

# SUSTAINABILITY AT THE CORE



**PETRONAS**



FINANCIAL REPORT **2021**  
**PETRONAS CHEMICALS GROUP BERHAD**

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Further details of PETRONAS Chemicals Group Berhad can be found on [www.petronaschemicals.com](http://www.petronaschemicals.com)



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# 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 2021. 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.

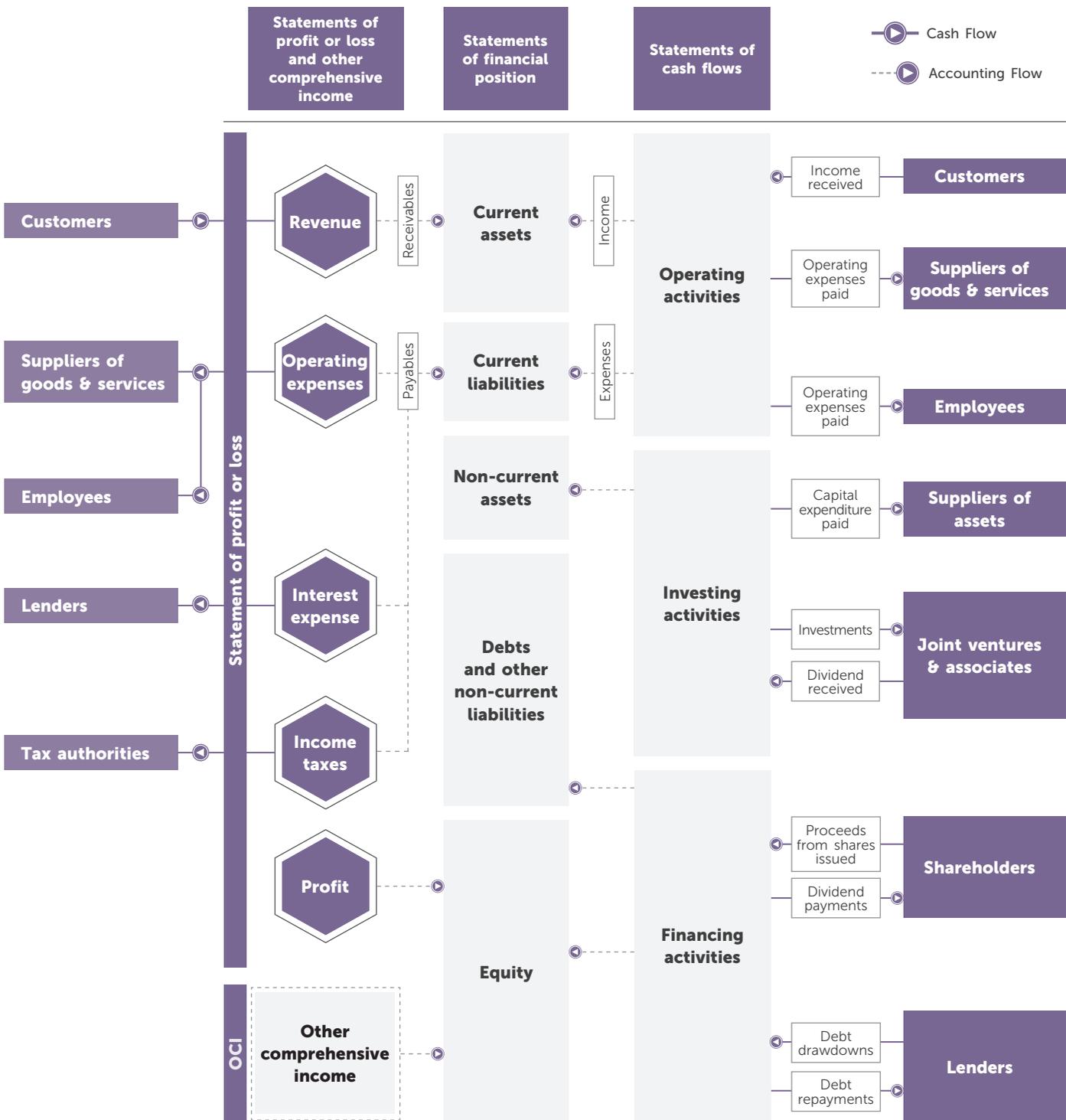
“ Where the company gets its cash and how it spends it ”

## 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 9 to 85 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 2021 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

## FOR THE YEAR ENDED 31 DECEMBER 2021

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

### PRINCIPAL ACTIVITIES

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

In the preparation of the financial statements of the Company, as required by MFRS 11 *Joint Arrangements*, the Company recognises its share of assets held and liabilities incurred jointly in a joint operation company as disclosed in Note 28 to the financial statements.

The principal activities of subsidiaries, and nature of relationship of joint ventures and associates are stated in Note 25, Note 26 and Note 27 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 25 to the financial statements.

### RESULTS

RM Million	Group	Company
Profit for the year	<b>7,319</b>	<b>584</b>
Attributable to:		
Shareholders of the Company	<b>7,345</b>	<b>584</b>
Non-controlling interests	<b>(26)</b>	<b>—</b>

### 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 2020 as reported in the Directors' Report of that year, a second interim dividend of 7 sen per ordinary share amounting to RM560 million was declared on 23 February 2021 and was paid on 25 March 2021;
- ii. In respect of the financial year ended 31 December 2021, a first interim dividend of 23 sen per ordinary share amounting to RM1,840 million was declared on 25 August 2021 and was paid on 30 September 2021; and
- iii. In respect of the financial year ended 31 December 2021, a special dividend of 10 sen per ordinary share amounting to RM800 million was declared on 22 November 2021 and was paid on 30 December 2021.

The Directors had on 24 February 2022 declared a second interim dividend of 23 sen per ordinary share amounting to RM1,840 million in respect of the financial year ended 31 December 2021 which is payable on 25 March 2022. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### RESERVES AND PROVISIONS

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

### DIRECTORS

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

Datuk Ir. (Dr.) Abdul Rahim bin Hashim (appointed on 1 January 2022)  
 Ir. Mohd Yusri bin Mohamed Yusof (appointed on 1 January 2022)  
 Yeoh Siew Ming  
 Datuk Sazali bin Hamzah  
 Datuk Toh Ah Wah  
 Freida binti Amat  
 Warren William Wilder  
 Dr. Zafar Abdulmajid Momin  
 Noor Ilias bin Mohd Idris  
 Datuk Md Arif bin Mahmood (resigned on 1 January 2022)

In accordance with Article 107 of the Company's Constitution, Noor Ilias bin Mohd Idris and Freida binti Amat are due for retirement by rotation at the forthcoming Annual General Meeting ("AGM") of the Company. Noor Ilias bin Mohd Idris and Freida binti Amat do not wish to seek for re-election and have expressed their decision to retire at close of this AGM.

In accordance with Article 100 of the Company's Constitution, Datuk Ir. (Dr.) Abdul Rahim bin Hashim and Ir. Mohd Yusri bin Mohamed Yusof who have been appointed to fill casual vacancies on the Board, will retire at the forthcoming AGM, and being eligible, offer themselves for re-election.

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

The names of Directors of subsidiaries are available on the Company's corporate website and the Board of Directors deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

### DIRECTORS' INTERESTS

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

Name	Number of ordinary shares in the Company			
	Balance at 1.1.2021	Bought	Sold	Balance at 31.12.2021
Datuk Md Arif bin Mahmood	20,000	—	—	20,000
Datuk Sazali bin Hamzah – spouse	10,000	—	—	10,000
– child	6,000	—	—	6,000
Datuk Toh Ah Wah	30,000	—	—	30,000
Freida binti Amat	6,000	—	—	6,000
Noor Ilias bin Mohd Idris	6,000	—	—	6,000

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

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **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 included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 30 to the financial statements or the fixed salary of a full time employee of the Company or of the related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

#### **ISSUE OF SHARES**

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

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

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

#### **INDEMNITY AND INSURANCE COSTS**

During the financial year, 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 (2020: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM46,527 (2020: RM46,527) and RM25,224 (2020: RM25,224) respectively.

#### **OTHER STATUTORY INFORMATION**

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

- (i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

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

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (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.

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### OTHER STATUTORY INFORMATION (CONTINUED)

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 2021 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.

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

- (i) the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiaries as remuneration for their services to the Company or its subsidiaries; and
- (ii) the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries

are disclosed in Note 30 to the financial statements.

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

### AUDITORS

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

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

**Datuk Sazali bin Hamzah**

Director

**Ir. Mohd Yusri bin Mohamed Yusof**

Director

Kuala Lumpur,  
Date: 24 February 2022

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 9 to 85, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended on that date.

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

**Datuk Sazali bin Hamzah**  
Director

**Ir. Mohd Yusri bin Mohamed Yusof**  
Director

Kuala Lumpur,  
Date: 24 February 2022

# 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 9 to 85 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 24 February 2022.

Before Me:

**Zainul Abidin bin Ahmad**  
Commissioner of Oaths (No. W790)

Malaysia  
Date: 24 February 2022

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
<b>ASSETS</b>					
Property, plant and equipment	3	22,195	20,987	7,793	6,385
Investments in subsidiaries	4	—	—	20,451	20,940
Investments in joint ventures and associates	5	1,480	722	1,408	1,218
Intangible assets	6	684	744	—	—
Deferred tax assets	7	823	879	—	—
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,182</b>	23,332	<b>29,652</b>	28,543
Trade and other inventories	8	2,214	1,806	45	27
Trade and other receivables	9	2,737	1,938	102	106
Tax recoverable		85	46	12	7
Cash and cash equivalents	11	16,390	12,707	1,223	3,523
<b>TOTAL CURRENT ASSETS</b>		<b>21,426</b>	16,497	<b>1,382</b>	3,663
<b>TOTAL ASSETS</b>		<b>46,608</b>	39,829	<b>31,034</b>	32,206
<b>EQUITY</b>					
Share capital	12	8,871	8,871	8,871	8,871
Reserves	13	26,134	21,575	17,254	19,855
<b>Total equity attributable to shareholders of the Company</b>		<b>35,005</b>	30,446	<b>26,125</b>	28,726
Non-controlling interests	14	535	563	—	—
<b>TOTAL EQUITY</b>		<b>35,540</b>	31,009	<b>26,125</b>	28,726
<b>LIABILITIES</b>					
Borrowings	15	2,156	1,994	2,014	1,845
Lease liabilities		1,389	908	886	468
Provisions	16	287	247	103	79
Other long term liabilities	16	1,309	1,434	—	—
Deferred tax liabilities	7	974	993	—	—
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6,115</b>	5,576	<b>3,003</b>	2,392
Borrowings	15	232	198	139	148
Lease liabilities		73	80	10	4
Trade and other payables	17	4,378	2,893	1,757	936
Taxation		270	73	—	—
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,953</b>	3,244	<b>1,906</b>	1,088
<b>TOTAL LIABILITIES</b>		<b>11,068</b>	8,820	<b>4,909</b>	3,480
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>46,608</b>	39,829	<b>31,034</b>	32,206

