning costs over a period of 12 years (2022: 13 years) using a discount rate of 9.2% (2022: 9.2%).

- (ii) Provision for decommissioning of property, plant and equipment in relation to joint operation entity'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 RM88 million (2022: RM66 million) as at 31 December 2023 has been made based on present value of estimated decommissioning amount using a discount rate of 4.0% (2022: 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 financing costs.

#### 18.2 Other long term liabilities

<i>In RM Mil</i>	Note	Group		Company	
		2023	2022	2023	2022
Deferred income	i	1,081	1,169	-	-
Contingent consideration	ii	-	208	-	-
Trade payables	iii	692	759	692	759
Other payables		58	55	-	-
		<b>1,831</b>	2,191	<b>692</b>	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 in prior year.
- (iii) The Group and the Company via its joint operation entity has arrangements on trade payables amounting to RM1,161 million (2022: RM915 million), which resulted in an adjustment of timing for payments of the balances. The trade payables were fair valued on initial measurement and is subjected to periodic accretion of interest expense over the period of the arrangement. During the year, the joint operation entity has remeasured these balances based on the extended timing for payments, which resulted in a remeasurement gain amounting to RM114 million (2022: RM257 million) being recognised in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. TRADE AND OTHER PAYABLES

In RM Mil	Note	Group		Company	
		2023	2022	2023	2022
Trade payables		<b>744</b>	820	-	-
Other payables	19.1	<b>4,984</b>	2,867	<b>414</b>	524
Amount due to holding company	19.2				
- Trade		<b>286</b>	515	-	-
- Non-trade		<b>144</b>	129	<b>35</b>	26
Amount due to subsidiaries	19.2				
- Non-trade		-	-	<b>337</b>	338
Amount due to related companies	19.2				
- Trade		<b>932</b>	1,180	-	-
- Non-trade		<b>679</b>	208	<b>2,089</b>	490
Amount due to joint ventures and associates	19.2				
- Trade		<b>5</b>	6	-	-
- Non-trade		<b>1</b>	1	-	-
Provisions	18.1, 19.3	<b>254</b>	177	<b>2</b>	-
Derivative liabilities	12	<b>13</b>	11	-	-
		<b>8,042</b>	5,914	<b>2,877</b>	1,378

19.1 Included in other payables for the Group is the current portion of deferred income as per Note 18.2 amounting to RM87 million (2022: 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 RM246 million (2022: RM172 million) arising from acquisition of subsidiaries in 2019 and 2022.

## NOTES TO THE FINANCIAL STATEMENTS

## 20. REVENUE

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
Sales of petrochemical products	22,233	25,779	1,018	229
Sales of specialties products	6,385	3,125	-	-
Dividend income	-	-	1,923	4,650
Others	49	49	-	-
	28,667	28,953	2,941	4,879

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

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 53 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 Mil	Note	Group		Company	
		2023	2022	2023	2022
<b>Included in operating profit are the following charges:</b>					
Auditors' remuneration*		25	22	1	1
Amortisation of intangible assets	6	172	71	-	-
Depreciation of property, plant and equipment	3	1,806	1,518	1	1
Expenses relating to short-term leases		6	12	-	-
Expenses relating to leases of low-value assets		12	13	2	2
Expenses relating to variable lease payments not included in the measurement of lease liabilities		2	-	-	-
Inventories:					
- net write-down to net realisable value		74	14	45	13
- written off		4	11	-	-
Finance loss		-	15	-	-
Net loss on foreign exchange		-	149	-	-
Staff costs:					
- contribution to pension funds		154	121	28	22
- wages, salaries and others		2,222	1,458	215	159
- expenses related to defined benefit plans	8	-	22	-	-
<b>and credits:</b>					
Amortisation of deferred income		87	88	-	-
Dividend income					
- subsidiaries		-	-	1,900	4,544
- joint ventures and associates		-	-	23	106
Net gain on foreign exchange		70	-	186	205
Interest income		386	247	57	74
Finance income		133	257	133	257
Fair value gain		-	60	-	60
Gain on divestment of subsidiary		-	-	262	-
Management fee		-	-	76	88
Adjustment on defined benefit plan	8	37	-	-	-

\* The auditors' remuneration includes the following:

In RM'000	Group		Company	
	2023	2022	2023	2022
Audit fees				
- KPMG PLT	1,758	1,518	493	317
- Overseas affiliate of KPMG PLT	385	178	-	-
- Other auditors	6,431	7,676	29	37
Non audit service fees				
- KPMG PLT	411	520	391	380
- Overseas affiliate of KPMG PLT	55	433	-	-
- Other auditors and their affiliates	15,908	11,235	43	175
	<b>24,948</b>	<b>21,560</b>	<b>956</b>	<b>909</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 22. FINANCING COSTS

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
<b>Recognised in profit or loss:</b>				
Interest expense on lease liabilities	37	19	-	-
Unwinding of discount factor for other long term liabilities and provisions	56	34	38	18
Interest expense on term loan	7	5	-	-
Other finance cost	39	8	4	-
	<b>139</b>	66	<b>42</b>	18
<b>Capitalised into qualifying assets:</b>				
Interest expense on lease liabilities	105	101	76	72
Interest expense on term loan	142	66	142	66
Amortisation of transaction cost	8	9	8	9
	<b>255</b>	176	<b>226</b>	147
	<b>394</b>	242	<b>268</b>	165

## 23. TAX EXPENSE

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
<b>Current tax expenses</b>				
Current year	365	449	64	28
(Over)/Under provision in prior year	(12)	-	(1)	3
	<b>353</b>	449	<b>63</b>	31
<b>Deferred tax expenses/(credit)</b>				
Reversal of temporary differences	(14)	(59)	-	-
Under provision in prior year	21	16	-	-
	<b>7</b>	(43)	-	-
	<b>360</b>	406	<b>63</b>	31

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

<b>Group</b> <i>In RM Mil</i>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2022</b>
Profit before taxation		<b>2,110</b>		6,733
Taxation at Malaysian statutory tax rate	<b>24</b>	<b>506</b>	24	1,616
Non-deductible expenses, net of non-assessable income	<b>8</b>	<b>176</b>	3	170
Effects of income subject to different tax rates	<b>1</b>	<b>13</b>	-	17
Tax exempt income and incentives	<b>(1)</b>	<b>(13)</b>	(2)	(126)
Effect of lower tax rate under Global Incentive for Trading (GIFT)	<b>(17)</b>	<b>(372)</b>	(18)	(1,224)
Effect of net deferred tax benefits not recognised	<b>5</b>	<b>105</b>	1	52
Recognition of unrecognised tax losses and reinvestment allowance	-	-	(1)	(72)
Effect from share of profit from joint ventures and associates	<b>(1)</b>	<b>(21)</b>	(1)	(39)
Others	<b>(2)</b>	<b>(43)</b>	-	(4)
	<b>17</b>	<b>351</b>	6	390
Under provision in prior years		<b>9</b>		16
Tax expense		<b>360</b>		406

