

PETRONAS Dagangan Berhad
Financial Report 2023



PETRONAS

**RAISE
THE BAR,
CHANGE
THE GAME**



CONTENTS

OUR FINANCIAL STATEMENTS

How We Approach Our Financial Statements	2
Statement of Directors' Responsibility	4
Directors' Report	5
Statement by Directors	10
Statutory Declaration	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Profit or Loss	13
Consolidated Statement of Other Comprehensive Income	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	17
Statement of Financial Position	19
Statement of Profit or Loss and Other Comprehensive Income	20
Statement of Changes in Equity	21
Statement of Cash Flows	22
Notes to the Financial Statements	24
Independent Auditors' Report	90

OTHER INFORMATION

Net Book Value of Land and Buildings of the Company	94
Usage of Land	94
List of Top 10 Landed Properties	95

OUR REPORTING SUITE

The PDB Integrated Report <IR> serves as the main report to our stakeholders. It offers a balanced and comprehensive evaluation of the Group's capacity for sustainable value creation in the short, medium and long-term horizons. This report should be read in conjunction with the accompanying Audited Financial Statements (AFS), which present a detailed account of PDB's financial performance, as well as the PDB Sustainability Report 2023, which focuses on PDB's value creation through the lens of Environmental, Economic, Social and Governance (EESG).



INTEGRATED REPORT (IR) 2023

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

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

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

FINANCIAL REPORT (FR) 2023

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

OUR FINANCIAL STATEMENTS

How We Approach Our Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

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 statement of profit or loss and the statement of other comprehensive income, the statement of financial position and the statement 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.

STATEMENT OF PROFIT OR LOSS AND STATEMENT OF OTHER COMPREHENSIVE INCOME

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

The objective of this statement is to present all income and expenses (transactions with non-owners) in a performance statement.

01

STATEMENT OF FINANCIAL POSITION

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

This statement sums up the Group's economic resources (non-current assets and working capital) and owners' equity at a particular point of time, in this case, our year end at 31 December 2023. It also shows how the economic resources contributed by lenders and shareholders are used in the business.

02

STATEMENT OF CASH FLOWS

A report on sources and uses of cash

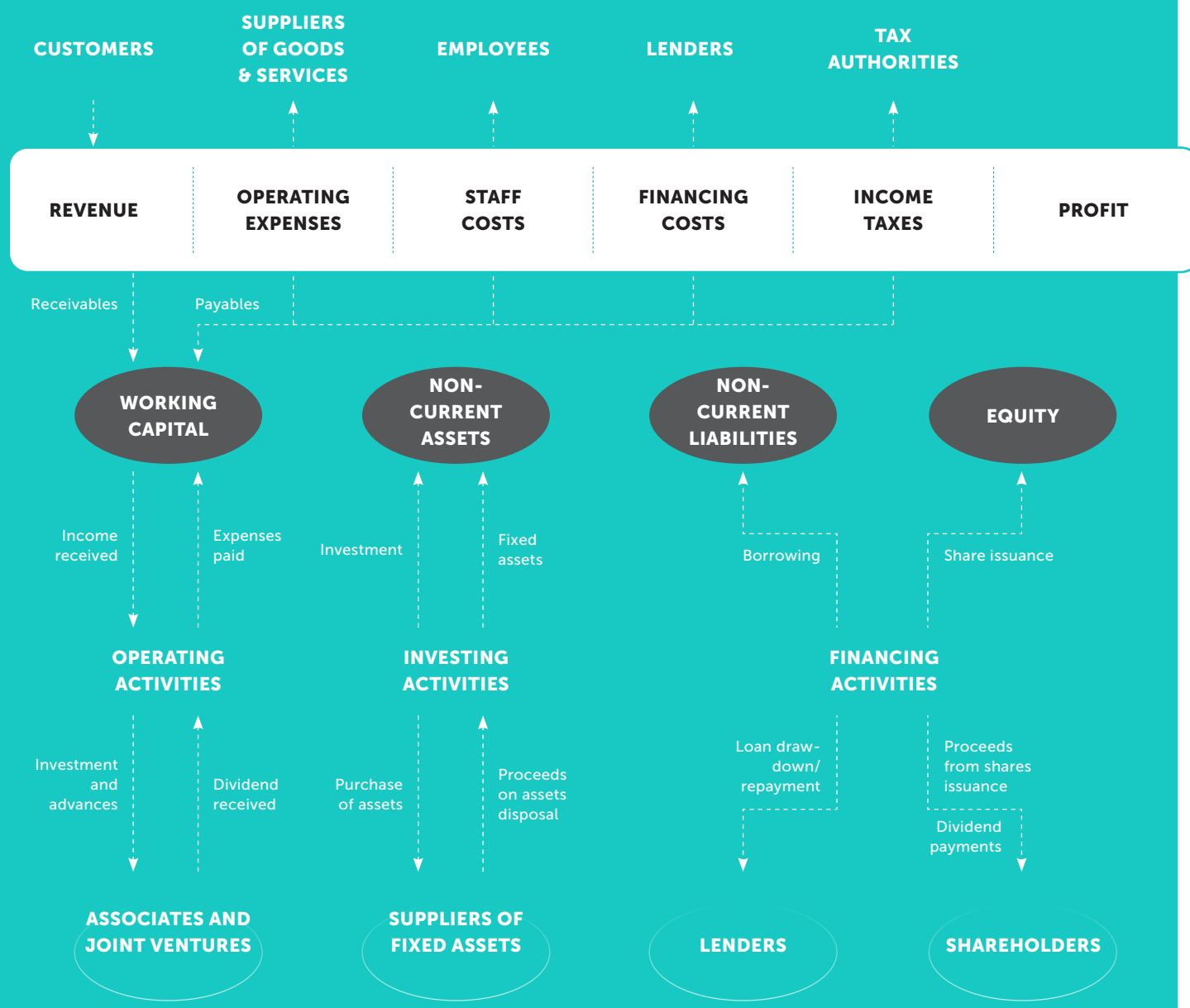
This statement divides the cash flows into operating, investing and financing. While the operating profit reflects the operating cash flows, certain non-cash charges or credits, such as depreciation, amortisation and impairment losses, mean the operating cash flows and the operating profit are different. 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 the Group, its shareholders and lenders.

03

How We Approach Our Financial Statements

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

The Group earns revenue from customers through the deployment of non-current assets and working capital. It also pays operating expenses to suppliers of goods and services, incurs staff costs and also invests in additional non-current assets. The net balance of revenue, operating expenses and staff and interest costs is the operating profit. After deducting income taxes charged by tax authorities, this profit is available for payment for distribution to shareholders as dividends in return for their contribution of funds to the Group. The Group also invests in subsidiaries and other entities and receives dividend income from them in return.



OUR FINANCIAL STATEMENTS

Statement of Directors' Responsibility

The financial statements of the Group and of the Company as set out on pages 12 to 89, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2023 and of the results of their operations and cash flows for the financial 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 are consistently applied;
- reasonable and prudent judgements and estimates were made;
- all Malaysian Financial Reporting Standards and the Companies Act, 2016 in Malaysia have been adhered to; and
- prepared on a going concern basis.

The Directors are also responsible for ensuring that the accounting and other records and registers required by the Companies Act, 2016 to be retained by the Group and the Company 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 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

There have been no significant changes in the nature of principal activities of the Company during the financial year, which are domestic marketing of petroleum products and non-fuel business.

The principal activities of subsidiaries, associates and joint ventures are stated in Note 33, Note 34 and Note 35 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 33 to the financial statements.

RESULTS

In RM'000	Group	Company
Profit for the year	966,778	875,635
Attributable to:		
Shareholders of the Company	943,076	875,635
Non-controlling interests	23,702	-

DIVIDENDS

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

- a) In respect of the financial year ended 31 December 2022 as reported in the Directors' Report of that year:
 - i. an interim dividend of 26.0 sen per ordinary share amounting to RM258,298,040 declared on 22 February 2023 and paid on 23 March 2023;
 - ii. a special dividend of 14.0 sen per ordinary share amounting to RM139,083,560 declared on 22 February 2023 and paid on 23 March 2023; and

OUR FINANCIAL STATEMENTS**Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2023****DIVIDENDS (CONTINUED)**

b) In respect of the financial year ended 31 December 2023:

- i. an interim dividend of 15.0 sen per ordinary share amounting to RM149,018,100 declared on 22 May 2023 and paid on 20 June 2023;
- ii. an interim dividend of 18.0 sen per ordinary share amounting to RM178,821,720 declared on 28 August 2023 and paid on 26 September 2023; and
- iii. an interim dividend of 20.0 sen per ordinary share amounting to RM198,690,800 declared on 23 November 2023 and paid on 22 December 2023.