The notes set out on pages 16 to 85 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
Revenue	18	<b>23,025</b>	14,362	<b>689</b>	878
Cost of revenue		<b>(14,447)</b>	(10,837)	<b>—</b>	—
<b>Gross profit</b>		<b>8,578</b>	3,525	<b>689</b>	878
Selling and distribution expenses		<b>(1,091)</b>	(967)	<b>—</b>	—
Administration expenses		<b>(839)</b>	(718)	<b>(369)</b>	(266)
Other expenses		<b>(60)</b>	(68)	<b>(12)</b>	(64)
Other income		<b>422</b>	428	<b>285</b>	165
<b>Operating profit</b>	19	<b>7,010</b>	2,200	<b>593</b>	713
Financing costs	20	<b>(29)</b>	(27)	<b>(5)</b>	(4)
Share of profit/(loss) of equity-accounted joint ventures and associates, net of tax		<b>729</b>	(316)	<b>—</b>	—
<b>Profit before taxation</b>		<b>7,710</b>	1,857	<b>588</b>	709
Tax expense	21	<b>(391)</b>	(271)	<b>(4)</b>	(16)
<b>Profit for the year</b>		<b>7,319</b>	1,586	<b>584</b>	693
<b>Other comprehensive income/(loss)</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		<b>374</b>	(165)	<b>16</b>	(6)
Share of other comprehensive income of equity-accounted joint ventures and associates		<b>41</b>	10	<b>—</b>	—
Others		<b>(1)</b>	—	<b>(1)</b>	—
<b>Total other comprehensive income/(loss) for the year</b>		<b>414</b>	(155)	<b>15</b>	(6)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,733</b>	1,431	<b>599</b>	687
<b>Profit/(Loss) attributable to:</b>					
Shareholders of the Company		<b>7,345</b>	1,628	<b>584</b>	693
Non-controlling interests		<b>(26)</b>	(42)	<b>—</b>	—
<b>PROFIT FOR THE YEAR</b>		<b>7,319</b>	1,586	<b>584</b>	693
<b>Total comprehensive income/(loss) attributable to:</b>					
Shareholders of the Company		<b>7,759</b>	1,473	<b>599</b>	687
Non-controlling interests		<b>(26)</b>	(42)	<b>—</b>	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,733</b>	1,431	<b>599</b>	687
Basic earnings per ordinary share (sen)	22	<b>91.8</b>	20.4	<b>—</b>	—

The notes set out on pages 16 to 85 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

Group In RM Million	Attributable to shareholders of the Company						Non- controlling interests	Total equity
	Non-distributable				Distributable			
	Share capital (Note 12)	Foreign currency translation reserve (Note 13)	Merger reserve (Note 13)	Other reserve (Note 13)	Retained profits	Total		
<b>Balance at 1 January 2021</b>	<b>8,871</b>	<b>(350)</b>	<b>(204)</b>	<b>1,001</b>	<b>21,128</b>	<b>30,446</b>	<b>563</b>	<b>31,009</b>
Foreign currency translation differences	—	374	—	—	—	374	—	374
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	41	—	41	—	41
Others	—	—	—	(1)	—	(1)	—	(1)
Total other comprehensive income for the year	—	374	—	40	—	414	—	414
Profit/(Loss) for the year	—	—	—	—	7,345	7,345	(26)	7,319
<b>Total comprehensive income/(loss) for the year</b>	<b>—</b>	<b>374</b>	<b>—</b>	<b>40</b>	<b>7,345</b>	<b>7,759</b>	<b>(26)</b>	<b>7,733</b>
Additional shares issued to a non-controlling interest	—	—	—	—	—	—	4	4
Dividends to shareholders of the Company (Note 23)	—	—	—	—	(3,200)	(3,200)	—	(3,200)
Dividends to non-controlling interests	—	—	—	—	—	—	(6)	(6)
Others	—	—	—	1	(1)	—	—	—
<b>Total transactions with owners of the Group</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>(3,201)</b>	<b>(3,200)</b>	<b>(2)</b>	<b>(3,202)</b>
<b>Balance at 31 December 2021</b>	<b>8,871</b>	<b>24</b>	<b>(204)</b>	<b>1,042</b>	<b>25,272</b>	<b>35,005</b>	<b>535</b>	<b>35,540</b>

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2021

Group In RM Million	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Non-distributable				Distributable			
	Share capital (Note 12)	Foreign currency translation reserve (Note 13)	Merger reserve (Note 13)	Other reserve (Note 13)	Retained profits	Total		
<b>Balance at 1 January 2020</b>	8,871	(185)	(204)	987	20,464	29,933	605	30,538
Foreign currency translation differences	—	(165)	—	—	—	(165)	—	(165)
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	10	—	10	—	10
Total other comprehensive (loss)/income for the year	—	(165)	—	10	—	(155)	—	(155)
Profit/(Loss) for the year	—	—	—	—	1,628	1,628	(42)	1,586
<b>Total comprehensive (loss)/income for the year</b>	—	(165)	—	10	1,628	1,473	(42)	1,431
Additional shares issued to a non-controlling interest	—	—	—	—	—	—	4	4
Dividends to shareholders of the Company (Note 23)	—	—	—	—	(960)	(960)	—	(960)
Dividends to non-controlling interests	—	—	—	—	—	—	(4)	(4)
Others	—	—	—	4	(4)	—	—	—
<b>Total transactions with owners of the Group</b>	—	—	—	4	(964)	(960)	—	(960)
<b>Balance at 31 December 2020</b>	8,871	(350)	(204)	1,001	21,128	30,446	563	31,009

**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2021

Company In RM Million	Attributable to shareholders of the Company					
	Non-distributable				Distributable	Total equity
	Share capital (Note 12)	Foreign currency translation reserve (Note 13)	Merger relief (Note 13)	Other reserve (Note 13)	Retained profits	
<b>Balance at 1 January 2021</b>	<b>8,871</b>	<b>(1)</b>	<b>7,176</b>	<b>(4)</b>	<b>12,684</b>	<b>28,726</b>
Foreign currency translation differences	—	16	—	—	—	16
Others	—	—	—	(1)	—	(1)
Profit for the year	—	—	—	—	584	584
Total comprehensive income/(loss) for the year	—	16	—	(1)	584	599
Dividends to shareholders of the Company (Note 23)	—	—	—	—	(3,200)	(3,200)
<b>Balance at 31 December 2021</b>	<b>8,871</b>	<b>15</b>	<b>7,176</b>	<b>(5)</b>	<b>10,068</b>	<b>26,125</b>
<b>Balance at 1 January 2020</b>	8,871	5	7,176	(4)	12,951	28,999
Foreign currency translation differences	—	(6)	—	—	—	(6)
Profit for the year	—	—	—	—	693	693
Total comprehensive (loss)/income for the year	—	(6)	—	—	693	687
Dividends to shareholders of the Company (Note 23)	—	—	—	—	(960)	(960)
<b>Balance at 31 December 2020</b>	8,871	(1)	7,176	(4)	12,684	28,726

The notes set out on pages 16 to 85 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		7,710	1,857	588	709
Adjustments for:					
– amortisation of deferred income		(140)	(151)	—	—
– depreciation and amortisation		1,650	1,670	1	1
– dividend income		—	—	(689)	(878)
– financing costs		29	27	5	4
– interest income		(117)	(224)	(58)	(80)
– share of (profit)/loss of equity-accounted joint ventures and associates, net of tax		(729)	316	—	—
– unrealised forex (gain)/loss		(96)	51	(118)	67
– other non-cash items		146	(1)	(30)	(28)
Operating profit/(loss) before changes in working capital		8,453	3,545	(301)	(205)
Change in trade and other inventories		(529)	(143)	(17)	(15)
Change in trade and other receivables		(799)	58	122	(42)
Change in trade and other payables		1,140	(465)	441	(6)
Cash generated from/(used in) operations		8,265	2,995	245	(268)
Interest income received		117	224	58	80
Taxation paid		(197)	(204)	(9)	(23)
<b>Net cash generated from/(used in) operating activities</b>		<b>8,185</b>	<b>3,015</b>	<b>294</b>	<b>(211)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Dividends received from:					
– subsidiaries		—	—	489	830
– joint ventures and associates		201	50	200	48
Financial assistance to a subsidiary		—	—	(14)	(14)
Investments in:					
– subsidiaries		—	—	(228)	(336)
– joint ventures and associates		(169)	(18)	(169)	(14)
Payment of deferred consideration		(50)	(2)	—	—
Payment for settlement of forward foreign exchange contract		(51)	—	(51)	—
Proceeds from settlement of forward foreign exchange contract		50	—	50	—
Proceeds from disposal of property, plant and equipment		1	2	—	—
Purchase of property, plant and equipment	(i)	(1,538)	(1,476)	(327)	(380)
Redemption of preference shares in subsidiaries		—	—	717	1,220
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,556)</b>	<b>(1,444)</b>	<b>667</b>	<b>1,354</b>

The notes set out on pages 16 to 85 are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid to:					
– PETRONAS		(2,059)	(618)	(2,059)	(618)
– others (third parties)		(1,141)	(342)	(1,141)	(342)
– non-controlling interests		(6)	(4)	–	–
Drawdown of:					
– term loans		321	298	276	162
– revolving credit		83	113	–	–
Repayment of term loans:					
– principal		(206)	(74)	(161)	–
– interest		(29)	(46)	(27)	(44)
Repayment of revolving credit		(33)	–	–	–
Proceeds from shares issued to non-controlling interests		4	4	–	–
Payment of lease liabilities:					
– principal		(68)	(50)	(1)	(4)
– interest		(50)	(73)	(11)	(34)
<b>Net cash used in financing activities</b>	24	<b>(3,184)</b>	(792)	<b>(3,124)</b>	(880)
<b>Net cash flows from operating, investing and financing activities</b>		<b>3,445</b>	779	<b>(2,163)</b>	263
Effect of foreign currency translation differences		11	(25)	(137)	39
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,456</b>	754	<b>(2,300)</b>	302
<b>NET FOREIGN EXCHANGE DIFFERENCES ON CASH HELD</b>		<b>227</b>	(92)	–	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>12,707</b>	12,045	<b>3,523</b>	3,221
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	11	<b>16,390</b>	12,707	<b>1,223</b>	3,523

Total cash outflows for leases for the Group and the Company comprise payment of lease liabilities, short-term lease, low-value assets and variable lease payments amounting to RM143 million (2020: RM152 million) and RM15 million (2020: RM40 million) respectively.

**(i) Acquisition of property, plant and equipment**

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregated cost of RM2,020 million (2020: RM1,858 million) and RM770 million (2020: RM676 million) respectively. Reconciliation of the acquisition cost in the property, plant and equipment as disclosed in Note 3 and Statements of Cash Flows is as follows:

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
Addition of property, plant and equipment excluding right-of-use assets	3	2,020	1,858	770	676
Adjustment for non-cash items:					
Accruals movement		(319)	(251)	(316)	(199)
Interest on term loan capitalised	3	(30)	(44)	(30)	(44)
Interest on lease liabilities capitalised	3	(96)	(58)	(71)	(34)
Depreciation on right-of-use assets capitalised	3	(29)	(22)	(19)	(12)
Others		(8)	(7)	(7)	(7)
<b>Purchase of property, plant and equipment</b>		<b>1,538</b>	1,476	<b>327</b>	380

The notes set out on pages 16 to 85 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

### 1.1 Statement of compliance

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

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

As of 1 January 2021, the Group and the Company had adopted amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 33.

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 34. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 35.

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2022.

### 1.2 Basis of measurement

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

### 1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest million, unless otherwise stated.

### 1.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future years 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 2.13 : Taxation;
- (ii) Note 4 : Investments in subsidiaries;
- (iii) Note 6 : Intangible assets; and
- (iv) Note 16 : Provisions and other long term liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of consolidation

##### (i) Subsidiaries

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

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

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

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

Under the merger method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts in the consolidated statements of financial position. The difference between the cost of acquisition and the nominal value of the shares acquired are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within the Group.

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

##### **Business combinations**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT 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 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 arrangement are classified as either a joint operation or a joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group or the Company has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.1 (iii).

##### (iii) Associates

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of consolidation (continued)

##### (iii) Associates (continued)

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**

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

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

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

##### **Subsequent costs**

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

##### **Depreciation**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### **Depreciation (continued)**

The estimated useful lives for the current and comparative years are as follows:

Buildings	14 – 66 years
Plant and equipment	3 – 67 years
Office equipment, furniture and fittings	5 – 7 years
Computer software and hardware	5 years
Motor vehicles	3 – 5 years

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life 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.

##### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Leases (continued)****(i) As a lessee (continued)*****Recognition and initial measurement (continued)***

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Leases (continued)

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

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

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

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

The period of application of the practical expedient had been extended until 30 June 2022.

##### (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. SIGNIFICANT 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.

##### (ii) Formulae, patent and trademark

Formulae relate to product formulation for specialty chemicals acquired in a business combination is measured at fair value as at the date of acquisition. Patent and trademark are measured on initial recognition at cost.

The estimated useful life for the formulae, patent and trademark for the current and comparative year is 20 years.

##### (iii) Other intangible asset

Other intangible asset comprises license from third party is 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 life are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful life are recognised in the profit or loss on a straight-line basis over the estimated economic useful life. The amortisation method and the useful life are reviewed at each reporting date. Intangible assets with finite useful life are assessed for impairment whenever there is an indication that it may be impaired.

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.

#### 2.6 Financial instruments

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

##### (i) Financial assets

###### **Recognition and initial measurement**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Financial instruments (continued)

##### (i) Financial assets (continued)

###### **Interest rate benchmark reform**

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

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

###### **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).

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Financial instruments (continued)****(ii) Financial liabilities (continued)*****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.

**(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Financial instruments (continued)

##### (v) Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

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

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

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

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

##### (vi) Effective interest method

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

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Fair value measurement

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

##### (i) Financial instruments

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

##### (ii) Non-financial assets

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

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

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

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

#### 2.8 Impairment

##### (i) Financial assets

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.8 Impairment (continued)

##### (i) Financial assets (continued)

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

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

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

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

##### (ii) Other assets

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

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

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups.

An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

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

For goodwill, the recoverable amount is estimated each period at the same time.

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

Reversals of impairment losses are credited to the profit or loss in the financial year in which the reversals are recognised.

#### 2.9 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### 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.

#### 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 for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.13 Taxation (continued)

##### (ii) Deferred tax (continued)

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

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

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

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

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

#### 2.14 Foreign currency transactions

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

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

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

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

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

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

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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 Revenue (continued)

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

Other revenue comprises revenue from sales of specialty chemicals which is recognised when or as it transfers control over a product or service to customer and revenue from port services rendered which is recognised based on the actual and estimated throughput volume and port charges.

#### 2.16 Interest income

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

#### 2.17 Financing costs

Financing costs comprise interest payable on borrowings and lease liabilities as well as any accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than borrowing costs attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale), which are capitalised as part of the cost of those assets.

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

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

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

#### 2.18 Equity instruments

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

##### (i) Issuance expenses

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

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### 2.19 Basic earnings per ordinary share

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

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

#### 2.20 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with any of the components of the Group, and for which discrete financial information is available) whose operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director/Chief Executive Officer ("MD/CEO"), to make decisions about resources to be allocated to the segments and to assess the performance of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

Group 2021 In RM Million	At 1.1.2021	Additions	Disposals/ Write-offs
<b>At cost:</b>			
<u>Own use</u>			
Buildings	1,933	1	(1)
Plant and equipment	28,823	54	(596)
Office equipment, furniture and fittings	359	17	(9)
Computer software and hardware	392	2	(33)
Motor vehicles	35	—	(2)
Projects-in-progress	8,377	1,946	(1)
	39,919	2,020	(642)
<u>Right-of-use</u>			
Leasehold land	689	—	—
Buildings	50	97	—
Plant and equipment	1,127	515	(404)
Motor vehicles	12	21	(4)
Vessels	97	—	—
	1,975	633	^(408)
	41,894	2,653	(1,050)

continue to next page

Group 2021 In RM Million	At 1.1.2021	Charge for the year	Disposals/ Write-offs
<b>Accumulated depreciation and impairment losses:</b>			
<u>Own use</u>			
Buildings	804	49	(1)
Plant and equipment	18,908	1,408	(581)
Office equipment, furniture and fittings	218	41	(9)
Computer software and hardware	304	35	(32)
Motor vehicles	31	1	(2)
	20,265	1,534	(625)
<u>Right-of-use</u>			
Leasehold land	137	15	—
Buildings	1	14	—
Plant and equipment	459	46	(404)
Motor vehicles	9	11	(4)
Vessels	36	32	—
	642	118	^(408)
	20,907	1,652	(1,033)

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^ 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)

<b>Group 2021 In RM Million</b>	<b>Transfers/ Adjustments</b>	<b>Translation exchange difference</b>	<b>At 31.12.2021</b>
<b>At cost:</b>			
<u>Own use</u>			
Buildings	30	(1)	1,962
Plant and equipment	903	—	29,184
Office equipment, furniture and fittings	9	(2)	374
Computer software and hardware	53	2	416
Motor vehicles	—	—	33
Projects-in-progress	(995)	295	9,622
	—	294	41,591
<u>Right-of-use</u>			
Leasehold land	(4)	5	690
Buildings	6	2	155
Plant and equipment	(131)	38	1,145
Motor vehicles	37	—	66
Vessels	(23)	2	76
	(115)	47	2,132
	(115)	341	43,723

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<b>Group 2021 In RM Million</b>	<b>Translation exchange difference</b>	<b>At 31.12.2021</b>
<b>Accumulated depreciation and impairment losses:</b>		
<u>Own use</u>		
Buildings	(1)	851
Plant and equipment	—	19,735
Office equipment, furniture and fittings	(1)	249
Computer software and hardware	1	308
Motor vehicles	—	30
	(1)	21,173
<u>Right-of-use</u>		
Leasehold land	—	152
Buildings	—	15
Plant and equipment	2	103
Motor vehicles	—	16
Vessels	1	69
	3	355
	2	21,528

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Included in the accumulated depreciation and impairment losses of property, plant and equipment are impairment losses carried forward of RM266 million (2020: RM266 million).

## NOTES TO THE FINANCIAL STATEMENTS

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

Group 2020 In RM Million	At 1.1.2020	Additions	Disposals/ Write-offs	Transfers/ Adjustments
<b>At cost:</b>				
<u>Own use</u>				
Buildings	1,918	—	(2)	15
Plant and equipment	28,623	34	(223)	385
Office equipment, furniture and fittings	353	11	(10)	3
Computer software and hardware	362	—	(8)	39
Motor vehicles	36	—	(1)	—
Projects-in-progress	7,174	1,813	—	(442)
	38,466	1,858	(244)	—
<u>Right-of-use</u>				
Leasehold land	560	113	—	20
Buildings	1	51	—	—
Plant and equipment	1,097	219	(261)	90
Motor vehicles	14	1	(5)	2
Vessels	98	—	—	—
	1,770	384	^(266)	112
	40,236	2,242	(510)	112

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Group 2020 In RM Million	At 1.1.2020	Charge for the year	Disposals/ Write-offs
<b>Accumulated depreciation and impairment losses:</b>			
<u>Own use</u>			
Buildings	757	48	(2)
Plant and equipment	17,692	1,434	(220)
Office equipment, furniture and fittings	187	40	(10)
Computer software and hardware	278	35	(8)
Motor vehicles	30	2	(1)
	18,944	1,559	(241)
<u>Right-of-use</u>			
Leasehold land	123	14	—
Buildings	—	1	—
Plant and equipment	666	55	(261)
Motor vehicles	4	10	(5)
Vessels	17	20	—
	810	100	^(266)
	19,754	1,659	(507)

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^ 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 2020 In RM Million	Translation exchange difference	At 31.12.2020
<b>At cost:</b>		
<u>Own use</u>		
Buildings	2	1,933
Plant and equipment	4	28,823
Office equipment, furniture and fittings	2	359
Computer software and hardware	(1)	392
Motor vehicles	—	35
Projects-in-progress	(168)	8,377
	(161)	39,919
<u>Right-of-use</u>		
Leasehold land	(4)	689
Buildings	(2)	50
Plant and equipment	(18)	1,127
Motor vehicles	—	12
Vessels	(1)	97
	(25)	1,975
	(186)	41,894

continued from previous page

Group 2020 In RM Million	Translation exchange difference	At 31.12.2020
<b>Accumulated depreciation and impairment losses:</b>		
<u>Own use</u>		
Buildings	1	804
Plant and equipment	2	18,908
Office equipment, furniture and fittings	1	218
Computer software and hardware	(1)	304
Motor vehicles	—	31
	3	20,265
<u>Right-of-use</u>		
Leasehold land	—	137
Buildings	—	1
Plant and equipment	(1)	459
Motor vehicles	—	9
Vessels	(1)	36
	(2)	642
	1	20,907

continued from previous page

## NOTES TO THE FINANCIAL STATEMENTS

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

<b>Company 2021 In RM'000</b>	<b>At 1.1.2021</b>	<b>Additions</b>
<b>At cost:</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	770	—
Computer software and hardware	18,700	32
Motor vehicles	308	—
Projects-in-progress	5,859,183	770,303
	<b>5,878,961</b>	<b>770,335</b>
<u>Right-of-use</u>		
Leasehold land	138,665	—
Buildings	—	58,430
Plant and equipment	410,301	456,085
	<b>548,966</b>	<b>514,515</b>
	<b>6,427,927</b>	<b>1,284,850</b>

continue to next page

<b>Company 2021 In RM'000</b>	<b>At 1.1.2021</b>	<b>Charge for the year</b>
<b>Accumulated depreciation:</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	537	90
Computer software and hardware	15,963	1,005
Motor vehicles	302	6
	<b>16,802</b>	<b>1,101</b>
<u>Right-of-use</u>		
Leasehold land	4,803	1,235
Buildings	—	1,133
Plant and equipment	21,359	16,670
	<b>26,162</b>	<b>19,038</b>
	<b>42,964</b>	<b>20,139</b>

continue to next page

## NOTES TO THE FINANCIAL STATEMENTS

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

Company 2021 In RM'000	Transfers/ Adjustments	Translation exchange difference	At 31.12.2021
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	(14)	—	756
Computer software and hardware	(55)	—	18,677
Motor vehicles	—	—	308
Projects-in-progress	(2,439)	228,344	6,855,391
	^(2,508)	228,344	6,875,132
<u>Right-of-use</u>			
Leasehold land	—	2,500	141,165
Buildings	—	1,774	60,204
Plant and equipment	(113,799)	27,787	780,374
	(113,799)	32,061	981,743
	(116,307)	260,405	7,856,875

continued from previous page

^ Relates to software development expenditure back charged to subsidiaries.

Company 2021 In RM'000	Translation exchange difference	At 31.12.2021
<b>Accumulated depreciation:</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	—	627
Computer software and hardware	—	16,968
Motor vehicles	—	308
	—	17,903
<u>Right-of-use</u>		
Leasehold land	141	6,179
Buildings	8	1,141
Plant and equipment	622	38,651
	771	45,971
	771	63,874

continued from previous page

## NOTES TO THE FINANCIAL STATEMENTS

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

<b>Company 2020 In RM'000</b>	<b>At 1.1.2020</b>	<b>Additions</b>	<b>Disposals/ Write-offs</b>
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	792	—	(150)
Computer software and hardware	18,678	—	—
Motor vehicles	308	—	—
Projects-in-progress	5,274,580	676,114	—
	5,294,358	676,114	(150)
<u>Right-of-use</u>			
Leasehold land	78,789	68,459	—
Plant and equipment	326,351	—	—
	405,140	68,459	—
	5,699,498	744,573	(150)

continue to next page

<b>Company 2020 In RM'000</b>	<b>At 1.1.2020</b>	<b>Charge for the year</b>	<b>Disposals/ Write-offs</b>
<b>Accumulated depreciation:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	608	74	(145)
Computer software and hardware	14,697	1,268	—
Motor vehicles	225	77	—
	15,530	1,419	(145)
<u>Right-of-use</u>			
Leasehold land	2,865	1,988	—
Plant and equipment	11,477	10,081	—
	14,342	12,069	—
	29,872	13,488	(145)

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## NOTES TO THE FINANCIAL STATEMENTS

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

Company 2020 In RM'000	Transfers/ Adjustments	Translation exchange difference	At 31.12.2020
<b>At cost:</b>			
<u>Own use</u>			
Office equipment, furniture and fittings	128	—	770
Computer software and hardware	22	—	18,700
Motor vehicles	—	—	308
Projects-in-progress	(160)	(91,351)	5,859,183
	^(10)	(91,351)	5,878,961
<u>Right-of-use</u>			
Leasehold land	(7,268)	(1,315)	138,665
Plant and equipment	89,403	(5,453)	410,301
	82,135	(6,768)	548,966
	82,125	(98,119)	6,427,927

continued from previous page

^ Relates to certain office renovation cost being expensed off during the year.

