

PETRONAS CHEMICALS GROUP BERHAD (459830-K)
(Incorporated in Malaysia)

Notes of the Minutes of the Twenty-first (21st) Annual General Meeting of the Company held at the Grand Ballroom, Level 2, the Majestic Hotel Kuala Lumpur, 5 Jalan Sultan Hishamuddin, 50000 Kuala Lumpur, Malaysia on Monday, 29 April 2019 at 10.30 a.m.

- Present** : **Board of Directors:**
 Datuk Md Arif bin Mahmood
(Chairman and Non-Independent Non-Executive Director)
 Datuk Sazali bin Hamzah
(Managing Director/Chief Executive Officer)
 Ms Vimala V.R. Menon
(Senior Independent Non-Executive Director)
 Datuk William Toh Ah Wah
(Independent Non-Executive Director)
 Mr Warren William Wilder
(Independent Non-Executive Director)
 Mr Ching Yew Chye
(Independent Non-Executive Director)
 Dr Zafar Abdulmajid Momin
(Independent Non-Executive Director)
 Encik Zakaria bin Kasah
(Non-Independent Non-Executive Director)
 Puan Freida binti Amat
(Non-Independent Non-Executive Director)
 and Members and Proxies as per attendance list
- In Attendance** : **Company Secretaries:**
 Ms Hasnizaini binti Mohd Zain (Company Secretary)
 Mr Kang Shew Meng (Company Secretary)
- External Auditors** : Mr Thong Foo Vung (Partner - KPMG PLT)
- Poll Administrator** : Tricor Investor & Issuing House Services Sdn Bhd
- Scrutineers** : BoardRoom Share Registrars Sdn Bhd *(Formerly known as Symphony Share Registrars Sdn Bhd)*
- Shareholders and Proxies** : The attendance list of Members/Corporate Representatives/Proxies is as per the Attendance Record issued by PCG's Share Registrar

1.0 NOTICE

The notice convening the meeting having been circulated earlier to all members of the Company within the prescribed period was taken as read.

2.0 QUORUM

The required quorum being present, the Chairman called the meeting to order at 10.30 a.m.

The Chairman informed that in accordance with the Main Market Listing Requirements, all the proposed resolutions set out in the Notice of the Twenty-First Annual General Meeting ("21st AGM") would be put into consideration through poll Voting. The voting process would be carried out after the discussion of all agenda items of the meeting.

The Meeting was informed that the total number of shareholders and proxies present at this Annual General Meeting ("AGM") was 2,006 and that represent a total of 6,734,604,183 shares. The Chairman had been appointed by the shareholders as proxy representing 6,185,614,216 shares, which represent 77.32% of the total voting rights at this AGM.

Resolutions item No. 2 until No. 5 at this AGM require a simple majority vote, meanwhile, for resolution item No. 6 at this AGM require a majority of not less than seventy-five per centum (3/4) of such members/proxies.

3.0 PRESENTATION

Before the Chairman proceeded with the business of the meeting, the Chairman invited Datuk Sazali bin Hamzah, the Managing Director/Chief Executive Officer of the Company to deliver his presentation on the performance of the Company for the financial year ended 31 December 2018.

Datuk Sazali thanked the shareholders for their attendance and shared his presentation that covered the highlights on the Company's performance in 2018, PCG's moving forward and the outlook for 2019.

After the said presentation, the Chairman thanked Datuk Sazali for the presentation and proceeded with the business of the meeting.

4.0 AGENDA ITEM NO. 1: TO RECEIVE THE AUDITED FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2018 ("AFS") having been circulated to all the members of the Company within the prescribed period were tabled to the Meeting.

The Chairman informed that the Company received a list of questionnaires from the Minority Shareholders Watch Group ("MSWG") on 23 April 2019 of which, the Company had responded ahead of this AGM. The Chairman informed that the Company's response

to the questions were displayed on the LCD screen at the foyer outside the meeting hall today and the same had been made available on the Company's website.

The Chairman then invited Cik Hasnizaini binti Mohd Zain, the Company Secretary, to read out the MSWG's questions and the MD/CEO thereupon responded to the said questions accordingly for the benefit of the Members present.

The Chairman declared that the AFS for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors were received and duly tabled at the 21st AGM in accordance with Sections 244(2) and 340(1)(a) of the Companies Act (CA) 2016. The Chairman explained that the AFS for the FY2018 were for discussion only under Agenda 1, as it did not require shareholders' approval. Hence, it would not be put for voting.

The Chairman invited the Members present to put forth any questions on the reports and financial statements and other questions raised by the Members.