The Directors had on 26 February 2024 declared an interim dividend of 27.0 sen per ordinary share amounting to RM268,232,580 in respect of the financial year ended 31 December 2023.

The financial statements for the current financial year do not reflect this declared interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

Further details on dividends are disclosed in Note 25.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Datuk Anuar bin Ahmad (Chairman)
Azrul bin Osman Rani
Tang Saw Hua
Datuk Shafie bin Shamsuddin
Alvin Michael Hew Thai Kheam
Nirmala a/p Doraisamy
Arni Laily binti Anwarrudin
Datuk Sazali bin Hamzah
Mohd Yuzaidi bin Mohd Yusoff
Tunku Alizakri bin Raja Muhammad Alias

In accordance with Article 107 of the Company's Constitution, Datuk Anuar bin Ahmad, Tang Saw Hua and Arni Laily binti Anwarrudin are due for retirement by rotation at the forthcoming Annual General Meeting ("AGM") of the Company. Datuk Anuar bin Ahmad, Tang Saw Hua and Arni Laily binti Anwarrudin, being eligible for re-election have given their consent for re-election at the forthcoming AGM.

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 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' Report
FOR THE YEAR ENDED 31 DECEMBER 2023

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 PETRONAS Chemicals Group Berhad			Balance at 31.12.2023
	Balance at 1.1.2023	Bought	Sold	
Azrul bin Osman Rani - spouse	1,000	-	1,000	-
Arni Laily binti Anwarrudin	6,000	-	-	6,000
Datuk Sazali bin Hamzah - child	6,000	2,000	-	8,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit shown below), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors of the Company in respect of the financial year ended 31 December 2023 were RM1,550,000 comprising fees & emoluments and other short-term employee benefits of RM1,508,000 and RM42,000 respectively.

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 per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM114,400 and RM108,300 respectively.

OUR FINANCIAL STATEMENTS**Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2023****OTHER STATUTORY INFORMATION**

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

- (i) that 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) that 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 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 of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 23 to the financial statements, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2023

AUDITORS

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

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

In RM'000	Group	Company
Audit fees		
KPMG PLT	889	582
Non audit service fees		
KPMG PLT	112	112

On behalf of the Board of Directors in accordance with a resolution of the Directors:

DATUK ANUAR BIN AHMAD
Chairman

Kuala Lumpur,
Date: 26 February 2024

AZRUL BIN OSMAN RANI
Director

OUR FINANCIAL STATEMENTS

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 12 to 89, are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year then ended on that date.

On behalf of the Board of Directors
in accordance with a resolution of the Directors:

DATUK ANUAR BIN AHMAD
Chairman

AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 26 February 2024

Statutory Declaration

I, **FARZLINA BINTI AHMAD MURAD**, the officer primarily responsible for the financial management of **PETRONAS Dagangan Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 12 to 89 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

FARZLINA BINTI AHMAD MURAD,
at Kuala Lumpur in Wilayah Persekutuan
on 26 February 2024

BEFORE ME:



83, JALAN BURHANUDDIN HELMI
TAMAN TUN DR. ISMAIL
60000 KUALA LUMPUR

OUR FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

In RM'000	Note	2023	2022
ASSETS			
Property, plant and equipment	3	4,116,879	4,115,346
Intangible asset	4	97	484
Investments in associates	6	2,075	1,954
Investments in joint ventures	7	61,452	83,163
TOTAL NON-CURRENT ASSETS		4,180,503	4,200,947
Trade and other inventories	8	148,745	139,539
Trade and other receivables	9	5,634,024	4,027,890
Cash and cash equivalents	10	1,507,053	2,889,161
		7,289,822	7,056,590
Assets classified as held for sale	11	16,634	-
TOTAL CURRENT ASSETS		7,306,456	7,056,590
TOTAL ASSETS		11,486,959	11,257,537
EQUITY			
Share capital	12	993,454	993,454
Reserves	13	4,774,945	4,749,291
Total equity attributable to shareholders of the Company		5,768,399	5,742,745
Non-controlling interests	14	68,323	44,621
TOTAL EQUITY		5,836,722	5,787,366
LIABILITIES			
Borrowings	15	99,823	134,947
Deferred tax liabilities	16	69,870	93,317
Other long-term liabilities and provisions	17	40,268	36,074
TOTAL NON-CURRENT LIABILITIES		209,961	264,338
Trade and other payables	18	5,356,895	5,016,696
Borrowings	15	52,396	49,366
Taxation		30,985	139,771
TOTAL CURRENT LIABILITIES		5,440,276	5,205,833
TOTAL LIABILITIES		5,650,237	5,470,171
TOTAL EQUITY AND LIABILITIES		11,486,959	11,257,537

The notes set out on pages 24 to 89 are an integral part of these financial statements.

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
Revenue	19	37,549,338	36,748,896
Cost of revenue		(33,539,412)	(33,094,811)
Gross profit		4,009,926	3,654,085
Selling and distribution expenses		(1,429,330)	(1,330,738)
Administration expenses		(1,544,061)	(1,466,198)
Other income		314,552	291,756
Operating profit	20	1,351,087	1,148,905
Financing costs	21	(14,567)	(25,203)
Share of (loss)/profit after tax of equity accounted associates and joint ventures		(4,902)	11,333
Profit before taxation		1,331,618	1,135,035
Tax expense	22	(364,840)	(347,197)
Profit for the year		966,778	787,838
Profit attributable to:			
Shareholders of the Company		943,076	776,595
Non-controlling interests		23,702	11,243
PROFIT FOR THE YEAR		966,778	787,838
Basic earnings per ordinary share (sen)	24	94.9	78.2

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Consolidated Statement of Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
Profit for the year		966,778	787,838
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of financial statements of foreign operation		249	19
Reclassification of foreign currency translation differences to profit or loss on dissolution of a subsidiary		6,242	-
Total other comprehensive income for the year, net of tax		6,491	19
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		973,269	787,857
Total comprehensive income attributable to:			
Shareholders of the Company		949,567	776,614
Non-controlling interests		23,702	11,243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		973,269	787,857

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	Attributable to shareholders of the Company		
		Non-distributable		
		Share Capital	Foreign Currency Translation Reserve	Capital Reserves
Balance at 1 January 2023		993,454	(6,491)	(305)
Exchange difference arising from translation of financial statements of foreign operation		-	249	-
Dissolution of a foreign operation subsidiary		-	6,242	-
Total other comprehensive income for the year		-	6,491	-
Profit for the year		-	-	-
Total comprehensive income for the year		-	6,491	-
Dividends to shareholders of the Company	25	-	-	-
Total transactions with owners of the Group		-	-	-
Balance at 31 December 2023		993,454	-	(305)
		Note 12	Note 13	Note 13

In RM'000	Note	Attributable to shareholders of the Company			Total Equity
		Distributable		Non-controlling Interests	
		Retained Profits	Total		
Balance at 1 January 2023		4,756,087	5,742,745	44,621	5,787,366
Exchange difference arising from translation of financial statements of foreign operation		-	249	-	249
Dissolution of a foreign operation subsidiary		-	6,242	-	6,242
Total other comprehensive income for the year		-	6,491	-	6,491
Profit for the year		943,076	943,076	23,702	966,778
Total comprehensive income for the year		943,076	949,567	23,702	973,269
Dividends to shareholders of the Company	25	(923,913)	(923,913)	-	(923,913)
Total transactions with owners of the Group		(923,913)	(923,913)	-	(923,913)
Balance at 31 December 2023		4,775,250	5,768,399	68,323	5,836,722
				Note 14	

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	Attributable to shareholders of the Company		
		Non-distributable		
		Share Capital	Foreign Currency Translation Reserve	Capital Reserves
Balance at 1 January 2022		993,454	(6,510)	(305)
Exchange difference arising from translation of financial statements of foreign operation		-	19	-
Total other comprehensive income for the year		-	19	-
Profit for the year		-	-	-
Total comprehensive income for the year		-	19	-
Dividends to shareholders of the Company	25	-	-	-
Total transactions with owners of the Group		-	-	-
Balance at 31 December 2022		993,454	(6,491)	(305)
		Note 12	Note 13	Note 13

In RM'000	Note	Attributable to shareholders of the Company		Non-controlling Interests	Total Equity
		Distributable			
		Retained Profits	Total		
Balance at 1 January 2022		4,595,434	5,582,073	33,378	5,615,451
Exchange difference arising from translation of financial statements of foreign operation		-	19	-	19
Total other comprehensive income for the year		-	19	-	19
Profit for the year		776,595	776,595	11,243	787,838
Total comprehensive income for the year		776,595	776,614	11,243	787,857
Dividends to shareholders of the Company	25	(615,942)	(615,942)	-	(615,942)
Total transactions with owners of the Group		(615,942)	(615,942)	-	(615,942)
Balance at 31 December 2022		4,756,087	5,742,745	44,621	5,787,366
Note 14					