<b>Company</b> <i>In RM Mil</i>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2022</b>
Profit before taxation		<b>1,774</b>		4,752
Taxation at Malaysian statutory tax rate	<b>24</b>	<b>426</b>	24	1,141
Non assessable income, net of non-deductible expenses	<b>(3)</b>	<b>(52)</b>	-	(8)
Tax exempt income and incentives	<b>(23)</b>	<b>(408)</b>	(25)	(1,168)
Effect of deferred tax benefits not recognised	<b>6</b>	<b>98</b>	1	63
	<b>4</b>	<b>64</b>	-	28
(Over)/Under provision in prior years		<b>(1)</b>		3
Tax expense		<b>63</b>		31

## 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:

<b>Group</b> <i>In RM Mil</i>	<b>2023</b>	<b>2022</b>
Profit for the year attributable to shareholders	<b>1,696</b>	6,322
<b>In millions of shares</b>		
Number of shares issued at 31 December	<b>8,000</b>	8,000
<b>In sen</b>		
Basic earnings per ordinary share	<b>21.2</b>	79.0

**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**

<b>Company</b>	<b>Sen per share</b>	<b>Total amount In RM Mil</b>	<b>Date of payment</b>
<b>2023</b>			
Second interim dividend for financial year ended 31 December 2022	<b>16</b>	<b>1,280</b>	<b>23 March 2023</b>
First interim dividend for financial year ended 31 December 2023	<b>8</b>	<b>640</b>	<b>21 September 2023</b>
		<b>1,920</b>	
<b>2022</b>			
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	

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

	<b>Sen per share</b>	<b>Total amount In RM Mil</b>
Second interim dividend for financial year ended 31 December 2023	<b>5</b>	<b>400</b>

The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. NET CASH USED IN FINANCING ACTIVITIES

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

Group 2023 <i>In RM Mil</i>	Borrowings (Note 17)	Lease liabilities
<b>At 1.1.2023</b>	<b>2,718</b>	<b>1,813</b>
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
- principal	(124)	-
- interests	(131)	-
Repayment of revolving credit	(1)	-
Payment of lease liabilities:		
- principal	-	(141)
- interests	-	(84)
Drawdown of revolving credit	226	-
<b>Total changes from financing cash flows</b>	<b>(30)</b>	<b>(225)</b>
<b>Other changes</b>		
Acquisition of new leases	-	370
Leases adjustments	-	44
Amortisation of transaction costs	8	-
Financing costs	149	142
Others	-	(48)
Effect of foreign currency translation difference	128	63
<b>Total other changes</b>	<b>285</b>	<b>571</b>
<b>At 31.12.2023</b>	<b>2,973</b>	<b>2,159</b>



## 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)

<b>Group 2022</b> <i>In RM Mil</i>	<b>Borrowings (Note 17)</b>	<b>Lease liabilities</b>
<b>At 1.1.2022</b>	2,388	1,462
<b>Changes from financing cash flows</b>		
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	-
<b>Total changes from financing cash flows</b>	155	(117)
<b>Other changes</b>		
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
<b>Total other changes</b>	175	468
<b>At 31.12.2022</b>	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)

Company 2023 <i>In RM Mil</i>	Borrowings (Note 17)	Lease liabilities
<b>At 1.1.2023</b>	<b>2,445</b>	<b>1,048</b>
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
- principal	(119)	-
- interests	(125)	-
Payment of lease liabilities:		
- interests	-	(22)
<b>Total changes from financing cash flows</b>	<b>(244)</b>	<b>(22)</b>
<b>Other changes</b>		
Financing costs	142	76
Amortisation of transaction costs	8	-
Effect of foreign currency translation difference	102	39
<b>Total other changes</b>	<b>252</b>	<b>115</b>
<b>At 31.12.2023</b>	<b>2,453</b>	<b>1,141</b>

## 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)

<b>Company 2022</b> <i>In RM Mil</i>	<b>Borrowings (Note 17)</b>	<b>Lease liabilities</b>
<b>At 1.1.2022</b>	2,153	896
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
- principal	(146)	-
- interests	(54)	-
Payment of lease liabilities:		
- principal	-	(1)
- interests	-	(13)
Drawdown of term loan	352	-
<b>Total changes from financing cash flows</b>	152	(14)
<b>Other changes</b>		
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
<b>Total other changes</b>	140	166
<b>At 31.12.2022</b>	2,445	1,048