Company 2020 In RM'000	Translation exchange difference	At 31.12.2020
<b>Accumulated depreciation:</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	—	537
Computer software and hardware	(2)	15,963
Motor vehicles	—	302
	(2)	16,802
<u>Right-of-use</u>		
Leasehold land	(50)	4,803
Plant and equipment	(199)	21,359
	(249)	26,162
	(251)	42,964

continued from previous page

## NOTES TO THE FINANCIAL STATEMENTS

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

In RM'000	Group	
	2021	2020
<b>Carrying amount</b>		
<u>Own use</u>		
Buildings	<b>1,111</b>	1,129
Plant and equipment	<b>9,449</b>	9,915
Office equipment, furniture and fittings	<b>125</b>	141
Computer software and hardware	<b>108</b>	88
Motor vehicles	<b>3</b>	4
Projects-in-progress	<b>9,622</b>	8,377
	<b>20,418</b>	19,654
<u>Right-of-use</u>		
Leasehold land	<b>538</b>	552
Buildings	<b>140</b>	49
Plant and equipment	<b>1,042</b>	668
Motor vehicles	<b>50</b>	3
Vessels	<b>7</b>	61
	<b>1,777</b>	1,333
	<b>22,195</b>	20,987

In RM'000	Company	
	2021	2020
<b>Carrying amount</b>		
<u>Own use</u>		
Office equipment, furniture and fittings	<b>129</b>	233
Computer software and hardware	<b>1,709</b>	2,737
Motor vehicles	<b>—</b>	6
Projects-in-progress	<b>6,855,391</b>	5,859,183
	<b>6,857,229</b>	5,862,159
<u>Right-of-use</u>		
Leasehold land	<b>134,986</b>	133,862
Buildings	<b>59,063</b>	—
Plant and equipment	<b>741,723</b>	388,942
	<b>935,772</b>	522,804
	<b>7,793,001</b>	6,384,963

For the Group and the Company, the land lease right amounting to RM66 million (2020: RM64 million) is pledged as a security for loan facility as set out in Note 15.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Projects-in-progress

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

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
Interest on term loan	20	<b>30</b>	44	<b>30</b>	44
Interest on lease liabilities	20	<b>96</b>	58	<b>71</b>	34
Depreciation of right-of-use assets		<b>29</b>	22	<b>19</b>	12
Amortisation of transaction cost	20	<b>7</b>	7	<b>7</b>	7
		<b>162</b>	131	<b>127</b>	97

The capitalisation rates used to determine the amount of the borrowing cost eligible for capitalisation for the Group and the Company are 3.57% (2020: 3.54%) and 3.65% (2020: 3.27%) per annum respectively.

#### As a lessee

##### Right-of-use assets

##### Depreciation of right-of-use assets

In RM Million	Group		Company	
	2021	2020	2021	2020
Capitalised in property, plant and equipment	<b>29</b>	22	<b>19</b>	12
Recognised in profit or loss	<b>89</b>	78	—	—
<b>Total depreciation</b>	<b>118</b>	100	<b>19</b>	12

##### 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.

### 4. INVESTMENTS IN SUBSIDIARIES

In RM Million	Company	
	2021	2020
Investments at cost	<b>21,091</b>	21,566
Less: Impairment losses	<b>(640)</b>	(626)
	<b>20,451</b>	20,940

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 25.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Impairment review of cost of investment in a subsidiary**

Following the increase in certain feedstock prices from higher crude oil price, an impairment test was performed on the Company's investment in one of its subsidiaries that produces and sells aromatics products.

The carrying amount of the investment in the subsidiary is RM925 million. The recoverable value of the investment was arrived at using value-in-use method, determined by discounting future cash flows projected to be generated by the business based on various assumptions. The estimated recoverable value is higher than the carrying value of the investment and therefore no impairment loss is recognised.

The above estimates are sensitive in the following areas:

- (i) An increase of 0.2 percentage point in discount rate used would reduce the recoverable amount by RM34 million; and
- (ii) A decrease of 0.5 percent in projected product price would reduce the recoverable amount by RM49 million.

## 5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In RM Million	Group		Company	
	2021	2020	2021	2020
Investments at cost	1,283	1,093	1,408	1,218
Share of post-acquisition profit or loss and reserves	197	(371)	—	—
	1,480	722	1,408	1,218

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 26 and Note 27 respectively.

## 6. INTANGIBLE ASSETS

Group 2021 In RM Million	At 1.1.2021	Translation exchange difference	At 31.12.2021
<b>At cost:</b>			
Goodwill	242	(11)	231
Formulae, patent and trademark	536	(25)	511
Others	23	—	23
	801	(36)	765

Group 2021 In RM Million	At 1.1.2021	Charge for the year	Translation exchange difference	At 31.12.2021
<b>Accumulated amortisation:</b>				
Formulae, patent and trademark	34	27	(3)	58
Others	23	—	—	23
	57	27	(3)	81

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS (CONTINUED)

Group 2020 In RM Million	At 1.1.2020	^Effect upon finalisation of purchase price allocation	Translation exchange difference	At 31.12.2020
<b>At cost:</b>				
Goodwill	583	(356)	15	242
Formulae, patent and trademark	1	496	39	536
Others	23	—	—	23
	607	140	54	801

Group 2020 In RM Million	At 1.1.2020	Charge for the year	Translation exchange difference	At 31.12.2020
<b>Accumulated amortisation:</b>				
Formulae, patent and trademark	—	33	1	34
Others	23	—	—	23
	23	33	1	57

In RM Million	Carrying amount	
	2021	2020
Goodwill	231	242
Formulae, patent and trademark	453	502
Others	—	—
	684	744

^ Relates to recognition of product formulation for the specialty chemicals upon finalisation of the purchase price allocation for the acquisition of Da Vinci Group ("Da Vinci") in the previous year.

**Impairment review of goodwill**

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

In performing the impairment assessment for goodwill, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit.

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

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

The cash flow was projected based on plans and forecast approved by management for the next 10 years. For the period thereafter, a terminal value was calculated using perpetuity growth rate of 2.1% (2020: 2.1%) based on external macroeconomics and industry specific sources. The future cash flow was discounted using discount rate at about 8% (2020: 8%).

Based on the above, the recoverable amount of the unit was determined to be higher than its carrying amount and therefore, no impairment loss was recognised.

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS (CONTINUED)

**Impairment review of goodwill (continued)**

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 RM158 million (2020: RM158 million); and
- (ii) A decrease of 0.5 percentage point in perpetuity growth rate used would have reduced the recoverable amount by approximately RM94 million (2020: RM95 million).

## 7. DEFERRED TAX

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

Group In RM Million	Assets		Liabilities	
	2021	2020	2021	2020
Property, plant and equipment	26	63	(2,238)	(2,280)
Unused tax losses	8	17	—	—
Unabsorbed capital allowances	491	503	—	—
Unused investment tax allowances	1,592	1,659	—	—
Intangible assets	—	—	(115)	(125)
Others	87	50	(2)	(1)
Tax assets/(liabilities)	2,204	2,292	(2,355)	(2,406)
Set off tax	(1,381)	(1,413)	1,381	1,413
Net tax assets/(liabilities)	823	879	(974)	(993)

continue below

Group In RM Million	Net	
	2021	2020
Property, plant and equipment	(2,212)	(2,217)
Unused tax losses	8	17
Unabsorbed capital allowances	491	503
Unused investment tax allowances	1,592	1,659
Intangible assets	(115)	(125)
Others	85	49
Tax liabilities	(151)	(114)
Set off tax	—	—
Net tax liabilities	(151)	(114)

continued from above

**NOTES TO THE FINANCIAL STATEMENTS**
**7. DEFERRED TAX (CONTINUED)**

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

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

<b>Group 2020 In RM Million</b>	<b>At 1.1.2020</b>	<b>^Effect upon finalisation of purchase price allocation</b>	<b>Credited/ (Charged) to profit or loss</b>	<b>Translation exchange difference</b>	<b>At 31.12.2020</b>
<b>Deferred tax assets</b>					
Property, plant and equipment	62	—	1	—	63
Unused tax losses	14	—	3	—	17
Unabsorbed capital allowances	461	—	42	—	503
Unused investment tax allowances	1,762	—	(103)	—	1,659
Others	41	—	9	—	50
	<b>2,340</b>	<b>—</b>	<b>(48)</b>	<b>—</b>	<b>2,292</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(2,264)	—	(16)	—	(2,280)
Intangible assets	—	(124)	8	(9)	(125)
Others	(11)	—	10	—	(1)
	<b>(2,275)</b>	<b>(124)</b>	<b>2</b>	<b>(9)</b>	<b>(2,406)</b>
	<b>65</b>	<b>(124)</b>	<b>(46)</b>	<b>(9)</b>	<b>(114)</b>

<sup>^</sup> Relates to recognition of product formulation for the specialty chemicals upon finalisation of the purchase price allocation for the acquisition of Da Vinci in the previous year.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. DEFERRED TAX (CONTINUED)

## Unrecognised deferred tax assets

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

In RM Million	Group		Company	
	2021	2020	2021	2020
Unused tax losses	1,785	1,677	163	140
Unused reinvestment tax allowances	27	27	—	—
	<b>1,812</b>	1,704	<b>163</b>	140

In accordance with the provision of Finance Act 2021 of Malaysia, the utilisation of unused tax losses will be limited to ten years (2020: seven 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 in year 2028 (2020: 2025), whilst the unused reinvestment tax allowances will expire in year 2027.

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

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

## 8. TRADE AND OTHER INVENTORIES

In RM Million	Group		Company	
	2021	2020	2021	2020
Petrochemical products				
– Raw materials	24	18	—	—
– Finished goods	719	549	—	—
Stores, spares and others	1,471	1,239	45	27
	<b>2,214</b>	1,806	<b>45</b>	27
Recognised in profit or loss:				
Inventories recognised as cost of sales	14,401	10,785	—	—

## NOTES TO THE FINANCIAL STATEMENTS

## 9. TRADE AND OTHER RECEIVABLES

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
Trade receivables	9.1	<b>2,096</b>	1,392	—	—
Other receivables, deposits and prepayments	9.2	<b>225</b>	269	<b>72</b>	71
Amount due from holding company	9.3				
– Non-trade		—	23	—	—
Amount due from subsidiaries	9.3				
– Non-trade		—	—	<b>26</b>	28
Amount due from associates and joint ventures	9.3				
– Trade		<b>296</b>	194	—	—
– Non-trade		<b>2</b>	7	<b>2</b>	7
Amount due from related companies	9.3				
– Trade		<b>111</b>	45	—	—
– Non-trade		<b>3</b>	5	<b>2</b>	—
Derivative assets	10	<b>4</b>	3	—	—
		<b>2,737</b>	1,938	<b>102</b>	106

9.1 Included in trade receivables is an amount due from a corporate shareholder of a subsidiary of RM48 million (2020: RM36 million).