The following summarises the matters raised and comments made by the shareholders and/or proxies at the meeting:-

NO.	ISSUES
FINANCIAL/OPERATIONAL	
1.	<p>In response to the query by a shareholder, Mr Leo Ann Puat in respect of the income statement and balance sheet, the Chief Financial Officer ("CFO") explained as follows:</p> <ul style="list-style-type: none"> a) The increase in other expenses of RM200 million in 2018 against RM9.0 million in 2017, was due to foreign exchange losses on the shareholder loans pursuant to the Company's divestment in PETRONAS Petrochemicals Company Sdn Bhd ("PPC"). b) With regard to the Company's borrowings of RM2.07 billion, the amount relates to the procurement of a bridge loan by the Group via its subsidiary, PPC on 19 March 2018 amounting to USD1,000 million from various local and international banks. The proceeds were used to fund part of the project costs for its petrochemical projects within Pengerang Integrated Complex ("PIC") in Pengerang, Johor including the reimbursement of project costs already incurred by PCG. c) The increase in cost of revenue of 15.3% and revenue in 2018 is in tandem with PCG's highest sale in 2018 and was mainly contributed from higher feedstock costs in line with higher average product realised price. This is also following a once-off adjustment relating to under accrual of manpower-related expenses in respect of the previous year.
2.	<p>In respect of the Company's outlook for 2019, the Chairman informed that 2019 will have another heavy turnaround activities for the year. However, PCG will strive to maintain the sales volume and plant utilization to be at least similar to 2018 performance.</p> <p>Performance is also depending on the pricing and margin that the Company could achieve. Whilst the Company's performance for first quarter 2019 seems to be a bit slow, it is hoped that it will be improved in the second quarter 2019.</p>

NO.	ISSUES
FINANCIAL/OPERATIONAL	
3.	Mr Maniam, a proxy holder, commended the Board and Management for the good financial results of the Company and improvements in term of governance.
4.	<p>In response to the query raised by Mr Ho Yeoh Weng on PCG competitive advantage being the gas-based chemicals producer in the South East Asia, the Chairman explained that PCG gets reliable feedstock supply from PETRONAS to run the plants and stay competitive in pricing, which allows the Company to grow. The global petrochemical market is anticipated to grow about 2.2% mainly contributed from this region. PCG's investment in Pengerang is no longer in gas-based but more to oil-based i.e naphtha-based through cracker, hence, the reason why Saudi Aramco was chosen to be our joint-venture partner.</p> <p>Reliable supplier of feedstock is key and in a competitive manner. Looking at integrated form, the partnership with Saudi Aramco will tie right through from the upstream i.e refinery and cracker to the petrochemicals business.</p> <p>Further, Saudi Aramco's 50% participation in Pengerang Petrochemical Company Sdn Bhd ("PPC") had reduced PCG's CAPEX requirement.</p> <p>With regard to his question on tax incentive, the Chairman informed that PCG enjoys good tax incentive in Malaysia including pioneer status and investment tax allowances for our investment in PIC and other PCG's investments.</p> <p>In respect of contribution from the PIC for PPC in the coming years, the Chairman informed that with the commercialisation of PPC and PETRONAS Chemicals Isononanol Sdn Bhd, PCG's production will increase to 14.6 million tonnes per annum (tpa).</p>
5.	<p>On a question posed with regard to plant turnaround, the Chairman explained that turnaround is a statutory requirement by the regulator for inspection, repair and maintenance of plant. The turnaround cycle is usually 4 – 5 years and it may take a maximum of 2 months for a major repair and maintenance exercise.</p> <p>Depending on how well the plant is maintained, the Company may apply for an extension of time for the turnaround. It was also noted that during the turnaround, the plant is not able to run.</p>
6.	In response to a query in respect of the future outlook of specialty chemicals and how much capex would the Company spend in this area, the Chairman explained that there are 3 areas that PCG is looking at namely (i) Extend value chain i.e create higher value to our existing basic chemicals through downstream investment in derivatives and specialty chemicals, (ii) Build specialty platform i.e access to superior technology and market via merger and acquisition; and (iii) Create optionality for growth i.e take long-term bet in innovative and emerging technologies through corporate venture capital and internal R&D.