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,331,618	1,135,035
Adjustments for:			
Depreciation of property, plant and equipment		462,757	438,538
Amortisation of intangible asset		387	322
Net impairment losses on:			
- Trade and other receivables		10,541	37,463
- Property, plant and equipment		5,745	-
Share of loss/(profit) after tax of equity accounted associates and joint ventures		4,902	(11,333)
Net gain on disposal of property, plant and equipment		(5,797)	(3,869)
Bad debt written off		3,575	-
Gain on disposal of Liquefied Petroleum Gas ("LPG") business		-	(87,937)
Interest income		(145,724)	(69,601)
Financing costs		14,567	25,203
Property, plant and equipment written off		9,599	22,164
Property, plant and equipment expensed off		1,862	2,722
Net unrealised foreign exchange (gain)/loss		(1,072)	158
Operating profit before changes in working capital		1,692,960	1,488,865
Changes in working capital:			
Trade and other receivables		(1,609,327)	(575,325)
Trade and other inventories		(9,206)	19,327
Trade and other payables		335,368	1,368,697
Cash generated from operations		409,795	2,301,564
Taxation paid		(497,040)	(306,697)
Net cash (used in)/generated from operating activities		(87,245)	1,994,867
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		145,724	69,601
Purchase of property, plant and equipment		(466,852)	(434,852)
Investment in a joint venture		-	(2,410)
Proceeds from disposal of LPG business		-	40,000
Proceeds from disposal of property, plant and equipment		10,886	6,868
Net cash used in investing activities		(310,242)	(320,793)

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	25	(923,913)	(615,942)
Drawdown of revolving credits		-	700,000
Drawdown of Sukuk facilities		1,997	-
Repayment of revolving credits		-	(716,000)
Repayment of Sukuk facilities		(997)	-
Payment of lease liabilities		(51,372)	(42,857)
Interest paid on revolving credits		-	(10,218)
Profit margin paid for Sukuk facilities		(18)	-
Interest paid on lease liabilities		(10,318)	(11,008)
Net cash used in financing activities	15	(984,621)	(696,025)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,382,108)	978,049
DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS RESTRICTED		9,898	(9,679)
NET FOREIGN EXCHANGE DIFFERENCES		-	50
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,851,047	1,882,627
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,478,837	2,851,047
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		1,263,612	2,687,592
Cash and bank balances		243,441	201,569
	10	1,507,053	2,889,161
Less: Cash and cash equivalents restricted		(28,216)	(38,114)
		1,478,837	2,851,047

Total cash outflows for leases comprise:

- (i) Payment of principal and interest in relation to lease liabilities as financing activities amounting to RM61,690,000 (2022: RM53,865,000); and
- (ii) Payment of short-term lease, low-value assets and variable lease payments as operating activities amounting to RM213,126,000 (2022: RM172,154,000).

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Statement of Financial Position

AS AT 31 DECEMBER 2023

In RM'000	Note	2023	2022
ASSETS			
Property, plant and equipment	3	3,775,354	3,800,682
Investments in subsidiaries	5	337,870	295,170
Investments in associates	6	530	530
Investments in joint ventures	7	52,474	52,474
TOTAL NON-CURRENT ASSETS		4,166,228	4,148,856
Trade inventories	8	140,843	131,139
Trade and other receivables	9	5,438,437	3,875,020
Cash and cash equivalents	10	1,105,370	2,592,322
Assets classified as held for sale	11	1,195	-
TOTAL CURRENT ASSETS		6,685,845	6,598,481
TOTAL ASSETS		10,852,073	10,747,337
EQUITY			
Share capital	12	993,454	993,454
Reserves	13	4,521,801	4,570,079
TOTAL EQUITY		5,515,255	5,563,533
LIABILITIES			
Borrowings	15	24,973	58,573
Deferred tax liabilities	16	51,518	74,074
Other long-term liability and provision	17	40,268	36,074
TOTAL NON-CURRENT LIABILITIES		116,759	168,721
Trade and other payables	18	5,156,222	4,852,434
Borrowings	15	49,546	47,531
Taxation		14,291	115,118
TOTAL CURRENT LIABILITIES		5,220,059	5,015,083
TOTAL LIABILITIES		5,336,818	5,183,804
TOTAL EQUITY AND LIABILITIES		10,852,073	10,747,337

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
Revenue	19	36,714,994	36,006,639
Cost of revenue		(33,095,640)	(32,666,495)
Gross profit		3,619,354	3,340,144
Selling and distribution expenses		(1,413,360)	(1,319,723)
Administration expenses		(1,389,885)	(1,329,967)
Other income		368,784	377,711
Operating profit	20	1,184,893	1,068,165
Financing costs	21	(8,212)	(18,688)
Profit before taxation		1,176,681	1,049,477
Tax expense	22	(301,046)	(294,959)
PROFIT FOR THE YEAR REPRESENTING COMPREHENSIVE INCOME FOR THE YEAR		875,635	754,518

The notes set out on pages 24 to 89 are an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	Attributable to shareholders of the Company		
		Non-distributable	Distributable	Total Equity
		Share Capital	Retained Profits	
Balance at 1 January 2023		993,454	4,570,079	5,563,533
Profit for the year representing comprehensive income for the year		-	875,635	875,635
Dividends paid	25	-	(923,913)	(923,913)
Balance at 31 December 2023		993,454	4,521,801	5,515,255
Balance at 1 January 2022		993,454	4,431,503	5,424,957
Profit for the year representing comprehensive income for the year		-	754,518	754,518
Dividends paid	25	-	(615,942)	(615,942)
Balance at 31 December 2022		993,454	4,570,079	5,563,533

Note 12

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,176,681	1,049,477
Adjustments for:			
Depreciation of property, plant and equipment		415,481	398,448
Net impairment losses on:			
- Trade and other receivables		10,142	34,192
- Investment in a subsidiary		-	2,389
- Property, plant and equipment		5,745	-
Net gain on disposal of property, plant and equipment		(5,797)	(4,118)
Gain on disposal of LPG business		-	(87,937)
Bad debts written off		3,557	-
Interest income		(136,541)	(64,268)
Financing costs		8,212	18,688
Dividend income		(51,250)	(70,700)
Property, plant and equipment written off		9,110	23,449
Property, plant and equipment expensed off		429	1,923
Net unrealised foreign exchange (gain)/loss		(1,075)	149
Operating profit before changes in working capital		1,434,694	1,301,692
Changes in working capital:			
Trade and other receivables		(1,572,745)	(544,564)
Trade inventories		(9,704)	26,339
Trade and other payables		299,482	1,321,073
Cash generated from operations		151,727	2,104,540
Taxation paid		(424,429)	(273,887)
Net cash (used in)/generated from operating activities		(272,702)	1,830,653

The notes set out on pages 24 to 89 are an integral part of these financial statements.

Statement of Cash Flows (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

In RM'000	Note	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		51,250	70,700
Interest income		136,541	64,268
Investment in a joint venture		-	(2,410)
Investment in subsidiaries		(42,700)	(122,234)
Purchase of property, plant and equipment		(393,826)	(362,043)
Redemption of preference shares in a subsidiary		-	2,000
Proceeds from disposal of LPG business		-	40,000
Proceeds from disposal of property, plant and equipment		10,886	6,891
Net cash used in investing activities		(237,849)	(302,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	25	(923,913)	(615,942)
Drawdown of Sukuk facilities		1,997	-
Drawdown of revolving credits		-	700,000
Repayment of Sukuk facilities		(997)	-
Repayment of revolving credits		-	(700,000)
Interest paid on revolving credits		-	(10,060)
Payment of lease liabilities		(49,507)	(41,864)
Profit margin paid for Sukuk facilities		(18)	-
Interest paid on lease liabilities		(3,963)	(4,651)
Net cash used in financing activities	15	(976,401)	(672,517)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,486,952)	855,308
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,592,322	1,737,014
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	1,105,370	2,592,322
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		989,213	2,478,641
Cash and bank balances		116,157	113,681
	10	1,105,370	2,592,322

Total cash outflows for leases comprise:

- (i) Payment of principal and interest in relation to lease liabilities as financing activities amounting to RM53,470,000 (2022: RM46,515,000); and
- (ii) Payment of short-term lease, low-value assets and variable lease payments as operating activities amounting to RM212,629,000 (2022: RM171,231,000).