9.2 Included in other receivables of the Group and the Company are expenses due from a joint operator amounting to RM57 million (2020: RM59 million). The amount is receivable on demand.

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

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

## 10. DERIVATIVE ASSETS/(LIABILITIES)

In RM Million	Note	Group	
		2021	2020
<b>Derivative assets</b>			
<b>Current</b>			
Forward foreign exchange contracts		<b>4</b>	3
<b>Included within:</b>			
Trade and other receivables	9	<b>4</b>	3
<b>Derivative liabilities</b>			
<b>Current</b>			
Forward foreign exchange contracts		<b>(4)</b>	(4)
<b>Included within:</b>			
Trade and other payables	17	<b>(4)</b>	(4)

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

## NOTES TO THE FINANCIAL STATEMENTS

## 11. CASH AND CASH EQUIVALENTS

In RM Million	Group		Company	
	2021	2020	2021	2020
Cash with PETRONAS Integrated Financial Shared Services Centre ("IFSSC")				
– Conventional	14,981	9,988	173	1,131
– Islamic	975	2,388	975	2,388
Cash and bank balances	434	331	75	4
	16,390	12,707	1,223	3,523

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 RM16,189 million (2020: RM12,526 million) and RM1,223 million (2020: RM3,523 million) respectively.

## 12. SHARE CAPITAL

In RM Million	Group and Company	
	2021	2020
<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.

## 13. RESERVES

**Merger reserve****Group**

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

**Company**

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

**Foreign currency translation reserve**

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

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. NON-CONTROLLING INTERESTS

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

### 15. BORROWINGS

In RM Million	Group		Company	
	2021	2020	2021	2020
<b>Non-current</b>				
Term loans – secured	<b>1,646</b>	1,718	<b>1,646</b>	1,718
Term loans – unsecured	<b>510</b>	276	<b>368</b>	127
	<b>2,156</b>	1,994	<b>2,014</b>	1,845
<b>Current</b>				
Term loans – secured	<b>139</b>	148	<b>139</b>	148
Revolving credit – unsecured	<b>93</b>	50	<b>—</b>	—
	<b>232</b>	198	<b>139</b>	148
	<b>2,388</b>	2,192	<b>2,153</b>	1,993

In Million	Denominated currency	Group		Company	
		2021	2020	2021	2020
<b>Secured term loans</b>					
Term loans	USD	<b>427</b>	464	<b>427</b>	464

The USD secured term loans relate to 50% share of project financing facility of a joint operation company. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% (2020: 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, PETRONAS 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 32; and
- (iii) Charge over ordinary shares and the land lease rights of the said joint operation company.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. BORROWINGS (CONTINUED)

In Million	Denominated currency	Group		Company	
		2021	2020	2021	2020
<b>Unsecured term loans and revolving credit</b>					
Term loan	USD	<b>88</b>	31	<b>88</b>	31
Term loan	EUR	<b>30</b>	30	—	—
Revolving credit	EUR	<b>20</b>	10	—	—

The USD unsecured term loan is pursuant to the co-borrowing agreement between the joint operation company and a related party under an integrated borrowing structure. The loan which bears nil interest was fair valued as a Level 3 fair value on initial recognition with an effective rate of 2.33% (2020: 2.17%) per annum and due for a final repayment twelve months following final discharge of the project financing.

The EUR term loan bears interest of 0.71% (2020: 0.71%) per annum and is repayable in 2025.

The EUR revolving credit bears interest margin of 0.79% (2020: 0.79%) above EURIBOR.

## 16. PROVISIONS AND OTHER LONG TERM LIABILITIES

## 16.1 Provisions

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
Non-current		<b>287</b>	247	<b>103</b>	79
Current	17	<b>14</b>	12	<b>1</b>	19
		<b>301</b>	259	<b>104</b>	98

The movements of provisions are as follows:

In RM Million	Group	Company
<b>At 1 January 2021</b>	<b>259</b>	<b>98</b>
Provisions made	<b>30</b>	<b>12</b>
Provision utilised	<b>(2)</b>	<b>(14)</b>
Unwinding of discount	<b>10</b>	<b>5</b>
Translation exchange difference	<b>4</b>	<b>3</b>
<b>At 31 December 2021</b>	<b>301</b>	<b>104</b>

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 14 years (2020: 10 years) using discount rate of 3.9% (2020: 2.7%).

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

The provision has been made based on present value of estimated decommissioning amount using discount rates ranging from 4.0% to 4.2% (2020: 3.5% to 4.0%).

## NOTES TO THE FINANCIAL STATEMENTS

**16. PROVISIONS AND OTHER LONG TERM LIABILITIES****16.1 Provisions (continued)**

The Company's provision comprises:

- (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 RM30 million as at 31 December 2021 has been made based on present value of estimated funding requirements for decommissioning costs over a period of 14 years (2020: 10 years) using a discount rate of 8.2% (2020: 8.2%).

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

The provision amounting to RM74 million as at 31 December 2021 has been made based on present value of estimated decommissioning amount using a discount rate of 4.0% (2020: 4.0%).

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

**16.2 Other long term liabilities**

In RM Million	Group	
	2021	2020
Deferred income	<b>1,257</b>	1,345
Deferred consideration	—	52
Other payables	<b>52</b>	37
	<b>1,309</b>	1,434

- (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 17.1.
- (ii) The Group's deferred consideration relates to the acquisition of a subsidiary in 2019 which has been reclassified to trade and other payables in Note 17 as the final payment is expected to be made within twelve months.

## NOTES TO THE FINANCIAL STATEMENTS

## 17. TRADE AND OTHER PAYABLES

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
Trade payables		411	287	—	—
Other payables	17.1	1,421	1,256	489	376
Amount due to holding company	17.2				
– Trade		246	127	—	—
– Non-trade		162	129	30	25
Amount due to subsidiaries	17.2				
– Non-trade		—	—	336	4
Amount due to related companies	17.2				
– Trade		1,047	484	—	—
– Non-trade		1,027	594	880	512
Amount due to joint ventures and associates	17.2				
– Trade		25	—	—	—
– Non-trade		21	—	21	—
Provisions	16.1	14	12	1	19
Derivative liabilities	10	4	4	—	—
		4,378	2,893	1,757	936

17.1 Included in other payables for the Group is the current portion of deferred income as per Note 16.2 amounting to RM88 million (2020: RM140 million).

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

## 18. REVENUE

In RM Million	Group		Company	
	2021	2020	2021	2020
Sales of petrochemical products, net	21,805	13,505	—	—
Dividend income	—	—	689	878
Others	1,220	857	—	—
	23,025	14,362	689	878

Disaggregation of revenue by geographical location and by segment is as disclosed in Note 31.

**Nature of goods**

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

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

**Transaction price allocated to remaining performance obligations**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**19. OPERATING PROFIT**

In RM Million	Note	Group		Company	
		2021	2020	2021	2020
<b>Included in operating profit are the following charges:</b>					
Auditors' remuneration*		<b>14</b>	9	<b>4</b>	1
Amortisation of other intangible assets	6	<b>27</b>	33	—	—
Depreciation of property, plant and equipment	3	<b>1,623</b>	1,637	<b>1</b>	1
Inventories:					
– write down to net realisable value		<b>7</b>	1	—	—
– written off		<b>48</b>	—	—	—
Net loss on foreign exchange		—	58	—	71
Staff costs:					
– contribution to retirement funds		<b>131</b>	124	<b>22</b>	21
– wages, salaries and others		<b>1,069</b>	926	<b>157</b>	123
<b>and credits:</b>					
Amortisation of deferred income		<b>140</b>	151	—	—
Dividend income					
– subsidiaries		—	—	<b>489</b>	830
– joint ventures and associates		—	—	<b>200</b>	48
Net gain on foreign exchange		<b>99</b>	—	<b>118</b>	—
Interest income		<b>117</b>	224	<b>58</b>	80
Fair value gain		<b>40</b>	18	<b>40</b>	18
Management fee		—	—	<b>67</b>	54

\* The auditors' remuneration includes the following:

In RM'000	Group		Company	
	2021	2020	2021	2020
Statutory audit fees				
– KPMG PLT	<b>1,359</b>	1,436	<b>192</b>	162
– Overseas affiliate of KPMG PLT	<b>172</b>	149	—	—
– Other auditors	<b>2,345</b>	2,103	<b>28</b>	27
Non-statutory audit fees				
– KPMG PLT	<b>372</b>	368	<b>372</b>	348
– Overseas affiliate of KPMG PLT	<b>341</b>	410	—	—
– Other auditors	<b>9,252</b>	4,541	<b>3,128</b>	7
	<b>13,841</b>	9,007	<b>3,720</b>	544

## NOTES TO THE FINANCIAL STATEMENTS

## 20. FINANCING COSTS

In RM Million	Group		Company	
	2021	2020	2021	2020
<b>Recognised in profit or loss:</b>				
Interest expense on lease liabilities	15	15	—	—
Unwinding of discount factor for other long term liabilities and provisions	12	10	5	4
Interest expense on term loan	2	2	—	—
	29	27	5	4
<b>Capitalised into qualifying assets:</b>				
Interest expense on lease liabilities	96	58	71	34
Interest expense on term loan	30	44	30	44
Amortisation of transaction cost	7	7	7	7
	133	109	108	85
	162	136	113	89

## 21. TAX EXPENSE

In RM Million	Group		Company	
	2021	2020	2021	2020
<b>Current tax expenses</b>				
Current year	371	226	6	17
Over provision in prior year	(16)	(1)	(2)	(1)
	355	225	4	16
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	60	31	—	—
(Over)/Under provision in prior year	(24)	15	—	—
	36	46	—	—
	391	271	4	16

## NOTES TO THE FINANCIAL STATEMENTS

**21. 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> <b>In RM Million</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2020</b>
Profit before taxation		<b>7,710</b>		1,857
Taxation at Malaysian statutory tax rate	<b>24</b>	<b>1,850</b>	24	446
Non-deductible expenses, net of non-assessable income	—	<b>12</b>	1	25
Tax exempt income and incentives	—	<b>(31)</b>	(3)	(47)
Effect of lower tax rate under Global Incentive for Trading (GIFT)	<b>(17)</b>	<b>(1,297)</b>	(17)	(324)
Effect of net deferred tax benefits not recognised	—	<b>26</b>	3	46
Effect from share of (profit)/loss from joint ventures and associates	<b>(2)</b>	<b>(175)</b>	4	76
Others	<b>1</b>	<b>46</b>	2	35
	<b>6</b>	<b>431</b>	14	257
(Over)/Under provision in prior years		<b>(40)</b>		14
Tax expense		<b>391</b>		271

<b>Company</b> <b>In RM Million</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2020</b>
Profit before taxation		<b>588</b>		709
Taxation at Malaysian statutory tax rate	<b>24</b>	<b>141</b>	24	170
Non-deductible expenses	<b>5</b>	<b>29</b>	8	57
Tax exempt income and incentives	<b>(29)</b>	<b>(170)</b>	(31)	(218)
Effect of deferred tax benefits not recognised	<b>1</b>	<b>6</b>	1	8
	<b>1</b>	<b>6</b>	2	17
Over provision in prior years		<b>(2)</b>		(1)
Tax expense		<b>4</b>		16

## NOTES TO THE FINANCIAL STATEMENTS

**22. 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 In RM Million</b>	<b>2021</b>	<b>2020</b>
Profit for the year attributable to shareholders	<b>7,345</b>	1,628
<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>91.8</b>	20.4

**Diluted earnings per ordinary share**

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

**23. DIVIDENDS**

<b>Company</b>	<b>Sen per share</b>	<b>Total amount In RM Million</b>	<b>Date of payment</b>
<b>2021</b>			
Second interim dividend for financial year ended 31 December 2020	7	<b>560</b>	25 March 2021
First interim dividend for financial year ended 31 December 2021	23	<b>1,840</b>	30 September 2021
Special dividend for financial year ended 31 December 2021	10	<b>800</b>	30 December 2021
		<b>3,200</b>	
<b>2020</b>			
Second interim dividend for financial year ended 31 December 2019	7	560	27 March 2020
First interim dividend for financial year ended 31 December 2020	5	400	25 September 2020
		960	