## NOTES TO THE FINANCIAL STATEMENTS

### 27. SUBSIDIARIES AND ACTIVITIES

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2023	2022		
<b>Subsidiaries of the Company</b>				
PETRONAS Chemicals Ammonia Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into ammonia, syngas and carbon monoxide.
PETRONAS Chemicals Aromatics Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into paraxylene, benzene and other by-products.
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 Glycols Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into ethylene oxide, ethylene glycol and other related by-products.
PETRONAS Chemicals International Holdings Sdn. Bhd.	100	100	Malaysia	Investment holding company.
PETRONAS Chemicals Isononanol Sdn. Bhd.	100	100	Malaysia	The intended principal activity is to produce and sell 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 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.
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.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. SUBSIDIARIES AND ACTIVITIES (continued)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2023	2022		
<b>Subsidiaries of the Company (continued)</b>				
Kytari Sdn Bhd (formerly known as PRPC Elastomers Sdn. Bhd.)**	100	100	Malaysia	The intended principal activity is to convert plastic waste into circular pyrolysis oil, naphtha and polymers. The company has yet to commence operations during the financial year.
Kertih Port Sdn. Bhd.	100	100	Malaysia	Owning, operating and managing Kertih Marine Facilities.
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 Ethylene Sdn. Bhd.	87.50	87.50	Malaysia	Processing of ethane into ethylene.
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	175	100	Malaysia	Production and sale of ammonia and urea.
ASEAN Bintulu Fertilizer Sdn. Bhd.	63.47	63.47	Malaysia	Processing of natural gas into urea and ammonia.
<b>Subsidiaries of PETRONAS Chemicals International Holdings Sdn. Bhd.</b>				
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	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.
<b>Subsidiaries of PETRONAS Chemicals International B.V.</b>				
Da Vinci Group B.V.*	100	100	Netherlands	Investment holding company.
Perstorp Holding AB*	100	100	Sweden	Investment holding company.
<b>Subsidiaries of Da Vinci Group B.V.</b>				
BRB SIL Invest B.V.*	100	100	Netherlands	Real estate company.
BRB LAC Invest B.V.*	100	100	Netherlands	Real estate company.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. SUBSIDIARIES AND ACTIVITIES (continued)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2023	2022		
<b>Subsidiary of BRB SIL Invest B.V.</b>				
BRB International B.V.*	100	100	Netherlands	Own-brand reselling, formulating and manufacturing of silicones.
<b>Subsidiaries of BRB International B.V.</b>				
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 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.
BRB Silicones UK Ltd*	100	-	United Kingdom	Own-brand reselling of silicones.
BRB Real Estate Canada Inc.*	0	100	Canada	Real estate company.
<b>Subsidiaries of BRB Singapore Pte. Ltd.</b>				
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	100	Korea	Own-brand reselling of silicones.
<b>Subsidiary of BRB LAC Invest B.V.</b>				
BRB Lube Oil Additives & Chemicals B.V.*	100	100	Netherlands	Own-brand reselling, formulating and manufacturing of lube oil additives and chemicals.
<b>Subsidiaries of BRB Lube Oil Additives &amp; Chemicals B.V.</b>				
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.
<b>Subsidiary of Perstorp Holding AB</b>				
Perstorp Financial Services AB*	100	100	Sweden	Investment and trading company.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. SUBSIDIARIES AND ACTIVITIES (continued)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2023	2022		
<b>Subsidiaries of Perstorp Financial Services AB</b>				
Perstorp Services AB*	100	100	Sweden	The company had ceased operation and remained dormant thereafter.
Perstorp AB*	100	100	Sweden	Investment holding company.
Perstorp Holding B.V.*	100	100	Netherlands	Investment holding company.
Perstorp Holding GmbH*	100	100	Germany	Investment holding company.
<b>Subsidiaries of Perstorp AB</b>				
Perstorp Quimica do Brasil Ltda*	100	100	Brazil	Marketing and trading of petrochemical products.
Perstorp Sales France Sas*	100	100	France	Trading of chemical products.
Perstorp S.p.A.*	100	100	Italy	Manufacturing of specialty polyols and propionates.
Perstorp Japan Co. Ltd*	100	100	Japan	Trading of chemical products.
Perstorp Chemicals Asia PTE Ltd*	100	100	Singapore	Trading of chemical products.
Perstorp Storitve d.o.o.*	100	100	Slovenia	Trading of chemical products.
Perstorp Iberica SL*	100	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	100	United Kingdom	Trading of chemical products.
Perstorp Fastighets AB*	100	100	Sweden	Real estate company.
Perstorp Formulas AB*	100	100	Sweden	The company had ceased operation and remained dormant thereafter.
Perstorp Specialty Chemicals AB*	100	100	Sweden	Manufacturing of basic and specialty polyols, formates, organic acids and formaldehyde.
Perstorp Specialty Fluids AB*	100	100	Sweden	The company had ceased operation and remained dormant thereafter.
Perstorp Holding (U.S.) Inc.*	100	100	USA	Investment holding company.
Perstorp Industries India Private Ltd*	100	100	India	The intended principal activity is manufactured pentaerythritol, dipentaerythritol and calcium formate. The Company has yet to commence operations during the financial year.
Perstorp India Private Ltd*	100	100	India	The company had ceased operation and remained dormant thereafter.
Perstorp Equipment S.r.l.*	100	100	Italy	Production of chemical products.
Shandong Fufeng Perstorp Chemical Co. Ltd*	68.3	68.3	China	Production of chemical products.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. SUBSIDIARIES AND ACTIVITIES (continued)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2023	2022		
<b>Subsidiaries of Perstorp Specialty Chemicals AB</b>				
Perstorp Oxo AB*	100	100	Sweden	Manufacturing of aldehydes, oxo alcohols, carboxylic acids, plasticizers and phthalic anhydride.
Perstorp (Shanghai) Chemical Trading Co. Ltd*	100	100	China	Trading of chemical products.
<b>Subsidiary of Perstorp Holding (U.S) Inc.</b>				
Perstorp Polyols Inc.*	100	100	USA	Manufacturing of trimethylolpropane, pentaerythritol and dipentaerythritol and sodium formate.
<b>Subsidiary of Perstorp Holding GmbH</b>				
Perstorp Chemicals GmbH*	100	100	Germany	Manufacturing and distribution of pentaerythritol, calcium formate and formaldehyde.
<b>Subsidiary of Perstorp Chemicals GmbH</b>				
Perstorp Service GmbH*	100	100	Germany	Distribution of chemical products, provision of other services in the field of chemical industry and representation of third companies.
<b>Subsidiaries of Perstorp Holding B.V.</b>				
Perstorp Specialty Chemicals Holding B.V.*	100	100	Netherlands	Investment holding company.
Perstorp Specialty Chemicals B.V.*	100	100	Netherlands	Manufacturing of formaldehyde and other chemical products.
Perstorp Wasipik B.V.*	100	100	Netherlands	Manufacturing of preservative acids, nutritional salts and other chemical products.
<b>Subsidiaries of Perstorp Specialty Chemicals Holding B.V.</b>				
Perstorp Chemicals India Private Ltd*	100	100	India	Trading company including lab for product sales support.
Perstorp Chemicals Korea Co. Ltd*	100	100	South Korea	Trading of chemical products.

\* Audited by firms of auditors other than KPMG PLT.

\*\* This subsidiary has changed its principal activities during the year from being a dormant company to processing of plastic waste into circular pyrolysis oil, naphtha and polymers.

^ During the year, the Group has completed partial divestment of PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PCFS") equity. Refer to Note 41.

@ BRB Real Estate Canada no longer exists as it has been amalgamated with CSL Silicones Inc.

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



## NOTES TO THE FINANCIAL STATEMENTS

**28. JOINT VENTURES AND NATURE OF RELATIONSHIP**

The Group includes the following joint ventures:

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Nature of relationship
	2023	2022		
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	The intended principal activity is to purchase 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	49	Malaysia	The intended principal activity is to purchase propylene and ammonia from the Group for production of acrylonitrile ("AN"). The Company has yet to commence operations during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 29. ASSOCIATES AND NATURE OF RELATIONSHIP

The Group includes the following associates:

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Nature of relationship
	2023	2022		
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.
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	The intended principal activity is to purchase butadiene feedstock from a related company of the Group for the production and sale of Nitrile Butadiene Latex products. The Company has yet to commence operations during the financial year.
PetroPort Holding AB	50	50	Sweden	Port operations for industrial purposes, goods handling and other compatible activities to the Group.
Industrins Räddningstjänst i Stenungsund AB	25	25	Sweden	Industrial rescue services, fire inspection work, fire training and compatible tasks on assignment to the Group.
PetroPort AB	50	50	Sweden	Port operations for industrial purposes, goods handling and other compatible activities to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
<b>Property, plant and equipment</b>				
Approved and contracted for	80	168	-	-
Approved but not contracted for	3,329	2,450	252	274
	<b>3,409</b>	2,618	<b>252</b>	274
<b>Lease contracts yet to commence</b>				
Plant and equipment	51	49	51	49
	<b>3,460</b>	2,667	<b>303</b>	323

### 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

<i>In RM'000</i>	Group and Company	
	2023	2022
<b>Directors remuneration:</b>		
- Fees	1,208	1,152
- Benefits-in-kind	24	21
	<b>1,232</b>	1,173