The notes set out on pages 24 to 89 are an integral part of these financial statements.

OUR FINANCIAL STATEMENTS

Notes to the Financial Statements

31 DECEMBER 2023

1. BASIS OF PREPARATION

1.1 Statement of compliance

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

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

As of 1 January 2023, the Group and the Company had adopted a new MFRS and Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 36.

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 37. Revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 38.

These financial statements were approved and authorised for issue by the Board of Directors on 26 February 2024.

1.2 Basis of measurement

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

1.3 Functional and presentation currency

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

All financial information has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgments

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgments (continued)

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

- (i) Note 3 : Property, plant and equipment;
- (ii) Note 4 : Intangible assets;
- (iii) Note 5 : Investments in subsidiaries;
- (iv) Note 15 : Borrowings;
- (v) Note 16 : Deferred tax;
- (vi) Note 17 : Other long-term liabilities and provisions;
- (vii) Note 22 : Tax expense; and
- (viii) Note 30 : Financial instruments.

2. MATERIAL ACCOUNTING POLICIES

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

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

2.1 Basis of consolidation

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.

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of consolidation (continued)*****Business combinations***

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

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

The Group measures goodwill as the excess of the aggregate fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Non-controlling interests

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

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

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

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

Loss of control

Upon the 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 statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Associates

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

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

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

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

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

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

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

2.3 Joint arrangements

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

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.4 Property, plant and equipment and depreciation*****Recognition and measurement***

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

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

Buildings are depreciated over 20 to 30 years or over the remaining land lease year, whichever is shorter.

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

Plant, machinery, tankage and pipeline	6 - 20 years
Office equipment, furniture and fittings	3 - 7 years
Computer hardware and software	5 - 8 years
Motor vehicles	4 - 10 years

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Leases

(i) *Definition of a lease*

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

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

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

(ii) *Recognition and initial measurement*

As a lessee

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

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

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

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

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

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.5 Leases (continued)****(ii) Recognition and initial measurement (continued)*****As a lessee (continued)***

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

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

(iii) Subsequent measurement***As a lessee***

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. 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 estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible asset

Goodwill

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

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

Other intangible assets

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

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

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives.

Intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired. Impairment assessment on intangible assets with indefinite useful lives is performed annually.

2.7 Investments

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

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (Note 2.9(i)).

2.8 Non-current assets held for sale

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

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.9 Financial instruments*****Recognition and initial measurement***

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

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

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

Classification and subsequent measurement**(i) Financial assets**

Financial assets are classified as measured at amortised cost.

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

Amortised cost

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

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.9(iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

(ii) Financial liabilities

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

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (Note 2.9(iv)).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

(iii) *Derivative financial instruments*

The Group and the Company use 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. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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.

(iv) *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.

(v) *Offsetting of financial instruments*

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

(vi) *Amortised cost of financial instruments*

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.9(ii)) where effective interest rate is applied to the amortised cost.

(vii) *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 and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.9 Financial instruments (continued)****(vii) Derecognition of financial instruments (continued)*****Financial assets (continued)***

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

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

Interest rate benchmark reform

The Group and the Company have applied the practical expedients provided in the amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)* upon transition from London Inter-Bank Offered Rate to Secured Overnight Financing Rate ("SOFR").

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

2.10 Impairment**(i) Financial assets**

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

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 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

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

(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.

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

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

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

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

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

2.11 Cash and cash equivalents

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

Restricted cash in relation to a subsidiary, consist of deposit held by licensed banks and deposits held in trust by licensed banks, which have an insignificant risk of changes in fair value.

Deposit held in trust by licensed banks are funds collected from users which are deposited and managed separately in a trust account. The subsidiary is required to maintain at least the amount of the Company's e- Money liabilities in the trust account at all times in compliance with the Guideline on Electronic money issued by Bank Negara Malaysia ("BNM").

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.12 Contract liability - PETRONAS Mesra Loyalty Programme**

PETRONAS Mesra Loyalty Programme is an in-house loyalty programme where members are awarded with PETRONAS Mesra points at the point of sale made at PETRONAS stations and Kedai Mesra. The monetary value attributed to the awarded points is treated as contract liability and only recognised as revenue in the profit or loss upon redemption, cancellation and expiration of the points. Currently, members can redeem the awarded points for purchase of fuel at PETRONAS stations, items at Kedai Mesra or with selected partners.

Fair value of the contract liability is determined by reference to the monetary value attributable to the awarded points and the redemption expiry dates.

2.13 Inventories

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

Cost of petroleum products includes direct costs and transportation charges necessary to bring the inventories to their present locations and condition and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers.

2.14 Provisions

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

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

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

Contingent assets

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

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 17 and 29.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 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").

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

2.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss.

Current tax

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

Deferred tax

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

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

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

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

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.16 Taxation (continued)*****Deferred tax (continued)******Global minimum top-up tax***

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

The application of the pronouncements is further discussed in Note 36.

2.17 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.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates ruling at reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 pursuant to the election of transitional exemptions of MFRS 1 *First-time Adoption of Malaysia Financial Reporting Standards*, which are stated at the previously-translated carrying amounts and are not subsequently retranslated in the Group's financial statements.

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

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

2.18 Borrowing costs relating to projects-in-progress

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowing costs relating to projects-in-progress (continued)

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

2.19 Revenue

Revenue from contracts with customers

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

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

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

2.20 Financing costs

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

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.18. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.5. The financing costs on borrowings are recognised using the effective profit/interest method.

2.21 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilute potential ordinary shares.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.22 Operating segments**

An operating segment is a component of the Group and of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available.

An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess the Company's performance.

2.23 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 value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT

Group 2023 In RM'000	At 1.1.2023	Additions	Disposals/ Write-offs	Transfers	At 31.12.2023
At cost:					
<u>Own use</u>					
Freehold land	1,048,540	-	-	15,322	1,063,862
Buildings	2,234,104	7,040	(1,486)	101,394	2,341,052
Plant, machinery, tankage and pipeline	2,968,992	42,188	(4,539)	214,982	3,221,623
Office equipment, furniture and fittings	568,594	12,667	(1,257)	19,234	599,238
Computer hardware and software	830,331	17,962	(45)	22,947	871,195
Motor vehicles	136,745	2,945	-	125	139,815
Projects-in-progress	256,074	384,050	(9,231)	(387,036)	243,857
	8,043,380	466,852	(16,558)	(13,032)	8,480,642
<u>Right-of-use</u>					
Leasehold land	1,236,666	306	(7,727)	11,837	1,241,082
Buildings	10,398	1,935	-	-	12,333
Other plant and equipment	5,372	5,750	-	-	11,122
Vessels	287,422	-	-	-	287,422
Motor vehicles	8,876	10,866	-	-	19,742
	1,548,734	18,857	(7,727)	11,837	1,571,701
	9,592,114	485,709	(24,285)	(1,195)*	10,052,343

* The amount of RM1,195,000 comprise of transfer of freehold lands to asset held for sale of RM1,195,000.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2023 In RM'000	At 1.1.2023	Charge for the year	Disposals/ Write-offs	Impairment loss	Transfers	At 31.12.2023
Accumulated depreciation and impairment losses:						
<u>Own use</u>						
Freehold land	616	-	-	-	-	616
Buildings	1,753,474	82,028	(1,498)	-	(695)	1,833,309
Plant, machinery, tankage and pipeline	2,190,655	167,523	(4,785)	-	660	2,354,053
Office equipment, furniture and fittings	443,160	26,653	(829)	-	70	469,054
Computer hardware and software	554,991	88,593	(45)	-	-	643,539
Motor vehicles	98,036	9,199	-	-	(35)	107,200
Projects-in-progress	4,124	-	-	-	-	4,124
	5,045,056	373,996	(7,157)	-	-	5,411,895
<u>Right-of-use</u>						
Leasehold land	219,924	37,900	(2,649)	5,745	-	260,920
Buildings	3,252	2,314	-	-	-	5,566
Other plant and equipment	4,869	1,940	-	-	-	6,809
Vessels	196,537	44,499	-	-	-	241,036
Motor vehicles	7,130	2,108	-	-	-	9,238
	431,712	88,761	(2,649)	5,745	-	523,569
	5,476,768	462,757	(9,806)	5,745	-	5,935,464