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 Million</b>
Second interim dividend for financial year ended 31 December 2021	<b>23</b>	<b>1,840</b>

The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS

**24. NET CASH USED IN FINANCING ACTIVITIES**

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

<b>Group 2021 In RM Million</b>	<b>Borrowings (Note 15)</b>	<b>Lease liabilities</b>
<b>At 1.1.2021</b>	<b>2,192</b>	<b>988</b>
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
– principal	(206)	—
– interests	(29)	—
Repayment of revolving credit	(33)	—
Payment of lease liabilities:		
– principal	—	(68)
– interests	—	(50)
Drawdown of term loans	321	—
Drawdown of revolving credit	83	—
<b>Total changes from financing cash flows</b>	<b>136</b>	<b>(118)</b>
<b>Other changes</b>		
Acquisition of new leases	—	633
Leases adjustments	—	(116)
Fair value gain	(40)	—
Amortisation of transaction costs	7	—
Financing costs	32	111
Others	—	(72)
Effect of foreign currency translation difference	61	36
<b>Total other changes</b>	<b>60</b>	<b>592</b>
<b>At 31.12.2021</b>	<b>2,388</b>	<b>1,462</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 24. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

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

Group 2020 In RM Million	Borrowings (Note 15)	Lease liabilities
<b>At 1.1.2020</b>	1,875	705
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
– principal	(74)	–
– interests	(46)	–
Payment of lease liabilities:		
– principal	–	(50)
– interests	–	(73)
Drawdown of term loans, net of transaction costs	298	–
Drawdown of revolving credit	113	–
<b>Total changes from financing cash flows</b>	291	(123)
<b>Other changes</b>		
Acquisition of new leases	–	271
Leases adjustments	–	80
Fair value gain	(18)	–
Amortisation of transaction costs	7	–
Financing costs	46	73
Effect of foreign currency translation difference	(9)	(18)
<b>Total other changes</b>	26	406
<b>At 31.12.2020</b>	2,192	988

## NOTES TO THE FINANCIAL STATEMENTS

**24. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)**

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

<b>Company 2021 In RM Million</b>	<b>Borrowings (Note 15)</b>	<b>Lease liabilities</b>
<b>At 1.1.2021</b>	<b>1,993</b>	<b>472</b>
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
– principal	(161)	–
– interests	(27)	–
Payment of lease liabilities:		
– principal	–	(1)
– interests	–	(11)
Drawdown of term loan	276	–
<b>Total changes from financing cash flows</b>	<b>88</b>	<b>(12)</b>
<b>Other changes</b>		
Acquisition of new leases	–	515
Leases adjustments	–	(114)
Fair value gain	(40)	–
Others	–	(65)
Financing costs	30	71
Amortisation of transaction costs	7	–
Effect of foreign currency translation difference	75	29
<b>Total other changes</b>	<b>72</b>	<b>436</b>
<b>At 31.12.2021</b>	<b>2,153</b>	<b>896</b>

<b>Company 2020 In RM Million</b>	<b>Borrowings (Note 15)</b>	<b>Lease liabilities</b>
<b>At 1.1.2020</b>	1,875	402
<b>Changes from financing cash flows</b>		
Repayment of term loans:		
– interests	(44)	–
Payment of lease liabilities:		
– principal	–	(4)
– interests	–	(34)
Drawdown of term loan	162	–
<b>Total changes from financing cash flows</b>	<b>118</b>	<b>(38)</b>
<b>Other changes</b>		
Leases adjustments	–	82
Fair value gain	(18)	–
Financing costs	44	34
Amortisation of transaction costs	7	–
Effect of foreign currency translation difference	(33)	(8)
<b>Total other changes</b>	<b>–</b>	<b>108</b>
<b>At 31.12.2020</b>	<b>1,993</b>	<b>472</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 25. SUBSIDIARIES AND ACTIVITIES

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2021	2020		
<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 Derivatives Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into ethylene oxide derivatives, propylene derivatives products and other related chemical products.
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into urea, ammonia and methanol.
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	100	100	Malaysia	Production and sale of ammonia and urea.
PETRONAS Chemicals Glycols Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into ethylene oxide, ethylene glycol and other related by-products.
PETRONAS Chemicals Isononanol Sdn. Bhd.	100	100	Malaysia	Production and sale of processed chemicals and all petrochemicals and chemicals products. The Company has yet to commence operations during the financial year.
PETRONAS Chemicals LDPE Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into low-density polyethylene.
PETRONAS Chemicals Marketing Sdn. Bhd.	100	100	Malaysia	Investment holding company.
PETRONAS Chemicals Methanol Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into methanol.
PETRONAS Chemicals MTBE Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into methyl tertiary butyl ether (MTBE), propylene, n-butane, isobutylene and other related chemicals product for a fee.
PETRONAS Chemicals Olefins Sdn. Bhd.	100	100	Malaysia	Processing of feedstock into ethylene, propylene and other hydrocarbon by-products.
PETRONAS Chemicals Polyethylene Sdn. Bhd.	100	100	Malaysia	Processing of ethylene into polyethylene.
PRPC Elastomers Sdn. Bhd.	100	100	Malaysia	The company had ceased operation and remained dormant thereafter.
Kertih Port Sdn. Bhd.	100	100	Malaysia	Owning, operating and managing Kertih Marine Facilities.
Polypropylene Malaysia Sdn. Bhd.	100	100	Malaysia	Manufacturing and selling of propylene. The Company has ceased operations and is currently engaged in investment holding activity.

## NOTES TO THE FINANCIAL STATEMENTS

## 25. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2021	2020		
<b>Subsidiaries of the Company (continued)</b>				
Vinyl Chloride (Malaysia) Sdn. Bhd.	100	100	Malaysia	Manufacturing and sales of vinyl chloride monomer and polyvinyl chloride. The Company ceased operations and is currently under going decommissioning activities.
PETRONAS Chemicals International B.V.	100	100	Netherlands	Investment holding company.
PETRONAS Chemicals Ethylene Sdn. Bhd.	87.50	87.50	Malaysia	Processing of ethane into ethylene.
PETRONAS Chemicals Aromatics Sdn. Bhd.	70	70	Malaysia	Production and sale of paraxylene, benzene and other by-products.
ASEAN Bintulu Fertilizer Sdn. Bhd.	63.47	63.47	Malaysia	Processing of natural gas into urea and ammonia.
PCM Chemical India Private Limited*	^^0.01	^^0.01	India	Marketing and business promotional services. The Company had ceased operation and remained dormant thereafter.
<b>Subsidiaries of PETRONAS Chemicals Marketing 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.
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>Subsidiary of PETRONAS Chemicals International B.V.</b>				
Da Vinci Group B.V.*	100	100	Netherlands	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.
<b>Subsidiary of BRB SIL Invest B.V.</b>				
BRB International B.V.*	100	100	Netherlands	Own-brand reselling, formulating and manufacturing of silicones.

## NOTES TO THE FINANCIAL STATEMENTS

## 25. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%)		Country of incorporation	Principal activities
	2021	2020		
<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 Real Estate Canada Inc.*	100	100	Canada	Real estate company.
BRB Singapore Pte. Ltd.*	100	100	Singapore	Own-brand reselling, formulating and manufacturing of silicones.
CSL Silicones Inc.*	100	100	Canada	Own-brand reselling, formulating and manufacturing of silicones.
<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.
<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.

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

\*\* Consolidated based on management financial statements.

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

^^ Although the Group has less than 50% of the ownership in the equity interest of PCM Chemical India Private Limited, the Group has determined that it has control through representation on the subsidiary's Board of Directors.

## NOTES TO THE FINANCIAL STATEMENTS

**26. 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
	2021	2020		
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. (formerly known as PCC Oxyalkylates (M) Sdn. Bhd.)	50	50	Malaysia	Purchases of 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 of 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. (formerly known as BP PETRONAS Acetyls Sdn. Bhd.)	30	30	Malaysia	Purchases carbon monoxide and methanol feedstock from the Group for production and sale of acetic acid.

**27. 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
	2021	2020		
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	—	Malaysia	Purchases of butadiene feedstock from a related company of the Group for the production and sale of Nitrile Butadiene Latex (NBL) products. The Company has yet to commence operations during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. 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.

### 29. CAPITAL COMMITMENTS

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

In RM Mil	Group		Company	
	2021	2020	2021	2020
<b>Property, plant and equipment</b>				
Approved and contracted for	353	475	50	252
Approved but not contracted for	1,691	1,734	464	1,067
	<b>2,044</b>	2,209	<b>514</b>	1,319
<b>Investment in shares</b>				
Approved but not contracted for	—	—	1	19
	<b>2,044</b>	2,209	<b>515</b>	1,338

### 30. RELATED PARTY DISCLOSURES

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company and certain members of senior management of the Group.

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

#### (a) Key management personnel compensation

In RM'000	Group and Company	
	2021	2020
<b>Directors remuneration:</b>		
– Fees	1,045	1,006
– Benefit-in-kind	18	18
	<b>1,063</b>	1,024

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 30 (b).

## NOTES TO THE FINANCIAL STATEMENTS

## 30. RELATED PARTY DISCLOSURES (CONTINUED)

## (b) Significant transactions with related parties

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

Group In RM Million	Note	2021	2020
<b>PETRONAS:</b>			
Fees for representation on the Board of Directors	30.1	(1)	(1)
Reimbursement of key management personnel costs and benefits	30.2	(9)	(12)
Centralised management services		(88)	(110)
Payroll charges		(987)	(908)
Information, communication and technology charges		(87)	(61)
Interest income from PETRONAS IFSSC		116	218
Purchase of processed gas and natural gas		(2,105)	(1,130)
<b>Subsidiaries of PETRONAS:</b>			
<b>Pengerang Gas Solution Sdn. Bhd.</b>			
Purchase of utilities		(102)	(142)
<b>Pengerang Power Sdn. Bhd.</b>			
Purchase of electricity and utilities		(107)	(115)
<b>PETRONAS Carigali Sdn. Bhd.</b>			
Purchase of processed gas and natural gas		(93)	(32)
<b>PETRONAS Energy and Gas Trading Sdn. Bhd.</b>			
Purchase of processed gas and natural gas		(3,776)	(2,735)
<b>PETRONAS Gas Berhad</b>			
Purchase of utilities, materials and supplies		(982)	(1,054)
<b>PETRONAS Refinery &amp; Petrochemical Corporation Sdn. Bhd.</b>			
Project expenses		(39)	(84)
<b>PETRONAS Technical Services Sdn. Bhd.</b>			
Technical retainer fee		(46)	(68)
<b>PETCO Trading Labuan Company Ltd.</b>			
Purchase of heavy naphtha		(2,427)	(1,319)
Sale of petrochemical products		793	400
<b>PRPC Utilities and Facilities Sdn. Bhd.</b>			
Purchase of utilities		(284)	(222)
<b>Joint ventures of PETRONAS:</b>			
<b>Pengerang Refining Company Sdn. Bhd.</b>			
Project expenses		(110)	(310)
Purchase of petrochemical products		(9)	(144)
<b>Joint ventures and associates of the Group:</b>			
<b>BASF PETRONAS Chemicals Sdn. Bhd.</b>			
Sale of petrochemical products		1,616	1,105
<b>INEOS PCG Acetyls Sdn. Bhd.</b>			
Sale of petrochemical products		644	308
<b>Idemitsu SM (Malaysia) Sdn. Bhd.</b>			
Sale of petrochemical products		332	243
<b>Kertih Terminals Sdn. Bhd.</b>			
Purchase of warehouse and transportation services		(139)	(166)
<b>Corporate shareholder of the Group:</b>			
<b>MJPX Co. Ltd.</b>			
Sale of petrochemical products		642	401
<b>Government related entities:</b>			
<b>Pertubuhan Peladang Kebangsaan</b>			
Sale of petrochemical products		304	147
<b>Tenaga Nasional Berhad</b>			
Purchase of electricity		(73)	(73)