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 <i>In RM Mil</i>	Note	2023	2022
<b>Ultimate holding company:</b>			
<b>PETRONAS</b>			
Fees and benefits for representation on the Board of Directors	32.1	(1)	(1)
Reimbursement of key management personnel costs and benefits	32.2	(15)	(11)
Payroll charges		(1,213)	(1,025)
Information, communication and technology charges		(127)	(90)
Corporate services charges		(88)	(68)
Interest income from PETRONAS IFSSC		369	243
Project expenses		(22)	(20)
Insurance expenses		(57)	(43)
Purchase of processed gas and natural gas		(1,741)	(2,929)
<b>Subsidiaries of PETRONAS:</b>			
<b>Pengerang Gas Solution Sdn. Bhd.</b>			
Purchase of utilities		(149)	(128)
<b>Pengerang Power Sdn. Bhd.</b>			
Purchase of electricity and utilities		(295)	(70)
<b>PETRONAS Carigali Sdn. Bhd.</b>			
Purchase of processed gas and natural gas		(97)	(121)
<b>PETRONAS Energy and Gas Trading Sdn. Bhd.</b>			
Purchase of processed gas and natural gas		(4,055)	(5,805)
<b>PETRONAS Gas Berhad</b>			
Purchase of utilities, materials and supplies		(1,605)	(1,332)
<b>PETRONAS Refinery &amp; Petrochemical Corporation Sdn. Bhd.</b>			
Project expenses		(15)	(37)
<b>PETRONAS Technical Services Sdn. Bhd.</b>			
Technical retainer fee		(51)	(24)
Plant change delivery		(73)	(51)
<b>PETCO Trading Labuan Company Ltd.</b>			
Purchase of heavy naphtha		(2,027)	(1,910)
Sale of petrochemical products		1,068	918
Purchase of marine diesel		(28)	(49)
<b>PRPC Utilities and Facilities Sdn. Bhd.</b>			
Purchase of utilities		(191)	(114)

## NOTES TO THE FINANCIAL STATEMENTS

**32. RELATED PARTY DISCLOSURES (continued)****(b) Significant transactions with related parties (continued)**

<b>Group</b> <i>In RM Mil</i>	<b>2023</b>	<b>2022</b>
<b>Joint ventures of PETRONAS:</b>		
<b>Pengerang Refining Company Sdn. Bhd.</b>		
Project expenses	(111)	(80)
Sale of petrochemical products	146	38
Purchase of petrochemical products	(1,209)	(259)
Purchase of feedstock	(1,200)	(334)
<b>Joint ventures and associates of the Group:</b>		
<b>BASF PETRONAS Chemicals Sdn. Bhd.</b>		
Sale of petrochemical products	1,405	1,465
<b>INEOS PCG Acetyls Sdn. Bhd.</b>		
Sale of petrochemical products	575	724
Processing fee	(43)	(65)
<b>Idemitsu SM (Malaysia) Sdn. Bhd.</b>		
Sale of petrochemical products	290	435
<b>Kertih Terminals Sdn. Bhd.</b>		
Purchase of warehouse and transportation services	(97)	(123)
<b>Corporate shareholder of the Group:</b>		
<b>MJPX Co. Ltd.</b>		
Sale of petrochemical products	-	117
<b>Government related entities:</b>		
<b>Pertubuhan Peladang Kebangsaan</b>		
Sale of petrochemical products	249	435
<b>Tenaga Nasional Berhad</b>		
Purchase of electricity	(174)	(113)

## NOTES TO THE FINANCIAL STATEMENTS

## 32. RELATED PARTY DISCLOSURES (continued)

## (b) Significant transactions with related parties (continued)

Company <i>In RM'000</i>	Note	2023	2022
<b>Ultimate holding company:</b>			
<b>PETRONAS</b>			
Fees and benefits for representation on the Board of Directors	32.1	(754)	(778)
Reimbursement of key management personnel costs and benefits	32.2	(1,916)	(1,626)
Interest income from PETRONAS IFSSC		53,445	73,511
Payroll charges		(214,184)	(182,879)
<b>Subsidiaries:</b>			
<b>PETRONAS Chemicals Derivatives Sdn. Bhd.</b>			
Dividend income		-	224,948
<b>PETRONAS Chemicals Ethylene Sdn. Bhd.</b>			
Dividend income		-	26,250
<b>PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.</b>			
Redeemable preference shares		531,750	663,000
<b>PETRONAS Chemicals Glycols Sdn. Bhd.</b>			
Dividend income		-	115,666
<b>PETRONAS Chemicals LDPE Sdn. Bhd.</b>			
Dividend income		23,800	62,000
<b>PETRONAS Chemicals Marketing (Labuan) Ltd.</b>			
Sales of petrochemical products		567,153	-
<b>PETRONAS Chemicals International Holdings Sdn. Bhd.</b>			
Dividend income		1,739,000	3,500,000
<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b>			
Dividend income		-	286,000
<b>PETRONAS Chemicals Olefins Sdn. Bhd.</b>			
Dividend income		54,808	109,190
<b>Kertih Port Sdn. Bhd.</b>			
Dividend income		73,000	-
<b>PETRONAS Chemicals MTBE Sdn. Bhd.</b>			
Dividend income		-	220,000
<b>PETRONAS Chemicals Polyethylene Sdn. Bhd.</b>			
Dividend income		10,000	-
<b>Subsidiaries of PETRONAS:</b>			
<b>Pengerang Gas Solution Sdn. Bhd.</b>			
Purchase of utilities		(138,134)	(115,259)
<b>Pengerang Power Sdn. Bhd.</b>			
Purchase of electricity and utilities		(260,906)	(45,853)

## NOTES TO THE FINANCIAL STATEMENTS

## 32. RELATED PARTY DISCLOSURES (continued)

## (b) Significant transactions with related parties (continued)

Company <i>In RM'000</i>	2023	2022
<b>Subsidiaries of PETRONAS (continued):</b>		
<b>PETRONAS Refinery &amp; Petrochemical Corporation Sdn. Bhd.</b>		
Project expenses	(14,658)	(16,113)
<b>PRPC Utilities and Facilities Sdn. Bhd.</b>		
Purchase of utilities	(151,952)	(60,301)
<b>PETRONAS Technical Services Sdn. Bhd.</b>		
Technical retainer fee	(11,873)	(16,801)
<b>Joint ventures of PETRONAS:</b>		
<b>Pengerang Refining Company Sdn. Bhd.</b>		
Project expenses	(110,779)	(80,059)
Purchase of feedstock	(1,199,515)	(334,451)
<b>Pengerang Terminal (Two) Sdn. Bhd.</b>		
Rendering of port services	(26,883)	(33,697)
<b>Joint ventures and associates:</b>		
<b>Kertih Terminals Sdn. Bhd.</b>		
Dividend income	22,800	25,600
<b>INEOS PCG Acetyls Sdn. Bhd.</b>		
Dividend income	-	69,000

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 2023 are included in Notes 7, 11, 18.2 and 19. Related party balances on lease liabilities are as follows:

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
Subsidiaries of PETRONAS	986	901	805	731
Joint ventures of PETRONAS	525	502	336	317
	<b>1,511</b>	1,403	<b>1,141</b>	1,048

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

The Group reportable segments comprise Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others. 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.