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2022 In RM'000	At 1.1.2022	Additions	Disposals/ Write-offs	Transfers	At 31.12.2022
At cost:					
<u>Own use</u>					
Freehold land	1,048,540	-	-	-	1,048,540
Buildings	2,228,092	825	(16,531)	21,718	2,234,104
Plant, machinery, tankage and pipeline	2,787,489	9,458	(22,969)	195,014	2,968,992
Office equipment, furniture and fittings	585,482	9,194	(56,309)	30,227	568,594
Computer hardware and software	728,036	27,858	(18,118)	92,555	830,331
Motor vehicles	127,809	1,052	(575)	8,459	136,745
Projects-in-progress	244,938	386,465	(12,510)	(362,819)	256,074
	7,750,386	434,852	(127,012)	(14,846)	8,043,380
<u>Right-of-use</u>					
Leasehold land	1,257,962	3,257	(39,399)	14,846	1,236,666
Buildings	8,610	1,788	-	-	10,398
Other plant and equipment	3,360	2,012	-	-	5,372
Vessels	279,148	128,785	(120,511)	-	287,422
Motor vehicles	6,781	2,095	-	-	8,876
	1,555,861	137,937	(159,910)	14,846	1,548,734
	9,306,247	572,789	(286,922)	-	9,592,114

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2022 In RM'000	At 1.1.2022	Charge for the year	Disposals/ Write-offs	At 31.12.2022
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	616	-	-	616
Buildings	1,688,927	80,953	(16,406)	1,753,474
Plant, machinery, tankage and pipeline	2,053,950	157,238	(20,533)	2,190,655
Office equipment, furniture and fittings	472,554	26,295	(55,689)	443,160
Computer hardware and software	480,439	81,276	(6,724)	554,991
Motor vehicles	89,763	8,846	(573)	98,036
Projects-in-progress	4,124	-	-	4,124
	4,790,373	354,608	(99,925)	5,045,056
<u>Right-of-use</u>				
Leasehold land	216,256	40,202	(36,534)	219,924
Buildings	1,513	1,957	(218)	3,252
Other plant and equipment	3,102	1,767	-	4,869
Vessels	272,428	37,900	(113,791)	196,537
Motor vehicles	5,026	2,104	-	7,130
	498,325	83,930	(150,543)	431,712
	5,288,698	438,538	(250,468)	5,476,768

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2023 In RM'000	At 1.1.2023	Additions	Disposals/ Write-offs	Transfers	At 31.12.2023
At cost:					
<u>Own use</u>					
Freehold land	1,048,540	-	-	15,322	1,063,862
Buildings	2,206,805	509	(1,486)	88,530	2,294,358
Plant, machinery, tankage and pipeline	2,553,018	15,553	(3,770)	209,809	2,774,610
Office equipment, furniture and fittings	534,583	3,733	(804)	23,601	561,113
Computer hardware and software	722,567	-	(45)	22,780	745,302
Motor vehicles	131,746	-	-	125	131,871
Projects-in-progress	217,188	374,031	(9,231)	(373,199)	208,789
	7,414,447	393,826	(15,336)	(13,032)	7,779,905
<u>Right-of-use</u>					
Leasehold land	1,195,877	306	(7,727)	11,837	1,200,293
Buildings	1,152	-	-	-	1,152
Other plant and equipment	5,372	5,750	-	-	11,122
Vessels	287,422	-	-	-	287,422
Motor vehicles	8,876	10,866	-	-	19,742
	1,498,699	16,922	(7,727)	11,837	1,519,731
	8,913,146	410,748	(23,063)	(1,195)*	9,299,636

* The amount of RM1,195,000 comprise of transfer of freehold lands to asset held for sale of RM1,195,000.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2023 In RM'000	At 1.1.2023	Charge for the year	Disposals/ Write-offs	Impairment	Transfers	At 31.12.2023
Accumulated depreciation and impairment losses:						
<u>Own use</u>						
Freehold land	616	-	-	-	-	616
Buildings	1,726,014	80,579	(1,486)	-	695	1,805,802
Plant, machinery, tankage and pipeline	1,914,497	152,186	(4,424)	-	(660)	2,061,599
Office equipment, furniture and fittings	441,645	19,994	(804)	-	(70)	460,765
Computer hardware and software	508,884	68,471	(45)	-	-	577,310
Motor vehicles	93,045	8,938	-	-	35	102,018
Projects-in-progress	4,124	-	-	-	-	4,124
	4,688,825	330,168	(6,759)	-	-	5,012,234
<u>Right-of-use</u>						
Leasehold land	214,267	36,556	(2,649)	5,745	-	253,919
Buildings	836	210	-	-	-	1,046
Other plant and equipment	4,869	1,940	-	-	-	6,809
Vessels	196,537	44,499	-	-	-	241,036
Motor vehicles	7,130	2,108	-	-	-	9,238
	423,639	85,313	(2,649)	5,745	-	512,048
	5,112,464	415,481	(9,408)	5,745	-	5,524,282

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2022 In RM'000	At 1.1.2022	Additions	Disposals/ Write-offs	Transfers	At 31.12.2022
At cost:					
<u>Own use</u>					
Freehold land	1,048,540	-	-	-	1,048,540
Buildings	2,200,793	825	(16,531)	21,718	2,206,805
Plant, machinery, tankage and pipeline	2,374,480	9,311	(23,034)	192,261	2,553,018
Office equipment, furniture and fittings	586,638	4,998	(70,996)	13,943	534,583
Computer hardware and software	655,638	-	(12,128)	79,057	722,567
Motor vehicles	122,802	1,052	(567)	8,459	131,746
Projects-in-progress	222,349	345,856	(20,733)	(330,284)	217,188
	7,211,240	362,042	(143,989)*	(14,846)	7,414,447
<u>Right-of-use</u>					
Leasehold land	1,217,173	3,257	(39,399)	14,846	1,195,877
Buildings	731	421	-	-	1,152
Other plant and equipment	3,360	2,012	-	-	5,372
Vessels	279,148	128,785	(120,511)	-	287,422
Motor vehicles	6,781	2,095	-	-	8,876
	1,507,193	136,570	(159,910)	14,846	1,498,699
	8,718,433	498,612	(303,899)	-	8,913,146

* The amount includes carrying amount of assets transferred from the Company to Mesra Retail & Cafe Sdn. Bhd. amounting to RM18,366,000.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2022 In RM'000	At 1.1.2022	Charge for the year	Disposals/ Write-offs	At 31.12.2022
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	616	-	-	616
Buildings	1,661,850	80,570	(16,406)	1,726,014
Plant, machinery, tankage and pipeline	1,791,819	143,193	(20,515)	1,914,497
Office equipment, furniture and fittings	474,837	21,108	(54,300)	441,645
Computer hardware and software	450,680	63,987	(5,783)	508,884
Motor vehicles	84,862	8,750	(567)	93,045
Projects-in-progress	4,124	-	-	4,124
	4,468,788	317,608	(97,571)*	4,688,825
<u>Right-of-use</u>				
Leasehold land	211,942	38,859	(36,534)	214,267
Buildings	626	210	-	836
Other plant and equipment	3,102	1,767	-	4,869
Vessels	272,428	37,900	(113,791)	196,537
Motor vehicles	5,026	2,104	-	7,130
	493,124	80,840	(150,325)	423,639
	4,961,912	398,448	(247,896)	5,112,464

* The amount includes carrying amount of assets transferred from the Company to Mesra Retail & Cafe Sdn. Bhd. amounting to RM18,366,000.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In RM'000	Group		Company	
	2023	2022	2023	2022
Carrying amount				
<u>Own use</u>				
Freehold land	1,063,246	1,047,924	1,063,246	1,047,924
Buildings	507,743	480,630	488,556	480,791
Plant, machinery, tankage and pipeline	867,570	778,337	713,011	638,521
Office equipment, furniture and fittings	130,184	125,434	100,348	92,938
Computer hardware and software	227,656	275,340	167,992	213,683
Motor vehicles	32,615	38,709	29,853	38,701
Projects-in-progress	239,733	251,950	204,665	213,064
	3,068,747	2,998,324	2,767,671	2,725,622
<u>Right-of-use</u>				
Leasehold land	980,162	1,016,742	946,374	981,610
Buildings	6,767	7,146	106	316
Other plant and equipment	4,313	503	4,313	503
Vessels	46,386	90,885	46,386	90,885
Motor vehicles	10,504	1,746	10,504	1,746
	1,048,132	1,117,022	1,007,683	1,075,060
	4,116,879	4,115,346	3,775,354	3,800,682

Restrictions of land title

The titles to certain freehold and leasehold land are in the process of being registered in the Company's name.