## NOTES TO THE FINANCIAL STATEMENTS

## 30. RELATED PARTY DISCLOSURES (CONTINUED)

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

Company In RM'000	Note	2021	2020
<b>PETRONAS:</b>			
Fees for representation on the Board of Directors	30.1	(741)	(744)
Reimbursement of key management personnel costs and benefits	30.2	(1,289)	(1,584)
Interest income from PETRONAS IFSSC		57,475	79,681
Payroll charges		(173,954)	(159,950)
<b>Subsidiaries:</b>			
<b>PETRONAS Chemicals Ammonia Sdn. Bhd.</b>			
Dividend income		—	120,000
<b>PETRONAS Chemicals Derivatives Sdn. Bhd.</b>			
Dividend income		—	25,104
<b>PETRONAS Chemicals Ethylene Sdn. Bhd.</b>			
Dividend income		41,038	30,625
<b>PETRONAS Chemicals Glycols Sdn. Bhd.</b>			
Dividend income		109,754	70,171
<b>PETRONAS Chemicals LDPE Sdn. Bhd.</b>			
Dividend income		55,000	60,000
<b>PETRONAS Chemicals Marketing Sdn. Bhd.</b>			
Dividend income		—	277,492
<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b>			
Dividend income		—	30,000
<b>PETRONAS Chemicals Olefins Sdn. Bhd.</b>			
Dividend income		153,376	150,402
<b>Kertih Port Sdn. Bhd.</b>			
Dividend income		45,000	52,000
<b>PETRONAS Chemicals MTBE Sdn. Bhd.</b>			
Dividend income		85,000	—
<b>Subsidiaries of PETRONAS:</b>			
<b>Pengerang Gas Solution Sdn. Bhd.</b>			
Purchase of utilities		(94,093)	(131,206)
<b>Pengerang Power Sdn. Bhd.</b>			
Purchase of electricity and utilities		(80,962)	(94,403)
<b>PETRONAS Refinery &amp; Petrochemical Corporation Sdn. Bhd.</b>			
Project expenses		(23,695)	(41,234)
<b>PRPC Utilities and Facilities Sdn. Bhd.</b>			
Purchase of utilities		(266,885)	(177,218)
<b>PETRONAS Technical Services Sdn. Bhd.</b>			
Technical retainer fees		(23,022)	—
<b>Joint ventures of PETRONAS:</b>			
<b>Pengerang Refining Company Sdn. Bhd.</b>			
Project expenses		(110,089)	(301,656)
<b>Pengerang Terminal (Two) Sdn. Bhd.</b>			
Rendering of port services		(30,555)	(35,453)
<b>Joint ventures and associates:</b>			
<b>Kertih Terminals Sdn. Bhd.</b>			
Dividend income		32,000	48,000
<b>INEOS PCG Acetyls Sdn. Bhd.</b>			
Dividend income		151,680	—

## NOTES TO THE FINANCIAL STATEMENTS

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

- 30.1 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.
- 30.2 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 2021 are included in Notes 9, 11, 15 and 17. Related party balances on lease liabilities are as follows:

In RM Million	Group		Company	
	2021	2020	2021	2020
Subsidiaries of PETRONAS	745	180	594	69
Joint ventures of PETRONAS	495	611	302	403
Joint ventures of the Group	—	8	—	—
	<b>1,240</b>	799	<b>896</b>	472

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

**31. OPERATING SEGMENTS**

For management purposes, the Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

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

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.

Other non-reportable segment comprises operations related to investment holding company and port services which provide product distribution infrastructure to the Group as well as activities related to specialty chemicals.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

## 31. OPERATING SEGMENTS (CONTINUED)

## Segment liabilities

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

2021 In RM Million	Olefins and Derivatives	Fertilisers and Methanol	^Others	Elimination and adjustment	Total
<b>Segment profit</b>	<b>3,429</b>	<b>3,859</b>	<b>31</b>	<b>—</b>	<b>7,319</b>
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	<b>12,464</b>	<b>9,341</b>	<b>1,220</b>	<b>—</b>	<b>23,025</b>
Inter-segment revenue	<b>13</b>	<b>—</b>	<b>45</b>	<b>(58)</b>	<b>—</b>
Depreciation and amortisation	<b>(743)</b>	<b>(834)</b>	<b>(73)</b>	<b>—</b>	<b>(1,650)</b>
Interest income	<b>28</b>	<b>22</b>	<b>130</b>	<b>(63)</b>	<b>117</b>
Financing costs	<b>(9)</b>	<b>(13)</b>	<b>(7)</b>	<b>—</b>	<b>(29)</b>
Share of profit of equity accounted joint ventures and associates	<b>489</b>	<b>209</b>	<b>31</b>	<b>—</b>	<b>729</b>
Tax expense	<b>(166)</b>	<b>(172)</b>	<b>(53)</b>	<b>—</b>	<b>(391)</b>
<b>Segment assets</b>	<b>17,230</b>	<b>12,583</b>	<b>16,816</b>	<b>(21)</b>	<b>46,608</b>
<i>Included in the measure of segment assets are:</i>					
Investments in joint ventures and associates	<b>998</b>	<b>222</b>	<b>260</b>	<b>—</b>	<b>1,480</b>
Additions to non-current assets other than financial instruments and deferred tax assets	<b>1,852</b>	<b>558</b>	<b>128</b>	<b>—</b>	<b>2,538</b>

^ Includes unallocated assets.

## NOTES TO THE FINANCIAL STATEMENTS

## 31. OPERATING SEGMENTS (CONTINUED)

## Segment liabilities (continued)

2020 In RM Million	Olefins and Derivatives	Fertilisers and Methanol	^Others	Elimination and adjustment	Total
<b>Segment profit</b>	302	1,356	(72)	—	1,586
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	8,194	5,311	857	—	14,362
Inter-segment revenue	14	—	46	(60)	—
Depreciation and amortisation	(784)	(819)	(67)	—	(1,670)
Interest income	59	71	177	(83)	224
Financing costs	(11)	(12)	(4)	—	(27)
Share of (loss)/profit of equity accounted joint ventures and associates	(377)	19	42	—	(316)
Tax expense	(69)	(172)	(30)	—	(271)
<b>Segment assets</b>	15,602	12,503	11,739	(15)	39,829
<i>Included in the measure of segment assets are:</i>					
Investments in joint ventures and associates	495	155	72	—	722
Additions to non-current assets other than financial instruments and deferred tax assets	1,851	446	197	—	2,494

^ Includes unallocated assets.

## NOTES TO THE FINANCIAL STATEMENTS

## 31. 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) and deferred tax assets.

<b>Group In RM Million</b>	<b>Revenue</b>	<b>Non-current assets</b>
<b>2021</b>		
Malaysia	<b>7,040</b>	<b>22,032</b>
Asia:		
– China	<b>3,650</b>	<b>9</b>
– Indonesia	<b>2,484</b>	<b>1</b>
– Thailand	<b>2,502</b>	<b>2</b>
– Others	<b>4,351</b>	<b>—</b>
Rest of the world	<b>2,998</b>	<b>835</b>
	<b>23,025</b>	<b>22,879</b>
<b>2020</b>		
Malaysia	4,280	20,900
Asia:		
– China	2,654	—
– Indonesia	1,528	2
– Thailand	1,539	4
– Others	2,652	—
Rest of the world	1,709	825
	14,362	21,731

**Major customers**

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

## NOTES TO THE FINANCIAL STATEMENTS

**32. 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 In RM Million	Note	AC	FVTPL	Total carrying amount
<b>2021</b>				
<b>Financial assets</b>				
Trade and other receivables*	9	2,576	4	2,580
Cash and cash equivalents	11	16,390	—	16,390
		<b>18,966</b>	<b>4</b>	<b>18,970</b>
<b>Financial liabilities</b>				
Borrowings	15	(2,388)	—	(2,388)
Trade and other payables*	17	(4,222)	(4)	(4,226)
		<b>(6,610)</b>	<b>(4)</b>	<b>(6,614)</b>
<b>2020</b>				
<b>Financial assets</b>				
Trade and other receivables*	9	1,723	3	1,726
Cash and cash equivalents	11	12,707	—	12,707
		14,430	3	14,433
<b>Financial liabilities</b>				
Other long term liabilities*	16.2	(52)	—	(52)
Borrowings	15	(2,192)	—	(2,192)
Trade and other payables*	17	(2,704)	(4)	(2,708)
		(4,948)	(4)	(4,952)

\* These balances exclude non-financial instruments balances.

## NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

## Categories of financial instruments (continued)

Company In RM Million	Note	AC	Total carrying amount
<b>2021</b>			
<b>Financial assets</b>			
Trade and other receivables*	9	99	99
Cash and cash equivalents	11	1,223	1,223
		<b>1,322</b>	<b>1,322</b>
<b>Financial liabilities</b>			
Borrowings	15	(2,153)	(2,153)
Trade and other payables*	17	(1,756)	(1,756)
		<b>(3,909)</b>	<b>(3,909)</b>
<b>2020</b>			
<b>Financial assets</b>			
Trade and other receivables*	9	103	103
Cash and cash equivalents	11	3,523	3,523
		3,626	3,626
<b>Financial liabilities</b>			
Borrowings	15	(1,993)	(1,993)
Trade and other payables*	17	(913)	(913)
		(2,906)	(2,906)

\* 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 credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates and prices.

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

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

The Group's and the Company's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing 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

### 32. FINANCIAL INSTRUMENTS (CONTINUED)

#### Categories of financial instruments (continued)

##### **Credit risk**

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from its receivables from customers and intercompany loans and advances. Credit risks are managed by individual subsidiaries in line with PETRONAS' policies and guidelines.

##### **Cash and cash equivalents**

The Group and the Company are exposed to counterparty credit risk from financial institutions through fund investment activities which is managed by PETRONAS IFSSC on behalf of the Group and the Company comprising primarily money market placement. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's and the Company's investment objectives of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

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

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

Credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company assume that there is a significant increase in credit risk when it is past due.

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

##### **Intercompany loans and advances**

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

##### **Receivables**

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

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

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. FINANCIAL INSTRUMENTS (CONTINUED)

#### Categories of financial instruments (continued)

#### Credit risk (continued)

#### Receivables (continued)

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

In RM Million	Group	
	2021	2020
Olefins and Derivatives	1,645	1,208
Fertilisers and Methanol	788	229
Others	143	286
	<b>2,576</b>	1,723

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

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

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

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

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

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

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract such as a default; and
- (iii) it is probable that the customer will enter bankruptcy or other financial reorganisation

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

**32. FINANCIAL INSTRUMENTS (CONTINUED)****Categories of financial instruments (continued)****Credit risk (continued)****Receivables (continued)**

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 Million	Group	
	2021	2020
<b>At net</b>		
Current	2,464	1,601
Past due 1 to 30 days	38	30
Past due 31 to 60 days	—	—
Past due 61 to 90 days	1	—
	<b>2,503</b>	1,631

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

**Financial guarantees**

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

The maximum exposure to credit risk is amounting to RM292 million (2020: RM379 million), which represents the outstanding banking facility of the associate as at reporting date. As at reporting date, there was no indication that the associate would default on repayment.