## NOTES TO THE FINANCIAL STATEMENTS

**33. OPERATING SEGMENTS (continued)****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.

**Segment liabilities**

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

<b>2023</b> <i>In RM Mil</i>	<b>Olefins and Derivatives</b>	<b>Fertilisers and Methanol</b>	<b>Specialties</b>	<b>Others*</b>	<b>Elimination and adjustment</b>	<b>Total</b>
<b>Segment profit/(loss)</b>	<b>707</b>	<b>1,661</b>	<b>(198)</b>	<b>(420)</b>	<b>-</b>	<b>1,750</b>
<i>Included in the measure of segment profit are:</i>						
Revenue from external customers	<b>13,732</b>	<b>8,501</b>	<b>6,385</b>	<b>49</b>	<b>-</b>	<b>28,667</b>
Inter-segment revenue	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>(42)</b>	<b>-</b>
Depreciation and amortisation	<b>(500)</b>	<b>(931)</b>	<b>(299)</b>	<b>(248)</b>	<b>-</b>	<b>(1,978)</b>
Interest income	<b>122</b>	<b>155</b>	<b>7</b>	<b>350</b>	<b>(248)</b>	<b>386</b>
Financing costs	<b>(56)</b>	<b>(31)</b>	<b>(45)</b>	<b>(7)</b>	<b>-</b>	<b>(139)</b>
Share of profit of equity accounted joint ventures and associates	<b>81</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>93</b>
Tax (expense)/credit	<b>(183)</b>	<b>(201)</b>	<b>84</b>	<b>(60)</b>	<b>-</b>	<b>(360)</b>
<b>Segment assets</b>	<b>20,904</b>	<b>15,183</b>	<b>7,011</b>	<b>^18,828</b>	<b>(1,720)</b>	<b>60,206</b>
<i>Included in the measure of segment assets are:</i>						
Investments in joint ventures and associates	<b>1,203</b>	<b>199</b>	<b>39</b>	<b>269</b>	<b>-</b>	<b>1,710</b>
Additions to non-current assets other than financial instruments and deferred tax assets	<b>1,729</b>	<b>1,170</b>	<b>490</b>	<b>36</b>	<b>-</b>	<b>3,425</b>

\* Includes unallocated assets.

^ Included under Others segment are goodwill on acquisition of a subsidiaries in prior year and fair valuation upon finalisation of purchase price allocation amounting to RM10,386 million (2022: RM9,623 million).

## NOTES TO THE FINANCIAL STATEMENTS

## 33. OPERATING SEGMENTS (continued)

2022 In RM Mil	Olefins and Derivatives	Fertilisers and Methanol	Specialties	Others <sup>#</sup>	Elimination and adjustment	Total
<b>Segment profit/(loss)</b>	2,577	4,070	144	(464)	-	6,327
<i>Included in the measure of segment profit are :</i>						
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	265	(120)	247
Financing costs	(30)	(17)	(12)	(7)	-	(66)
Share of profit of equity accounted joint ventures and associates	112	30	2	21	-	165
Tax expense	(89)	(259)	(37)	(21)	-	(406)
<b>Segment assets</b>	17,417	13,282	6,127	**18,718	(114)	55,430
<i>Included in the measure of segment assets are:</i>						
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.

\*\* Included under Others segment are goodwill on acquisition of subsidiaries and fair valuation upon finalisation of purchase price allocation amounting to RM9,623 million (2021: RM683 million).

## NOTES TO THE FINANCIAL STATEMENTS

**33. OPERATING SEGMENTS (continued)****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.

<b>Group 2023</b> <i>In RM Mil</i>	<b>Revenue</b>	<b>Non-current assets</b>
Malaysia	7,536	29,702
Asia:		
- China	3,544	61
- Indonesia	2,942	1
- Thailand	2,553	2
- Others	5,982	-
Sweden	289	8,135
Rest of the world	5,821	1,789
	<b>28,667</b>	<b>39,690</b>

<b>Group 2022</b> <i>In RM Mil</i>	<b>Revenue</b>	<b>Non-current assets</b>
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
	<b>28,953</b>	<b>36,577</b>

**Major customers**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2023 <i>In RM Mil</i>	Note	AC	FVTPL	Total carrying amount
<b>Financial assets</b>				
Long term receivables*	7	983	-	983
Trade and other receivables*	11	2,777	12	2,789
Cash and cash equivalents	13	9,268	-	9,268
		<b>13,028</b>	<b>12</b>	<b>13,040</b>
<b>Financial liabilities</b>				
Other long term liabilities*	18.2	(709)	-	(709)
Borrowings	17	(2,973)	-	(2,973)
Trade and other payables*	19	(7,534)	(13)	(7,547)
		<b>(11,216)</b>	<b>(13)</b>	<b>(11,229)</b>

Group 2022 <i>In RM Mil</i>	Note	AC	FVTPL	Total carrying amount
<b>Financial assets</b>				
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
		<b>12,232</b>	<b>7</b>	<b>12,239</b>
<b>Financial liabilities</b>				
Other long term liabilities*	18.2	(759)	(208)	(967)
Borrowings	17	(2,718)	-	(2,718)
Trade and other payables*	19	(5,484)	(11)	(5,495)
		<b>(8,961)</b>	<b>(219)</b>	<b>(9,180)</b>

\* These balances exclude non-financial instruments balances.

## NOTES TO THE FINANCIAL STATEMENTS

**34. FINANCIAL INSTRUMENTS (continued)****Categories of financial instruments (continued)**

<b>Company 2023</b> <i>In RM Mil</i>	<b>Note</b>	<b>AC</b>	<b>Total carrying amount</b>
<b>Financial assets</b>			
Trade and other receivables*	11	359	359
Cash and cash equivalents	13	2,394	2,394
		2,753	2,753
<b>Financial liabilities</b>			
Other long term liabilities*	18.2	(692)	(692)
Borrowings	17	(2,453)	(2,453)
Trade and other payables*	19	(2,877)	(2,877)
		(6,022)	(6,022)
<b>Company 2022</b> <i>In RM Mil</i>			
	<b>Note</b>	<b>AC</b>	<b>Total carrying amount</b>
<b>Financial assets</b>			
Trade and other receivables*	<b>11</b>	<b>96</b>	<b>96</b>
Cash and cash equivalents	<b>13</b>	<b>2,852</b>	<b>2,852</b>
		<b>2,948</b>	<b>2,948</b>
<b>Financial liabilities</b>			
Other long term liabilities*	<b>18.2</b>	<b>(759)</b>	<b>(759)</b>
Borrowings	<b>17</b>	<b>(2,445)</b>	<b>(2,445)</b>
Trade and other payables*	<b>19</b>	<b>(1,378)</b>	<b>(1,378)</b>
		<b>(4,582)</b>	<b>(4,582)</b>

\* These balances exclude non-financial instruments balances.

**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 counterparty credit risk, liquidity risk and market risk relating to interest rate risk and foreign exchange risk.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective integrated 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 are to ensure that the management understands, measures, monitors and reports the financial risks that arise in connection with their operations. The policies, standards and guidelines have been developed to identify, analyse, appraise, monitor and report 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INSTRUMENTS (continued)

### Categories of financial instruments (continued)

#### Credit risk

Counterparty credit risk refers to risk of loss resulting from a counterparty failing to perform its contractual financial obligation or making payment for goods and services, due to circumstances such as bankruptcy, financial constraints, political restrictions and government directives.