3.1 As a lessee

Significant judgments and assumptions in relation to leases

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

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

4. INTANGIBLE ASSET

Group 2023 In RM'000	At 1.1.2023	Addition	At 31.12.2023
At cost:			
License	806	-	806
	At 1.1.2023	Charge for the year	At 31.12.2023
Accumulated amortisation:			
License	(322)	(387)	(709)
Group 2022 In RM'000	At 1.1.2022	Addition	At 31.12.2022
At cost:			
License	806	-	806
	At 1.1.2022	Charge for the year	At 31.12.2022
Accumulated amortisation:			
License	-	(322)	(322)
Group In RM'000	Carrying amount		
	2023	2022	
License	97	484	

The intangible asset relates to recognition of logistic license upon finalisation of the purchase price allocation for the acquisition of Setel Express Sdn. Bhd. finalised in FY2022. The license is amortised for period of 25 months until March 2024.

5. INVESTMENTS IN SUBSIDIARIES

In RM'000	Company	
	2023	2022
Unquoted shares at cost	337,870	297,559
Less: Impairment losses		
- unquoted shares	-	(2,389)
	337,870	295,170

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the year, the Company had subscribed to 42,700 of redeemable preference shares at RM1,000 each, issued by Setel Ventures Sdn. Bhd. via equity injection of RM42,700,000.

The impairment in prior year of RM2,389,000 was relating to a foreign subsidiary, which was dissolved in the current year. Details of the dissolution are stated in Note 23.

Details of subsidiaries are stated in Note 33 to the financial statements.

Impairment review of cost of investment in subsidiaries

The Company performed impairment test on all its subsidiaries that have indication of impairment. The recoverable value of investment was arrived at using value-in-used method. The estimated recoverable value is higher than the carrying value of the investment for the Company's subsidiaries.

6. INVESTMENTS IN ASSOCIATES

In RM'000	Group		Company	
	2023	2022	2023	2022
Unquoted shares at cost	530	530	530	530
Share of post-acquisition profits and reserves	1,545	1,424	-	-
	2,075	1,954	530	530
Dividend received	500	500	500	500

Summary of financial information on associates:

In RM'000	2023	2022
As at 31 December		
Total assets	11,755	11,225
Total liabilities	(1,383)	(1,454)
Net assets	10,372	9,771
Year ended 31 December		
Revenue	27,955	23,773
Total comprehensive income	2,864	2,230

Details of the associates are stated in Note 34 to the financial statements.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

7. INVESTMENTS IN JOINT VENTURES

In RM'000	Group		Company	
	2023	2022	2023	2022
Unquoted shares at cost	52,474	56,569	52,474	52,474
Share of post-acquisition profits and reserves	8,978	26,594	-	-
	61,452	83,163	52,474	52,474
Dividend received	750	500	750	500

Summary of financial information on joint ventures:

2023 In RM'000	Material joint venture	Other individually immaterial joint ventures	Total
As at 31 December			
Total assets	181,096	29,253	210,349
Total liabilities	(71,620)	(16,315)	(87,935)
Net assets	109,476	12,938	122,414
Year ended 31 December			
Revenue	298,417	65,317	363,734
Total comprehensive (loss)/income	(7,523)	3,201	(4,322)

2022 In RM'000	Material joint venture	Other individually immaterial joint ventures	Total
As at 31 December			
Total assets	171,405	123,067	294,472
Total liabilities	(53,879)	(61,260)	(115,139)
Net assets	117,526	61,807	179,333
Year ended 31 December			
Revenue	234,041	733,800	967,841
Total comprehensive (loss)/income	15,620	7,351	22,971

Details of the joint ventures are stated in Note 35 to the financial statements. During the year, investment in a joint venture was transferred to assets held for sale as per Note 23.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

8. TRADE AND OTHER INVENTORIES

In RM'000	Group		Company	
	2023	2022	2023	2022
Petroleum products	140,906	131,430	140,843	131,139
Stores, spares and others	7,839	8,109	-	-
Inventories at lower of cost or net realisable value	148,745	139,539	140,843	131,139
Recognised in profit or loss:				
Inventories recognised as cost of revenue	33,138,068	32,814,801	32,731,077	32,423,823

9. TRADE AND OTHER RECEIVABLES

In RM'000	Group		Company	
	2023	2022	2023	2022
Trade				
Trade receivables	1,842,473	1,745,782	1,665,688	1,589,644
Amounts due from:				
- Holding company	24	-	-	-
- Subsidiaries	-	-	6,497	1,462
- Associates and joint ventures	16,843	8,396	16,843	8,396
- Related companies	229,151	169,459	200,168	150,136
Less: Impairment losses	(67,447)	(59,873)	(57,363)	(50,261)
	2,021,044	1,863,764	1,831,833	1,699,377
Non-trade				
Other receivables, deposits and prepayments	70,835	175,530	50,320	148,722
Advances and loans to:				
- Associates and joint ventures	2,557	4,152	2,557	4,152
Amounts due from:				
- Holding company	747	795	613	475
- Subsidiaries	-	-	13,490	38,699
- Related companies	154,356	96,750	154,328	95,811
Subsidy receivables	3,389,977	1,898,939	3,389,977	1,898,939
Less: Impairment losses	(5,492)	(12,040)	(4,681)	(11,155)
	3,612,980	2,164,126	3,606,604	2,175,643
Trade and other receivables	5,634,024	4,027,890	5,438,437	3,875,020

Amount due from holding company, subsidiaries, associates, joint ventures and related companies arose in the normal course of business.

The non-trade amounts due from holding company, subsidiaries, related companies & advances and loans to associates & joint ventures are unsecured, interest free and repayable on demand.

During the year, the Group has written off RM9,515,000 (2022: RM124,036,000) of other receivables impairment previously provided for in prior years.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

10. CASH AND CASH EQUIVALENTS

In RM'000	Group		Company	
	2023	2022	2023	2022
Cash with PETRONAS Integrated Financial Shared Services Centre	1,263,612	2,687,592	989,213	2,478,641
Cash and bank balances	243,441	201,569	116,157	113,681
	1,507,053	2,889,161	1,105,370	2,592,322

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

Included in cash and cash equivalents of the Group and of the Company are interest-bearing balances amounting to RM1,254,512,000 (2022: RM2,817,071,000) and RM1,075,264,000 (2022: RM2,536,296,000) respectively.

Included in cash and cash equivalents of the Group are RM28,216,000 (2022: RM38,114,000) held by a trustee. The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised.

11. ASSETS CLASSIFIED AS HELD FOR SALE

In RM'000	Note	Group		Company	
		2023	2022	2023	2022
Freehold land		1,195	-	1,195	-
Investment in a joint venture	7	15,439	-	-	-
		16,634	-	1,195	-

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

12. SHARE CAPITAL

Group and Company	No of shares '000	2023	No of shares '000	2022
		Amount RM'000		Amount RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	993,454	993,454	993,454	993,454

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

13. RESERVES

Capital reserves

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprises merger deficit.

Merger deficit represents the excess of cost of acquisition over the Group's interest in the net carrying value of identifiable net assets, liabilities and contingent liabilities of the acquiree. Merger deficit is classified as part of non-distributable reserves.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statement of a subsidiary whose functional currency is different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation. As at 31 December 2023, the foreign currency translation reserve of RM6,491,000 was derecognised upon dissolution of a foreign operation subsidiary as per Note 23.

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'000	Group		Company	
	2023	2022	2023	2022
Non-current				
Secured				
Lease liabilities	99,823	134,947	24,973	58,573
Total non-current borrowings	99,823	134,947	24,973	58,573
Current				
Secured				
Lease liabilities	51,396	49,366	48,546	47,531
Unsecured				
Sukuk facilities	1,000	-	1,000	-
Total current borrowings	52,396	49,366	49,546	47,531
Total borrowings	152,219	184,313	74,519	106,104

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

15. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Group 2023 In RM'000	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Lease liabilities	151,219	51,396	8,751	12,318	78,754
Unsecured					
Sukuk facilities	1,000	1,000	-	-	-
	152,219	52,396	8,751	12,318	78,754

Group 2022 In RM'000	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Lease liabilities	184,313	49,366	46,947	8,675	79,325
Unsecured					
Sukuk facilities	-	-	-	-	-
	184,313	49,366	46,947	8,675	79,325

Company 2023 In RM'000	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Lease liabilities	73,519	48,546	6,720	8,958	9,295
Unsecured					
Sukuk facilities	1,000	1,000	-	-	-
	74,519	49,546	6,720	8,958	9,295

Company 2022 RM'000	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Lease liabilities	106,104	47,531	45,341	4,238	8,994
Unsecured					
Sukuk facilities	-	-	-	-	-
	106,104	47,531	45,341	4,238	8,994

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

15. BORROWINGS (CONTINUED)

Sukuk facilities

The Company had issued two types of Islamic debt securities (collectively, the “Sukuk Wakalah Programmes”) which are Islamic Commercial Paper (“ICP”) and Islamic Medium Term Notes (“IMTN”) amounting to RM2.0 million, in total. The ICP issuance of RM1.0 million has been fully redeemed on 25 August 2023, and the remaining of IMTN will be fully redeemed on 31 July 2024.