NO.	ISSUES
FINANCIAL/OPERATIONAL	
	<p>Leveraging on the global megatrends, PCG is exploring growth opportunities for specialty chemicals technology and market access, which includes organic growth and inorganic growth ie potential mergers and acquisitions.</p> <p>In terms of capex, the Company would be spending approximately between RM2.6 – RM2.7 billion for 2019.</p>
7.	<p>With regard to Mr Chua Sing Yun's queries on the EBITDA margin, the Chairman explained that PCG's EBITDA margin is affected by, among others, operational efficiencies, market conditions and foreign exchange rate movements. Historically, the Group's EBITDA margin has ranged between 30% - 38%. PCG is looking more on creating value on the specialty.</p> <p>While PCG strives to continuously improve its operational efficiencies, subject to market conditions, the Group expects EBITDA margin FY2019 to remain within this range.</p> <p>The lower tax expense for 2018 was mainly due to the Global Incentive for Trading (GIFT) programme granted to PETRONAS Chemicals Marketing (Labuan) Ltd., whereby the profit is being taxed at 3%. Any change to the tax rate would depends on the Government's policy.</p> <p>As at to date, specialty products contributed about 5% to the Group revenue and is expected to increase to 15% in the long-term.</p> <p>The CEO responded that about 18% of the Company's products have been marketed to China. However, the anti-dumping duty imposed to PCG by China only has small impact to PCG.</p>
8.	<p>In response to number of turnaround for 2019 compared to 2018, the Chairman informed that there will be about 6 turnarounds in 2019. However, PCG is expecting production and sales volume on similar levels to FY2018.</p> <p>With regard to the question if the oil price would affect the feedstock price, the Chairman explained that currently all Company's facilities are gas-based, hence it has no impact on the feedstock price. However, it may affect the price of the products due to crude price and demand.</p>
9.	<p>In response to Mr Rizal Wong Abdullah's questions on currencies used for borrowings and whether PCG has any hedging policy in place, the Meeting was informed that given that the petrochemical products are USD-referenced, the weakening/strengthening of MYR has indirect impact to PCG Group's margin.</p> <p>PCG has a natural hedge as some of its revenue and expenses are denominated in USD. Where applicable, PCG hedges using forward exchange contract in respect of current & forecast transactions and hedging activities are monitored centrally.</p> <p>PCG has in place a Foreign Exchange Management Guideline which covers the FX Management process and considerations required to prudently manage and mitigate exposures to FX risk.</p>

NO.	ISSUES
FINANCIAL/OPERATIONAL	
9.	On a question raised by Encik Azlan with regard to possible bonus issue for shareholders, the Chairman informed that the Company has no plans to issue any bonus issue for the time being.
10.	<p>In respect of whether timing differences have been accounted for when tax expenses is reflected in the accounts, the CFO clarified that all timing differences have been accounted for as reflected in the balance sheet. The Company do have deferred tax liabilities which were mainly arisen due to timing difference in the value of assets per the accounts and for tax purposes. Depreciation is the main reason for the difference as accounting and tax prescribe different rates of depreciation/capital allowance for different categories of assets.</p> <p>In response to lower non-audit fee for 2018, the CFO clarified that the non-audit fees were mostly related to limited half-yearly review exercise on the Group's second quarter results to key subsidiaries of PCG.</p>
GOVERNANCE	
11.	<p>Mr Maniam, a proxy holder raised issues on the following (<i>PCG response in italics</i>):</p> <p>a) Lack of gender and ethnicity diversity amongst the Senior Management and the Company's organizational structure as a whole.</p> <p><i>The Chairman answered that PCG has approximately 4,400 staff. In terms of gender diversity, 17% are female and 36% of them are at the senior management level.</i></p> <p><i>With regard to staff selection for management and other position, merit would be the first criteria to be considered when hiring them. Talents are hired based on candidate's qualification, competencies and suitability to the available vacant position. PCG is also open to recruit regardless of gender, race and nationality to encourage diversity.</i></p> <p>b) Salary of the CEO is not charged fully to the Company but merely based on the management fee. From corporate governance perspective, the CEO should be an employee of the Company and his salary should be borne by the Company. His matrix and performance should also be decided and evaluated by the Board. What is the Board's view on this?</p> <p><i>The Chairman explained that despite being seconded, the MD/CEO's performance are still subject to strict evaluation. The matrix and performance of the MD/CEO are reviewed by the Nomination and Remuneration Committee ("NRC") and the Board in determining his compensation.</i></p>