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, standards and guidelines.

#### Cash and cash equivalents

#### *Risk management objectives, policies and processes for managing the risk*

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.

#### *Exposure to credit risk, credit quality and collateral*

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

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

As at the reporting date, the Group and the Company 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

#### *Risk management objectives, policies and processes for managing the risk*

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 where applicable. 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 portfolio level risk appetite.

Depending on the types of transactions and counterparty creditworthiness, the Group further mitigates credit risk by requiring collateral or other credit enhancements such as cash deposits, letter of credit or bank guarantees.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (continued)

#### Credit risk (continued)

#### Receivables (continued)

#### Exposure to credit risk, credit quality and collateral

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.

A subsidiary of the Group has a non-recourse, long-term trade receivables programme to minimise credit risk with their customers.

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

In RM Mil	Group	
	2023	2022
Olefins and Derivatives	756	1,084
Fertilisers and Methanol	1,453	1,608
Specialties	383	283
Others	185	130
	<b>2,777</b>	3,105

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

#### Recognition and measurement of impairment loss

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 Group'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)

#### Credit risk (continued)

#### Receivables (continued)

#### Recognition and measurement of impairment loss (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:

In RM Mil	Group	
	2023	2022
<b>At net</b>		
Current	2,506	2,983
Past due 1 to 30 days	140	66
Past due 31 to 60 days	5	23
Past due 61 to 90 days	1	12
Past due more than 90 days	8	8
	<b>2,660</b>	<b>3,092</b>

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

#### Risk management objectives, policies and processes for managing the risk

The Group provides corporate guarantee to certain subsidiaries' suppliers in respect of its obligation and responsibilities in a case where the subsidiaries default the payment. The exposure to credit risk is RM Nil (2022: RM111 million), as the corporate guarantee for certain subsidiaries had expired as at reporting date.

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 exposure to credit risk from the associate is RM Nil (2022: RM168 million) as the banking facility has been fully paid during the financial year.

#### Exposure to credit risk, credit quality and collateral

In connection to the project financing facility undertaken by the joint operation entity 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.

Prior to project completion date, the Group's and the Company's share of maximum exposure to credit risk is up to joint operation entity's outstanding loans at financial year end of RM1,798 million (2022: RM1,842 million), being the Group's and the Company's share in the joint operation entity.

Post project completion date, the Group's and the Company's share of maximum exposure on the credit risk relating to the cross-guarantee of the related party's outstanding loan at financial year end of RM15,301 million (2022: RM15,669 million) is limited to the joint operation entity's value of asset securitised to lenders upon enforcement. Similarly, the joint operation entity benefits from the same cross-guarantee by the related party.



## NOTES TO THE FINANCIAL STATEMENTS

**34. FINANCIAL INSTRUMENTS (continued)****Liquidity risk**

Liquidity risk is the risk that the Group and the Company will have insufficient funds to meet financial commitments in a timely manner. 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.

**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:

<b>Group 2023</b> <i>In RM Mil</i>	<b>Carrying amount</b>	<b>Contractual interest/ discount rates per annum %</b>	<b>Contractual cash flows</b>
<b>Financial liabilities</b>			
Borrowings	2,973	5.17	3,679
Lease liabilities	2,159	6.59	4,310
Other long term liabilities	709	4.65	1,114
Trade and other payables	7,534	-	7,534
Net derivative liabilities			
- inflow	(12)	-	(1,653)
- outflow	13	-	1,655
Financial guarantee			
- related party	-	-	15,301
	<b>13,376</b>		<b>31,940</b>

*continue below*

<b>Group 2023</b> <i>In RM Mil</i>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>Financial liabilities</b>				
Borrowings	604	364	584	2,127
Lease liabilities	266	437	659	2,948
Other long term liabilities	1	1	4	1,108
Trade and other payables	7,534	-	-	-
Net derivative liabilities				
- inflow	(1,653)	-	-	-
- outflow	1,655	-	-	-
Financial guarantee				
- related party	*15,301	-	-	-
	<b>23,708</b>	<b>802</b>	<b>1,247</b>	<b>6,183</b>

*continued from above*

## NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INSTRUMENTS (continued)

## Liquidity risk (continued)

## Maturity analysis (continued)

Group 2022 <i>In RM Mil</i>	Carrying amount	Contractual interest/ discount rates per annum %	Contractual cash flows
<b>Financial liabilities</b>			
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
			<i>continue below</i>

Group 2022 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>				
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*

\* This relates to project financing facility undertaken by the joint operation entity as disclosed in Note 17 and page 68-69 on financial guarantees.

## NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INSTRUMENTS (continued)

## Liquidity risk (continued)

## Maturity analysis (continued)

Company 2023 <i>In RM Mil</i>	Carrying amount	Contractual interest/ discount rates per annum %	Contractual cash flows
<b>Financial liabilities</b>			
Borrowings	2,453	1.67	3,155
Lease liabilities	1,141	6.32	2,763
Trade and other payables	2,877	-	2,877
Financial guarantee - related party	-	-	15,301
Other long term liabilities	692	4.67	1,090
	<b>7,163</b>		<b>25,186</b>

continue below

Company 2023 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>				
Borrowings	244	206	578	2,127
Lease liabilities	79	84	321	2,279
Trade and other payables	2,877	-	-	-
Financial guarantee - related party	*15,301	-	-	-
Other long term liabilities	-	-	-	1,090
	<b>18,501</b>	<b>290</b>	<b>899</b>	<b>5,496</b>

continued from above

Company 2022 <i>In RM Mil</i>	Carrying amount	Contractual interest/ discount rates per annum %	Contractual cash flows
<b>Financial liabilities</b>			
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
Other long term liabilities	759	4.67	1,069
	<b>5,630</b>		<b>24,142</b>

continue to next page

## NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INSTRUMENTS (continued)

**Liquidity risk (continued)****Maturity analysis (continued)**

Company 2022 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>				
Borrowings	215	206	534	2,165
Lease liabilities	75	75	258	2,330
Trade and other payables	1,378	-	-	-
Financial guarantee				
- associate	168	-	-	-
- related party	*15,669	-	-	-
Other long term liabilities	-	-	-	1,069
	17,505	281	792	5,564

*continued from previous page*

\* This relates to project financing facility undertaken by the joint operation entity as disclosed in Note 17 and page 68-69 on financial guarantees.

**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 was discontinued on 30 June 2023. The alternative benchmark rate is indexed to SOFR. PETRONAS LIBOR Transition Project Steering Committee monitors and manages the Groupwide transition to alternative benchmark rates by the cessation date with an aim to achieve economically equivalent transactions and minimal impact upon transition.

## NOTES TO THE FINANCIAL STATEMENTS

**34. FINANCIAL INSTRUMENTS (continued)****Market risk (continued)****Interest rate risk (continued)**

As at reporting date, the Group and the Company transitional activities are completed, with the exceptions of certain number of contracts that which transition to alternative benchmark rate are still ongoing. The Group and the Company have applied the practical expedients to negotiated contracts for which the benchmark rate had been replaced to SOFR.