The Sukuk facilities of the Company bear interest at 3.66% (2022: Nil).

Secured lease liabilities

The lease liabilities of the Group and the Company bear interest at rates ranging from 3.41% to 8.43% (2022: 3.51% to 8.43%) and 3.41% to 7.80% (2022: 3.68% to 7.80%) per annum respectively.

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

Group In RM'000	Borrowings	Dividends	Total
Balance at 1 January 2023	184,313	-	184,313
<i>Changes from financing cash flows</i>			
Drawdown of:			
- Sukuk facilities	1,997	-	1,997
Repayment of:			
- Sukuk facilities	(997)	-	(997)
- Lease liabilities	(51,372)	-	(51,372)
Interest expenses:			
- Profit margin from Sukuk facilities	(18)	-	(18)
- Lease liabilities	(10,318)	-	(10,318)
Dividends paid	-	(923,913)	(923,913)
Total changes from financing cash flows	(60,708)	(923,913)	(984,621)
<i>Other changes</i>			
- Dividends declared	-	923,913	923,913
- Finance costs	10,336	-	10,336
- Addition of new leases	18,278	-	18,278
Balance at 31 December 2023	152,219	-	152,219

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

15. BORROWINGS (CONTINUED)

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

Group In RM'000	Borrowings	Dividends	Total
Balance at 1 January 2022	116,432	-	116,432
<i>Changes from financing cash flows</i>			
Drawdown of:			
- Revolving credit facility	700,000	-	700,000
Repayment of:			
- Revolving credit facility	(716,000)	-	(716,000)
- Lease liabilities	(42,857)	-	(42,857)
Interest expenses:			
- Revolving credit facility	(10,218)	-	(10,218)
- Lease liabilities	(11,008)	-	(11,008)
Dividends paid	-	(615,942)	(615,942)
Total changes from financing cash flows	(80,083)	(615,942)	(696,025)
<i>Other changes</i>			
- Dividends declared	-	615,942	615,942
- Finance costs	21,226	-	21,226
- Addition of new leases	137,520	-	137,520
- Termination of leases	(10,782)	-	(10,782)
Balance at 31 December 2022	184,313	-	184,313

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

15. BORROWINGS (CONTINUED)

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

Company In RM'000	Borrowings	Dividends	Total
Balance at 1 January 2023	106,104	-	106,104
<i>Changes from financing cash flows</i>			
Drawdown of:			
- Sukuk facilities	1,997	-	1,997
Repayment of:			
- Sukuk facilities	(997)	-	(997)
- Lease liabilities	(49,507)	-	(49,507)
Interest expenses:			
- Profit margin from Sukuk facilities	(18)	-	(18)
- Lease liabilities	(3,963)	-	(3,963)
Dividends paid	-	(923,913)	(923,913)
Total changes from financing cash flows	(52,488)	(923,913)	(976,401)
<i>Other changes</i>			
- Dividends declared	-	923,913	923,913
- Finance costs	3,981	-	3,981
- Addition of new leases	16,922	-	16,922
Balance at 31 December 2023	74,519	-	74,519

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

15. BORROWINGS (CONTINUED)

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

Company In RM'000	Borrowings	Dividends	Total
Balance at 1 January 2022	22,181	-	22,181
<i>Changes from financing cash flows</i>			
Drawdown of:			
- Revolving credit facility	700,000	-	700,000
Repayment of:			
- Revolving credit facility	(700,000)	-	(700,000)
- Lease liabilities	(41,864)	-	(41,864)
Interest expenses:			
- Revolving credit facility	(10,060)	-	(10,060)
- Lease liabilities	(4,651)	-	(4,651)
Dividends paid	-	(615,942)	(615,942)
Total changes from financing cash flows	(56,575)	(615,942)	(672,517)
<i>Other changes</i>			
- Dividends declared	-	615,942	615,942
- Finance costs	14,711	-	14,711
- Addition of new leases	136,570	-	136,570
- Termination of leases	(10,783)	-	(10,783)
Balance at 31 December 2022	106,104	-	106,104

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

16. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

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

Group In RM'000	At 1.1.2023	Credited/(Charged) to profit or loss	At 31.12.2023
Deferred tax assets/(liabilities)			
Property, plant and equipment	(147,978)	18,181	(129,797)
Contract liability - Loyalty Programme	19,459	(4,456)	15,003
Lease liabilities	14,084	38	14,122
Expected credit loss	3,861	319	4,180
Others	17,257	9,365	26,622
	(93,317)	23,447	(69,870)

Group In RM'000	At 1.1.2022	Credited/(Charged) to profit or loss	At 31.12.2022
Deferred tax assets/(liabilities)			
Property, plant and equipment	(143,682)	(4,296)	(147,978)
Contract liability - Loyalty Programme	18,004	1,455	19,459
Lease liabilities	12,125	1,959	14,084
Expected credit loss	3,281	580	3,861
Others	7,549	9,708	17,257
	(102,723)	9,406	(93,317)

Company In RM'000	At 1.1.2023	Credited/(Charged) to profit or loss	At 31.12.2023
Deferred tax assets/(liabilities)			
Property, plant and equipment	(118,375)	18,432	(99,943)
Contract liability - Loyalty Programme	19,459	(4,456)	15,003
Lease liabilities	3,653	38	3,691
Expected credit loss	3,800	319	4,119
Others	17,389	8,223	25,612
	(74,074)	22,556	(51,518)

Company In RM'000	At 1.1.2022	Credited/(Charged) to profit or loss	At 31.12.2022
Deferred tax assets/(liabilities)			
Property, plant and equipment	(112,429)	(5,946)	(118,375)
Contract liability - Loyalty Programme	18,004	1,455	19,459
Lease liabilities	1,960	1,693	3,653
Expected credit loss	3,198	602	3,800
Others	7,549	9,840	17,389
	(81,718)	7,644	(74,074)

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

17. OTHER LONG-TERM LIABILITIES AND PROVISIONS

In RM'000	Group		Company	
	2023	2022	2023	2022
Dismantling, removal and restoration costs	40,268	36,074	40,268	36,074

Dismantling, removal and restoration costs

The movement of provision for dismantling, removal and restoration costs during the financial year is shown below:

In RM'000	Group and Company	
	2023	2022
Balance at 1 January	36,074	31,272
Net changes in provision	(37)	825
Unwinding of discount	4,231	3,977
Balance at 31 December	40,268	36,074

Under provisions of certain land lease agreements, the Company has an obligation to dismantle and remove structures on certain sites and restore those sites at the end of the lease term to an acceptable condition consistent with the lease agreement.

For these affected sites, the liabilities for dismantling, removal and restoration costs are recognised at present value of the compounded future expenditure estimated using existing technology, at current prices and discounted using a real discount rate.

The present value of the estimated costs is capitalised as part of the asset and the related provisions raised on the date when the obligation arises. The capitalised cost is depreciated over the expected life of the asset. The increase in the net present value of the provision for the expected cost is included as finance costs in the profit or loss.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision. The impact of the changes in the estimate is not material in relation to the Group's and the Company's net profits for the year.

While the provision is based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

As at 31 December 2023, the provision for dismantling, removal and restoration costs is expected to be utilised as follows:

In RM'000	Group and Company
	2023
1 to 10 years	16,601
11 to 20 years	13,744
More than 20 years	9,923
	40,268

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

18. TRADE AND OTHER PAYABLES

In RM'000	Group		Company	
	2023	2022	2023	2022
Trade				
Trade payables	61,362	51,868	54,774	45,480
Contract liability	62,040	80,606	62,040	80,606
Amounts due to:				
- Holding company	-	46	-	46
- Related companies	4,149,485	3,880,158	4,076,612	3,820,340
- Subsidiaries	-	-	37,524	6,935
- Associates and joint ventures	-	63	-	63
	4,272,887	4,012,741	4,230,950	3,953,470
Non-trade				
Other payables	829,627	790,426	715,672	695,033
Amounts due to:				
- Holding company	174,205	135,622	166,802	130,124
- Subsidiaries	-	-	6,179	28,549
- Associates and joint ventures	5,236	3,601	5,235	3,601
- Related companies	29,053	35,826	26,811	35,111
E-Money liabilities	41,314	31,934	-	-
Duties payables	4,573	6,546	4,573	6,546
	1,084,008	1,003,955	925,272	898,964
Trade and other payables	5,356,895	5,016,696	5,156,222	4,852,434

Contract liability is attributable to the monetary value of the awarded Mesra points under PETRONAS Mesra Loyalty Programme.