In connection to the project financing facility undertaken by the joint operation company under an integrated borrowing structure with a related party (the "Borrowers") as disclosed in Note 15, 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

## Categories of financial instruments (continued)

## Liquidity risk

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

## Maturity analysis

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

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

continue below

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

continued from above

## NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

## Categories of financial instruments (continued)

## Liquidity risk (continued)

## Maturity analysis (continued)

Group 2020 In RM Million	Carrying amount	Contractual interest/ discount rates per annum %	Contractual cash flows
<b>Amortised cost:</b>			
<b>Financial liabilities</b>			
Borrowings	2,192	2.70	2,632
Lease liabilities	988	6.91	2,497
Other long term liabilities	52	1.30	56
Trade and other payables	2,704	—	2,704
Net derivative liabilities			
– inflow	(3)	—	(517)
– outflow	4	—	518
Financial guarantee			
– associate	—	—	379
– related party	—	—	16,688
	5,937		24,957

continue below

Group 2020 In RM Million	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>Amortised cost:</b>				
<b>Financial liabilities</b>				
Borrowings	232	158	575	1,667
Lease liabilities	141	123	238	1,995
Other long term liabilities	—	56	—	—
Trade and other payables	2,704	—	—	—
Net derivative liabilities				
– inflow	(517)	—	—	—
– outflow	518	—	—	—
Financial guarantee				
– associate	379	—	—	—
– related party	*16,688	—	—	—
	20,145	337	813	3,662

continued from above

\* This relates to project financing facility undertaken by the joint operation company as disclosed in Note 15 and page 75 on financial guarantees.

## NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

## Categories of financial instruments (continued)

## Liquidity risk (continued)

## Maturity analysis (continued)

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

continue below

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

continued from above

## NOTES TO THE FINANCIAL STATEMENTS

### 32. FINANCIAL INSTRUMENTS (CONTINUED)

#### Categories of financial instruments (continued)

#### Liquidity risk (continued)

#### Maturity analysis (continued)

Company 2020 In RM Million	Carrying amount	Contractual interest/ discount rates per annum %	Contractual cash flows
<b>Amortised cost:</b>			
<b>Financial liabilities</b>			
Borrowings	1,993	2.95	2,430
Lease liabilities	472	7.02	1,528
Trade and other payables	913	—	913
Financial guarantee			
– associate	—	—	379
– related party	—	—	16,688
	3,378		21,938

*continue below*

Company 2020 In RM Million	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>Amortised cost:</b>				
<b>Financial liabilities</b>				
Borrowings	182	158	423	1,667
Lease liabilities	37	37	110	1,344
Trade and other payables	913	—	—	—
Financial guarantee				
– associate	379	—	—	—
– related party	*16,688	—	—	—
	18,199	195	533	3,011

*continued from above*

\* This relates to project financing facility undertaken by the joint operation company as disclosed in Note 15 and page 75 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

## Categories of financial instruments (continued)

## Market risk (continued)

## Interest rate risk (continued)

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:

In RM Million	Group		Company	
	2021	2020	2021	2020
<b>Fixed rate instruments</b>				
Financial assets	<b>1,206</b>	2,542	<b>1,050</b>	2,397
Financial liabilities	<b>(1,972)</b>	(1,264)	<b>(1,264)</b>	(599)
	<b>(766)</b>	1,278	<b>(214)</b>	1,798
<b>Floating rate instruments</b>				
Financial assets	<b>14,983</b>	9,984	<b>173</b>	1,126
Financial liabilities	<b>(1,879)</b>	(1,916)	<b>(1,785)</b>	(1,866)
	<b>13,104</b>	8,068	<b>(1,612)</b>	(740)

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.

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

Group In RM Million	2021 Denominated in			2020 Denominated in		
	USD	THB	EURO	USD	THB	EURO
<b>Financial assets</b>						
Trade and other receivables*	<b>110</b>	<b>269</b>	—	35	116	—
Cash and cash equivalents	—	<b>72</b>	—	—	61	—
<b>Financial liabilities</b>						
Trade and other payables*	<b>(35)</b>	<b>(10)</b>	<b>(33)</b>	(40)	(4)	(33)
Net derivative liabilities at nominal value	—	<b>(166)</b>	—	21	(71)	—
<b>Net exposure</b>	<b>75</b>	<b>165</b>	<b>(33)</b>	16	102	(33)

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

## NOTES TO THE FINANCIAL STATEMENTS

**32. FINANCIAL INSTRUMENTS (CONTINUED)**
**Categories of financial instruments (continued)**
**Market risk (continued)**
**Foreign exchange risk (continued)**

Company In RM Million	Denominated in USD	
	2021	2020
<b>Financial assets</b>		
Trade and other receivables	62	61
<b>Net exposure</b>	<b>62</b>	61

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

**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 In RM Million	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value Level 3	Carrying amount Total	Nominal value Total
	Level 2	Level 3	Total			
<b>2021</b>						
<b>Financial assets</b>						
Forward foreign exchange contracts	4	—	4	—	4	597
<b>Financial liabilities</b>						
Forward foreign exchange contracts	(4)	—	(4)	—	(4)	(366)
Borrowings	—	—	—	(2,388)	(2,388)	
<b>2020</b>						
<b>Financial assets</b>						
Forward foreign exchange contracts	3	—	3	—	3	187
<b>Financial liabilities</b>						
Forward foreign exchange contracts	(4)	—	(4)	—	(4)	(334)
Borrowings	—	—	—	(2,192)	(2,192)	

## NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

## Fair value information (continued)

Company In RM Million	Fair value of financial instruments not carried at fair value Level 3	Carrying amount Total
<b>2021</b>		
<b>Financial liabilities</b>		
Borrowings	(2,153)	(2,153)
<b>2020</b>		
<b>Financial liabilities</b>		
Borrowings	(1,993)	(1,993)

**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 In RM Million	Interest income	Interest expense	Others	Total
<b>2021</b>				
Financial assets at amortised cost	117	—	(58)	59
Financial liabilities at amortised cost	—	(32)	190	158
	117	(32)	132	217
<b>2020</b>				
Financial assets at amortised cost	224	—	21	245
Financial liabilities at amortised cost	—	(48)	(67)	(115)
Financial liabilities at fair value through profit or loss:				
– Mandatorily required by MFRS 9	—	—	(1)	(1)
	224	(48)	(47)	129

## NOTES TO THE FINANCIAL STATEMENTS

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

<b>Company In RM Million</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Others</b>	<b>Total</b>
<b>2021</b>				
Financial assets measured at amortised cost	<b>58</b>	<b>—</b>	<b>158</b>	<b>216</b>
Financial liabilities measured at amortised cost	<b>—</b>	<b>(30)</b>	<b>(7)</b>	<b>(37)</b>
	<b>58</b>	<b>(30)</b>	<b>151</b>	<b>179</b>
<b>2020</b>				
Financial assets measured at amortised cost	80	—	(1)	79
Financial liabilities measured at amortised cost	—	(44)	(60)	(104)
	80	(44)	(61)	(25)

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.

**33. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS**

As of 1 January 2021 the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

**Effective for annual periods beginning on or after 1 January 2021**

Amendments to MFRS 7	<i>Financial Instruments: Disclosures</i>
Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 16	<i>Leases (Interest Rate Benchmark Reform – Phase 2)</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement</i>

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

**Effective for annual periods beginning on or after 1 April 2021**

Amendments to MFRS 16	<i>Leases (COVID-19 Related Concessions beyond 30 June 2021)</i>
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The initial application of the above mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. PRONOUNCEMENTS YET IN EFFECT

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

#### Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9	<i>Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)</i>
Amendments to Illustrative Examples accompanying MFRS 16	<i>Leases (Annual Improvements to MFRS Standards 2018 – 2020)</i>
Amendments to MFRS 3	<i>Business Combinations (Reference to the Conceptual Framework)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Property, Plant and Equipment – Proceeds before Intended Use)</i>
Amendments to MFRS 137	<i>Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)</i>

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

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 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 Single Transaction)</i>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. NEW AND REVISED PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which is not yet effective, but for which is not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

#### Effective for annual periods beginning on or after 1 January 2022

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

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

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

MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 *Insurance Contracts*

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

### 36. 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 (formerly adopted PETRONAS Group Corporate Financial Policy) in managing its capital.

The Group monitors and maintains a prudent level of total debt to total assets ratio to optimise shareholders value and to ensure compliance with covenants.

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

### 37. ULTIMATE HOLDING COMPANY

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

# 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 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 85.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment consideration on property, plant and equipment and intangible assets – the Group and the Company

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

There was a risk of impairment on certain property, plant and equipment of the Group and of the Company which were producing low margin products. In addition, the Group was required to carry out an annual impairment assessment on a cash-generating unit of which goodwill was allocated to it.

These assessments are key audit matters because:

- there were inherent uncertainties and significant judgment involved in the assessment of indicators of impairment, and forecasting and discounting future cash flows in determining the recoverable values where impairment tests were performed; and
- impairment assessments were complex and hence, they required significant involvements of our more experienced team members.

**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 (CONTINUED)**

**Key Audit Matters (continued)**

**Impairment consideration on property, plant and equipment and intangible assets – the Group and the Company (continued)**

We performed the following audit procedures, among others:

- Evaluated the assessments performed by the Group and the Company on the impairment indicators to determine whether the relevant internal and external factors were considered;
- Where impairment tests were performed and the recoverable values were determined by discounting future cashflows:
  - challenged the impairment models by comparing them with market practices and the requirements of the accounting standards;
  - challenged and corroborated management's key assumptions by comparing them with internal and external sources of information, and market practices;
  - engaged our specialist to re-validate the appropriateness of the discount rate;
  - where a component auditor was involved in performing the audit, we assessed the competency of the auditor, interviewed the component auditor and reviewed the audit workpapers prepared to determine whether sufficient and appropriate audit procedures had been performed by the component auditor; and
  - determined the adequacy of the disclosures.

**Impairment consideration on investment in a subsidiary – the Company**

Refer to Note 1.4 – *Use of estimates and judgments*, Note 2.8(ii) – *Impairment – Other assets* and Note 4 – *Investments in subsidiaries* of the financial statements.

There was a risk of impairment on the cost of investment in one of the subsidiaries of the Company due to increase in certain feedstock prices from higher crude oil price which affected the profitability of the subsidiary.

The assessment is a key audit matter because there were inherent uncertainties and significant management judgment involved in forecasting and discounting future cash flows in determining the recoverable value of the cost of investment in the subsidiary.

We performed the following audit procedures, among others:

- challenged the impairment model by comparing with market practices and the requirements of the accounting standards;
- challenged and corroborated management's key assumptions by comparing them with internal and external sources of information, and market practices;
- engaged our specialist to re-validate the appropriateness of the discount rate; 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.

## 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 (CONTINUED)

#### Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

#### Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.

**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 (CONTINUED)**

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 25 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: 24 February 2022

**Thong Foo Vung**  
Approval Number: 02867/08/2022 J  
Chartered Accountant

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PCG's Financial Report 2021 has been produced in line with our theme: **Sustainability at the Core**. Every decision made during publication had to consider its environmental impact. From the materials used and acquired to the design conception and production; everything is intentional.

#### OPTIMAL PRODUCTION

- Ensuring the production and printing of all reports follow the FSC certified chain of custody. Optimised the use of ink, with one primary colour for each book.
- Combined the Governance section into the IR to reduce the usage of 4c print for the Financial Report.
- Printed on FSC® certified Xtella Brilliant White 256 gsm paper for the cover, while inside pages are printed on FSC® certified Xtella Brilliant White 128 gsm paper.
- Used soy-based ink for a more sustainable approach.



#### PRINTED SUSTAINABLY

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



#### CONCISE LANGUAGE

Encapsulating concepts in a concise yet articulate manner, focusing on the presentation of the content beyond just words.



#### MINIMALIST PRESENTATION

Exhibiting the entirety of the report in a straightforward and structured package, with unfussy design elements.



#### SIMPLICITY IN DESIGN

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



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