Contracts that have yet to transition to SOFR as at 31 December 2023 are relying on synthetic USD LIBOR rates until the contracts are transitioned prior to the cessation of synthetic USD LIBOR on 30 September 2024. As at 31 December 2023 the exposure referencing the synthetic USD LIBOR is immaterial.

The completed negotiated contracts for which alternative benchmark rate had been replaced to SOFR are fully economically equivalent with no profit or loss impact upon initial transition.

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:

<i>In RM Mil</i>	Group		Company	
	2023	2022	2023	2022
<b>Fixed rate instruments</b>				
Financial assets	2,169	2,593	1,904	2,099
Financial liabilities	(3,070)	(2,662)	(1,882)	(1,742)
	(901)	(69)	22	357
<b>Floating rate instruments</b>				
Financial assets	6,831	6,257	490	753
Financial liabilities	(2,062)	(1,870)	(1,712)	(1,750)
	4,769	4,387	(1,222)	(997)

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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INSTRUMENTS (continued)

**Market risk (continued)****Foreign exchange risk (continued)**

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

Group <i>In RM Mil</i>	2023			2022		
	Denominated in			Denominated in		
	USD	THB	EUR	USD	THB	EUR
<b>Financial assets</b>						
Trade and other receivables	50	220	2	-	266	2
Cash and cash equivalents	-	49	-	-	59	-
<b>Financial liabilities</b>						
Trade and other payables	(46)	-	(25)	(92)	-	(51)
Net derivative liabilities at nominal value	-	(161)	-	-	(224)	(1)
<b>Net exposure</b>	<b>4</b>	<b>108</b>	<b>(23)</b>	<b>(92)</b>	<b>101</b>	<b>(50)</b>

## 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 2023 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value	Carrying amount	Nominal value
	Level 2	Level 3	Total	Level 3	Total	Total
<b>Financial assets</b>						
Forward foreign exchange contracts	12	-	12	-	12	196
<b>Financial liabilities</b>						
Forward foreign exchange contracts	(13)	-	(13)	-	(13)	(1,470)
Contingent consideration*	-	(107)	(107)	-	(107)	(107)
Borrowings	-	-	-	(2,973)	(2,973)	-

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INSTRUMENTS (continued)

## Fair value information (continued)

Company 2023 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value	Carrying amount
	Level 3	Total
<b>Financial liabilities</b>		
Borrowings	(2,453)	(2,453)

Company 2022 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value	Carrying amount
	Level 3	Total
<b>Financial liabilities</b>		
Borrowings	(2,445)	(2,445)

**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 2023 <i>In RM Mil</i>	Interest income	Interest expense	Others	Total
Financial assets at amortised cost	386	-	57	443
Financial liabilities at amortised cost	-	(149)	5	(144)
	386	(149)	62	299

Group 2022 <i>In RM Mil</i>	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



## NOTES TO THE FINANCIAL STATEMENTS

**34. FINANCIAL INSTRUMENTS (continued)****Income/(expense), net gains and losses arising from financial instruments (continued)**

<b>Company 2023</b> <i>In RM Mil</i>	<b>Interest income</b>	<b>Interest expense</b>	<b>Others</b>	<b>Total</b>
Financial assets measured at amortised cost	57	-	183	240
Financial liabilities measured at amortised cost	-	(142)	(8)	(150)
	57	(142)	175	90

<b>Company 2022</b> <i>In RM Mil</i>	<b>Interest income</b>	<b>Interest expense</b>	<b>Others</b>	<b>Total</b>
Financial assets measured at amortised cost	74	-	206	280
Financial liabilities measured at amortised cost	-	(66)	(9)	(75)
	74	(66)	197	205

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 NEW AND REVISED PRONOUNCEMENTS**

As of 1 January 2023 the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

**Effective for annual periods beginning on or after 1 January 2023**

MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 17	<i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)</i>
Amendments to MFRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)</i>
Amendments to MFRS 112	<i>Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)</i>
Amendments to MFRS 112	<i>Income Taxes (International Tax Reform - Pillar Two Model Rules)</i>

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.

**Amendments to MFRS 112 Income Taxes International Tax Reform - Pillar Two Model Rules**

On 2 June 2023, the MASB has also issued the Amendments to MFRS 112 *Income Taxes International Tax Reform - Pillar Two Model Rules*. This pronouncement is effective from annual period beginning on or after 1 January 2023. On 29 December 2023, Pillar Two legislation has been enacted in Malaysia, which will come into effect on 1 January 2025. Certain subsidiaries within the Group also operate within jurisdictions that has been enacted or substantively enacted as at 31 December 2023.

The Amendments to MFRS 112 introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in PETRONAS Group. Based on the initial assessment carried out as at 31 December 2023, the Group has identified potential exposure to Pillar Two income taxes on several jurisdictions where effective tax rate is likely to be lower than 15%. The potential exposure is expected to come from the constituent entities in these jurisdictions. The exposure may also exist in other jurisdictions where the assessment is in progress.

The Group, however, does not expect a material exposure to Pillar Two income taxes in the jurisdiction.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2024**

Amendments to MFRS 16	<i>Leases (Lease Liability in a Sale and Leaseback)</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements (Non-current Liabilities with Covenants)</i>
Amendments to MFRS 107	<i>Statement of Cash Flows (Supplier Finance Arrangements)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Supplier Finance Arrangements)</i>

#### **Effective for annual periods beginning on or after 1 January 2025**

Amendments to MFRS 121	<i>The effects of Changes in Foreign Exchange Rates - Lack of Exchangeability</i>
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#### **Effective for a date yet to be confirmed**

Amendments to MFRS 10	<i>Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

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 did not issue any new pronouncement which is not relevant to the Group and the Company during the year.

### 38. 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.

### 39. ULTIMATE HOLDING COMPANY

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

## NOTES TO THE FINANCIAL STATEMENTS

### 40. FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF A SUBSIDIARY

Pursuant to the completion of acquisition of Perstorp on 11 October 2022, Perstorp has become a wholly-owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2022 were based on provisional figures which was expected to be finalised within twelve months from the acquisition date.

Upon finalisation of the purchase price allocation for the acquisition during the year, the fair value of the net assets and goodwill were updated based on final valuation of Perstorp of which tangible and intangible assets along with the corresponding deferred tax liability were recognised.

The intangible assets relate to the fair value of trademarks, know-how and patents & customer relations, whilst the goodwill reflects the synergy that Perstorp will contribute to the Group.

The intangible assets were recognised based on fair value, which was estimated using income approach. The fair value measurement was categorised as a Level 3 fair value.

The fair value was determined by discounting the future amounts of cash flows arising from trademarks, know-how and patents as well as customer relations incorporating current market expectations about the future amounts.