NO.	ISSUES
GOVERNANCE	
	<p><i>Datuk William Toh Ah Wah, the Nomination and Remuneration's ("NRC") Chairman, added that the MD/CEO's performance are reviewed and evaluated by the NRC annually. The process of reviewing the MD/CEO's performance is very transparent and the ratings are shared with the PETRONAS Group to enable the Group to determine his performance bonus for the year. The NRC also reviewed the CEO's management fee or tariff imposed by PETRONAS to PCG and agreed that there is no issue of conflict of interest between the management fees charged by PETRONAS against his salary.</i></p> <p><i>The senior management including the CEO are seconded from PETRONAS and this practice has been adopted by the Group accordingly.</i></p>
12.	<p>Encik Muhammad Yusof Hussin commended the Board for the setting up of the Board Risk Committee during the year with the right composition in place. As a shareholder, he looked forward for a better management of risk and controlled environment by the Company.</p>
ADMINISTRATIVE	
13.	<p>Noted Mr Maniam's (a proxy holder) comments that the shareholders would like to get full set of annual report instead of the abridged version of the annual report when they receive the notice.</p> <p>Also noted on his suggestion for PCG to also consider using technology means when issuing the notice of AGM to better served the shareholders in the future.</p>

After dealing with all the questions raised, the Chairman declared that the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon were received and noted.

5.0 AGENDA ITEM NO. 2: RE-ELECTION OF DIRECTORS PURSUANT TO ARTICLE 93 OF THE COMPANY'S CONSTITUTION

The Chairman informed that at this AGM, three directors would be retiring in accordance with Article 93 of the Company's Constitution. They are Datuk Sazali Hamzah, Freida Amat and Ching Yew Chye. He also informed the Meeting that Datuk Sazali Hamzah and Freida Amat, had given their respective consents and offered themselves for re-election, whilst, Mr Ching Yew Chye has expressed his decision to retire from office upon the conclusion of this AGM.

Thus, Ordinary Resolution No. 1 to 2 of this AGM were in respect of the re-election of Datuk Sazali Hamzah and Freida Amat only, pursuant to Article 93 of the Company's Constitution.

It was noted that the Board had agreed to recommend the re-election of Datuk Sazali Hamzah and Freida Amat as endorsed by the Nomination and Remuneration Committee and recommended the following motions were then put to the meeting for consideration:-

5.1 ORDINARY RESOLUTION 1 – RE-ELECTION OF DATUK SAZALI HAMZAH

"THAT Datuk Sazali Hamzah retiring in accordance with Article 93 of the Company's Constitution, be and is hereby re-elected as a Director of the Company."

5.2 ORDINARY RESOLUTION 2 – RE-ELECTION OF FREIDA AMAT

"THAT Freida Amat retiring in accordance with Article 93 of the Company's Constitution, be and is hereby re-elected as a Director of the Company."

6.0 AGENDA ITEM NO. 3:
RE-ELECTION OF DIRECTORS PURSUANT TO ARTICLE 99 OF THE COMPANY'S CONSTITUTION

The Chairman informed that Ordinary Resolution No. 3 to 4 were in respect of the re-election of Warren William Wilder and Dr. Zafar Abdulmajid Momin pursuant to Article 99 of the Company's Constitution. He also informed the Meeting that these retiring directors, had given their respective consents and offered themselves for re-election.

It was noted that the Board had agreed to recommend the re-election of Warren William Wilder and Dr. Zafar Abdulmajid Momin as endorsed by the Nomination and Remuneration Committee and recommended the following motions were then put to the meeting for consideration: -

6.1 ORDINARY RESOLUTION 3 – RE-ELECTION OF WARREN WILLIAM WILDER

"THAT Warren William Wilder retiring in accordance with Article 99 of the Company's Constitution, be and is hereby re-elected as a Director of the Company."

6.2 ORDINARY RESOLUTION 4 – RE-ELECTION OF DR. ZAFAR ABDULMAJID MOMIN

"THAT Dr. Zafar Abdulmajid Momin retiring in accordance with Article 99 of the Company's Constitution, be and is hereby re-elected as a Director of the Company."

7.0 AGENDA ITEM NO. 4
ORDINARY RESOLUTION 5 – PROPOSED PAYMENT OF DIRECTORS' FEES AND ALLOWANCES TO THE NON-EXECUTIVE DIRECTORS FOR THE PERIOD FROM 30 APRIL 2019 UNTIL THE NEXT ANNUAL GENERAL MEETING

The Meeting proceeded with agenda item no. 4 on the proposed payment of Directors' fees and allowances of up to Ringgit Malaysia Two Million and Seven Hundred Thousand (RM2,700,000.00) with effect from 30 January 2019 until the next AGM of the Company payable to Non-Executive Directors.

The Meeting was also informed that the Directors' fees and allowances for the Non-Executive Directors for the period from 30 April 2019 until the conclusion of the next AGM ("FYE2019/2020") were calculated based on the number of scheduled Board's and Board Committees' meetings and on assumption that all the Non-Executive Directors would remained in office until the next AGM. The passing of resolution 5 was to facilitate payment of the Directors' fees and allowances for FYE2019/2020.

The following motion was then put to the Meeting for consideration: -

"THAT the payment of Directors' fees and allowances of up to Ringgit Malaysia Two Million and Seven Hundred Thousand (RM2,700,000.00) with effect from 30 April 2019 until the next Annual General Meeting of the Company payable to Non-Executive Directors, be and is hereby **APPROVED**."

8.0 AGENDA ITEM NO. 5
ORDINARY RESOLUTION 6 – RE-APPOINTMENT OF AUDITORS

The meeting then proceeded to consider the re-appointment of KPMG PLT as Auditors of the Company.

The Chairman informed that KPMG PLT had expressed their willingness to continue office. Therefore, the following motion was put to the meeting for consideration: -

"THAT KPMG PLT be and are hereby re-appointed auditors of the Company to hold office until the conclusion of the next annual general meeting and that the Directors be and are hereby authorised to determine their remuneration."

9.0 AGENDA ITEM NO. 6
SPECIAL RESOLUTION – PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY

The Meeting proceeded with agenda item no. 6 on the proposed adoption of a new Constitution of the Company.

The Meeting was also informed that the proposed adoption, if passed, shall align the Constitution of the Company with the new Companies Act 2016 which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements of Bursa Malaysia, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout, details of which are as set out in the Appendix A of the Notice of the AGM.

The following motion was then put to the Meeting for consideration: -

"THAT the draft new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby **APPROVED** and **ADOPTED** as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company **AND THAT** the Directors be and are hereby **AUTHORISED** to do all such acts and things and to take such steps that are necessary to give effect to adoption of the new Constitution of the Company."

10.0 ANY OTHER BUSINESS

The last item on the agenda for the meeting was to transact any other business of which due notices shall have been received in accordance with the Companies Act, 2016. The Meeting noted that no notice of any other business for transacting at the meeting was received.

As such, the Meeting proceeded to take the poll on all the resolutions tabled.

11.0. TAKING OF POLL AND ANNOUNCEMENT OF RESULT

The Meeting was then briefed on the procedure of the e-polling and proceeded to take the poll on the proposed resolutions.

The Chairman informed that the Company had appointed Boardroom Corporate Services Sdn. Bhd. (formerly known as Boardroom Corporate Services (KL) Sdn Bhd), ("Scrutineer") as the independent scrutineer to validate the votes cast at this meeting.

At 12.30 p.m., the meeting was adjourned to facilitate voting and counting of votes.

The meeting resumed at 12.50 p.m. and the following poll results was announced: -

Resolution	Vote in favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
Ordinary Resolution 1 Re-election of Datuk Sazali Hamzah as a Director of the Company in accordance with Article 93 of the Company's Constitution.	7,328,142,739	99.871000	9,435,074	0.129000	Carried
Ordinary Resolution 2 Re-election of Freida Amat as a Director of the Company in accordance with Article 93 of the Company's Constitution.	7,200,907,557	98.137000	136,666,256	1.863000	Carried
Ordinary Resolution 3 Re-election of Warren William Wilder, who was appointed during the year, as a Director of the Company in accordance with Article 99 of the Company's Constitution.	7,337,301,009	99.996000	278,804	0.004000	Carried

Resolution	Vote in favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
Ordinary Resolution 4 Re-election of Dr. Zafar Abdulmajid Momin, who was appointed during the year, as a Director of the Company in accordance with Article 99 of the Company's Constitution.	7,337,299,509	99.996000	280,304	0.004000	Carried
Ordinary Resolution 5 Approval of the payment of Director's Fees and Allowances of up to RM2,700,000 with effect from 30 April 2019 until the next Annual General Meeting of the Company payable to Non-Executive Directors.	7,117,715,109	98.957000	75,034,204	1.043000	Carried
Ordinary Resolution 6 Re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration.	7,331,149,209	99.978000	1,608,204	0.022000	Carried
Special Resolution Approval of the Proposed adoption of a new Constitution of the Company.	7,334,884,367	99.963000	2,695,446	0.037000	Carried

The Chairman then declared that all the resolutions set out in the Notice of the 21st AGM of the Company carried.

12.0 CLOSURE

The Chairman, on behalf of the Board of Directors and Management of the Company, have extended his appreciation to the Shareholders who attended the AGM and for their continued support to the Company.

Furthermore, the Chairman has also extended his appreciation to Mr. Ching Yew Chye and Dr. Dong Soo Kim for their valuable contributions to the Company during their tenure as Director and wish them all the best for their future endeavours.

There being no further business, the meeting closed at 1.00 p.m. with a vote of thanks to the Chairman.