Effects of the acquisition based on finalised fair value figures are as follows:

<i>In RM Mil</i>	<b>Note</b>	<b>Fair Value</b>
Property, plant and equipment	3	3,733
Intangible assets	6	5,794
Deferred tax assets	9	265
Other non-current assets		122
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	(1,620)
Other non-current liabilities		(294)
Trade and other payables		(1,447)
Taxation		(10)
<b>Net identifiable assets and liabilities</b>		<b>4,765</b>
Less: Non-controlling interest		(195)
Add: Goodwill on acquisition		2,943
<b>Purchase consideration</b>		<b>7,513</b>
Add: Settlement of existing loans		4,060
<b>Payment for acquisition</b>		<b>11,573</b>
Less: Cash and cash equivalents acquired		(468)
<b>Payment for acquisition, net of cash acquired</b>		<b>11,105</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 41. SIGNIFICANT EVENT

On 24 July 2023, the Completion Memorandum in respect of the divestment of 25% equity interest ("the Divestment") in PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PCFS"), a wholly-owned subsidiary of the Group, to SMJ Energy Sdn. Bhd. ("SMJ") (formerly known as SMJ Sdn. Bhd.) has been executed to record the fulfilment of Completion under the Share Purchase Agreement dated 25 April 2023. The consideration of the Divestment is RM1,246 million which is based on the net book value of property, plant and equipment of PCFS as at 31 December 2022. The consideration is payable on a deferred payment arrangement.

The Divestment has reduced the Company's ownership in PCFS from 100% to 75%. The carrying amount divested to NCI is RM1,114 million (representing 25% interest) with fair-valued deferred payment consideration of RM1,143 million. The Divestment has increased the NCI by RM1,114 million and equity attributable to owner of the Company by RM29 million. With the completion of this Divestment, PCFS continues to be a subsidiary of the Company.

# 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 2023 of the Group and of the Company, and the statements of profit or loss, statements of 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 material accounting policy information, as set out on pages 10 to 114.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 assessment on property, plant and equipment ("PPE")

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

The prices of crude oil, oil products, and chemicals exhibit volatility, influenced by global and regional supply and demand dynamics. An impairment test was conducted by the management on the property, plant, and equipment for an operation held jointly by the Group and the Company.

As at 31 December 2023, the carrying amount of the PPE in the joint operation is RM9,546 million and RM9,617 million for the Group and the Company respectively.

Based on the impairment assessment conducted by the management, the recoverable amount of the assets is sensitive to two key assumptions:

- (i) The feedstock prices were based on forecast prices by an independent market consultant, applying an agreed formula with a related party; and
- (ii) A discount rate of 9.50% was applied to determine the value in use of the assets.

For the feedstock prices, an increase of 7.4% and 4.6% for the Group and the Company respectively would result in the value in use of the PPE equals to its carrying amount. An increase of 2.6% and 1.6% in the discount rate for the Group and the Company respectively would also result in the value in use of the PPE equals to its carrying amount.

# INDEPENDENT AUDITORS' REPORT

## Key Audit Matters (continued)

### Impairment assessment on property, plant and equipment ("PPE") (continued)

The assessment is a key audit matter because:

- The significance of the assets to the Group's and the Company's statement of financial position;
- 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.

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:
  - Obtained an understanding of the Group's and the Company's PPE impairment assessment process;
  - Challenged the impairment models by comparing them with market practices and the requirements of the accounting standards;
  - Challenged the key market-based assumption, being the future sales price and future feedstock cost, against external analyst report;
  - Engaged our valuation specialist to assess the appropriateness of discount rate;
  - Considered the sensitivity of the recoverable amounts by varying key assumptions within a reasonably possible range; and
  - Determined the adequacy of the disclosures.

### Annual impairment assessment for goodwill and intangible assets with indefinite lives allocated to Advanced Chemicals & Solutions and Animal Nutrition cash generating unit ("CGU")

Refer to Note 2.8(ii) – *Impairment – Other assets*, and Note 6 – *Intangible assets* to the financial statements.

The Group performs an annual impairment assessment on the goodwill and intangible assets with indefinite lives allocated to Advanced Chemicals & Solutions and Animal Nutrition CGU ("the CGU") amounting to RM5,729 million.

The assessment is a key audit matter because:

- There were inherent uncertainties and significant judgment involved in 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.

We performed the following audit procedures, among others:

- Obtained understanding of the Group's impairment assessment process and tested key controls such as the review and approval of budgets and forecasts by management and the Board;
- Challenged the impairment models by comparing them with market practices and the requirements of accounting standards;
- Where a component auditor was involved in evaluating the impairment assessments of the goodwill and intangible assets with indefinite useful lives, we engaged with the component auditor throughout the audit to satisfy our requirements under the international auditing standards;
- Challenged and corroborated the Group's key assumptions by comparing them with internal and external sources of information, and market practices;

# INDEPENDENT AUDITORS' REPORT

## Key Audit Matters (continued)

### Annual impairment assessment for goodwill and intangible assets with indefinite lives allocated to Advanced Chemicals & Solutions and Animal Nutrition cash generating unit ("CGU") (continued)

We performed the following audit procedures, among others: (continued)

- Engaged our valuation specialist to assess the appropriateness of discount rate;
- Considered the sensitivity of the recoverable amount by varying key assumptions within a reasonably possible range; and
- Determined the adequacy of the disclosures.

### Purchase price allocation on acquisition of Perstorp Holding AB and its subsidiaries ("Perstorp Group")

Refer to Note 2.1(i) – *Basis of consolidation – Subsidiaries, Business combinations* and Note 40 – *Finalisation of purchase price allocation for acquisition of a subsidiary* to the financial statements.

Pursuant to the completion of acquisition of Perstorp Group on 11 October 2022, Perstorp has become a wholly owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2022 were based on provisional figures which were expected to be finalised within twelve months from the acquisition date. Upon finalisation of the purchase price allocation for the acquisition during the financial year, the fair value of the net assets and goodwill were updated based on final valuation of Perstorp Group.

This is a key audit matter because:

- The purchase price allocation is complex and hence, requires significant involvement of our valuation specialist and more experienced team members; and
- It involves significant judgement to determine the appropriateness of assumptions and data inputs.

We performed the following audit procedures, among others:

- Determined the intangible assets met the criteria of intangible asset recognition by comparing the Group's assessment with the requirements of accounting standards;
- Challenged the fair valuation models adopted by the Group by comparing the models with market practices and determine the models met the requirements of accounting standards;
- Engaged our specialist to assess the appropriateness of the fair valuation models, assumptions and discount rate adopted by the Group;
- Challenged the Group's assumptions and discount rate by comparing them with internal and external sources of information, and market practices; and
- Determined the adequacy of the disclosures.

### 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.

# INDEPENDENT AUDITORS' REPORT

## 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, IFRS Accounting 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.
- 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.



# INDEPENDENT AUDITORS' REPORT

## 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

Petaling Jaya, Selangor

Date: 26 February 2024

### **Chua See Guan**

Approval Number: 03169/02/2025 J

Chartered Accountant



PCG's Financial Report 2023 has been produced in line with our theme: **Steadfast. Advancing Sustainably.** 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.



#### 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 Monalisa White 280 gsm paper, while inside pages are printed on FSC® certified Vincent Extra White 160 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

- Consciously minimising sizes of photographic images and other graphic representation (such as graphs, charts and diagrams) where possible



#### 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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