Trade amounts due to holding company, related companies, subsidiaries, associates and joint ventures arose in the normal course of business.

Non-trade amounts due to holding company, subsidiaries, associates, joint ventures and related companies are unsecured, interest free and repayable on demand.

E-Money liabilities are in relations to users' balances in their e-wallets which are refundable to users upon request.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

19. REVENUE

In RM'000	Group		Company	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sales of petroleum products	37,270,034	36,506,117	36,714,994	36,006,639
Other revenue:				
- non-fuel business	259,165	223,562	-	-
- rendering of services	20,139	19,217	-	-
	37,549,338	36,748,896	36,714,994	36,006,639

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/services lines.

In RM'000	Group		Company	
	2023	2022	2023	2022
Major products/services lines				
- Retail	18,837,678	17,371,537	18,754,715	17,277,987
- Commercial	18,460,623	19,156,544	17,960,279	18,728,652
- Convenience	251,037	220,815	-	-
	37,549,338	36,748,896	36,714,994	36,006,639

Revenue for the Group derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segments (Note 28). Further details are disclosed in Note 28 to the financial statements.

Nature of goods and services

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms
Retail	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot.	Payment for the products supplied shall be made before delivery, on delivery or within stipulated credit period.
Commercial	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot and recognised over time when services are rendered to customers.	Payment for the products supplied shall be made on delivery or within stipulated credit period.
Convenience	Revenue is recognised when products are delivered and accepted by the customers at the station and its premises or when services are rendered to customers.	Payment for the services rendered shall be made on delivery or within stipulated credit period.

There are no significant variable elements in consideration, obligation for returns or refunds nor warranty in the provision of goods and services by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

20. OPERATING PROFIT

In RM'000	Note	Group		Company	
		2023	2022	2023	2022
Included in operating profit are the following charges:					
Auditor's remuneration					
Audit fees					
- KPMG PLT		889	846	582	553
Non audit service fees					
- KPMG PLT		112	90	112	90
Amortisation of intangible asset		387	322	-	-
Depreciation of property, plant and equipment	3	462,757	438,538	415,481	398,448
Expenses relating to short-term leases (Note a)		9,438	3,326	9,007	2,483
Expenses relating to leases of low- value assets (Note b)		183	184	118	112
Expenses relating to variable lease payments not included in the measurement of lease liabilities		203,505	168,644	203,504	168,636
Impairment losses on:					
- property, plant and equipment		5,745	-	5,745	-
- trade receivables		16,350	40,281	15,419	35,329
- other receivables		3,126	323	3,126	168
- investments in a subsidiary		-	-	-	2,389
Property, plant and equipment expensed off		1,862	2,722	429	1,923
Facility charges:					
- plant and equipment		54,259	46,982	54,151	46,971
- land and buildings		38,490	35,189	30,259	26,558
Staff costs:					
- wages, salaries and others		419,806	347,594	322,180	262,649
- contributions to EPF		55,042	45,227	43,956	33,707
Bad debts written off		3,575	-	3,557	-
Property, plant and equipment written off		9,599	22,164	9,110	23,449
Net unrealised loss on foreign exchange		-	158	-	149
Net realised loss on foreign exchange		6,623	5,368	6,544	5,402

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

20. OPERATING PROFIT (CONTINUED)

In RM'000	Note	Group		Company	
		2023	2022	2023	2022
and credits:					
Dividend income:					
- subsidiary		-	-	50,000	69,700
- associates	6	-	-	500	500
- joint ventures	7	-	-	750	500
Net gain on disposal of:					
- property, plant and equipment		5,797	3,869	5,797	4,118
- LPG business in Sarawak (Note c)		-	87,937	-	87,937
Interest income		145,724	69,601	136,541	64,268
Net unrealised gain on foreign exchange		1,072	-	1,075	-
Income from rental of premises		2,469	2,196	22,926	22,648
Write back of impairment losses:					
- trade receivables		8,776	3,084	8,317	1,248
- other receivables		159	57	86	57

- a) The Group leases vessels with contract terms of less than 1 year. These leases are short term in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.
- b) The Group leases various office equipment with contract terms of 1 to 5 years. These leases are low- value in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.
- c) In prior year, the Group had disposed LPG business in Sarawak to PETROSNiaga Sdn. Bhd. ("PNIAGA") and Petroleum Sarawak Berhad ("PETROS"), in relation to the divestment of its LPG business which PDB holds 49% equity in PNIAGA. The Company recorded a net gain of disposal amounting to RM87,937,000.

21. FINANCING COSTS

In RM'000	Group		Company	
	2023	2022	2023	2022
Recognised in profit or loss:				
Unwinding of discount				
- Provision for dismantling, removal and restoration costs	4,231	3,977	4,231	3,977
Profit margin on Sukuk facilities	18	-	18	-
Interest on revolving credits	-	10,218	-	10,060
Interest on lease liabilities	10,318	11,008	3,963	4,651
	14,567	25,203	8,212	18,688

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

22. TAX EXPENSE/(CREDIT)

In RM'000	Group		Company	
	2023	2022	2023	2022
Current tax expense				
Current year	382,294	366,763	318,424	312,788
Under/(over) provision in prior year	5,993	(10,160)	5,178	(10,185)
	388,287	356,603	323,602	302,603
Deferred tax expense/(credit)				
(Reversal)/origination of temporary differences	(1,688)	2,506	(1,234)	4,280
Over provision in prior year	(21,759)	(11,912)	(21,322)	(11,924)
Total deferred tax credit	(23,447)	(9,406)	(22,556)	(7,644)
Total tax expense	364,840	347,197	301,046	294,959

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 of the Group and of the Company is as follows:

Group In RM'000	%	2023	%	2022
Profit before taxation		1,331,618		1,135,035
Taxation at Malaysian statutory tax rate	24	319,588	24	272,408
Effect of corporate tax recognised at different rates	-	-	7	80,668
Effect of different tax rates in foreign jurisdiction	-	-	-	(8)
Non deductible expenses, net of non assessable income	5	58,892	1	5,976
Effect of net deferred tax losses unrecognised	-	2,126	1	10,225
	29	380,606	33	369,269
(Over)/under provision in prior years				
- current tax expense	-	5,993	(1)	(10,160)
- deferred tax expense	(2)	(21,759)	(1)	(11,912)
Tax expense	27	364,840	31	347,197

Company In RM'000	%	2023	%	2022
Profit before taxation		1,176,681		1,049,477
Taxation at Malaysian statutory tax rate	24	282,403	24	251,875
Effect of corporate tax recognised at different rates	-	-	7	78,761
Non assessable income, net of non deductible expenditure	3	34,787	(1)	(13,568)
	27	317,190	30	317,068
Under/(over) provision in prior years				
- current tax expense	-	5,178	(1)	(10,185)
- deferred tax expense	(2)	(21,322)	(1)	(11,924)
Tax expense	25	301,046	28	294,959

In the previous financial year, the deferred tax assets and tax liabilities in respect of temporary differences that were realised in 2023 were originated at blended rates. The blended rates were measured at 24% on the first RM100 million of estimated chargeable income and one-off 33% on the remaining estimated chargeable income for the year of assessment 2022 in accordance with the provision of Malaysian Finance Act 2021.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**22. TAX EXPENSE/(CREDIT) (CONTINUED)**

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

Unrecognised net deferred tax assets

The net deferred tax assets not recognised in the statement of financial position in respect of the temporary differences of subsidiaries are as shown below:

In RM'000	Group	
	2023	2022
Deductible temporary differences	(23,979)	(25,550)
Unutilised tax losses	59,013	65,950
Unabsorbed capital allowance	76,591	62,367
	111,625	102,767

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. In accordance with the provision of Malaysian Finance Act 2021 requirement, the utilisation of unused tax losses will be limited to ten years with effect from year of assessment 2019. Unutilised tax losses of the Group amounting to RM8,488,000 will expire in 2030, RM11,037,000 in 2031, RM7,031,000 in 2032, RM20,026,000 in 2033 and RM12,431,000 in 2034.

Unabsorbed capital allowances do not expire under current tax legislation.

23. SIGNIFICANT EVENTS**i. Sukuk Wakalah Programme**

On 29 March 2023, PDB has announced the establishment of Islamic Commercial Papers ("ICP") Programme and Islamic Medium Term Notes ("IMTN") Programme with a combined aggregate limit of up to RM10.0 billion in nominal value based on the Shariah principle of Wakalah Bi Al-Istithmar (collectively, the "Sukuk Wakalah Programmes"). The proceeds will be used to finance PDB and/or its subsidiaries' Shariah-compliant general corporate purposes, which include investments, capital expenditure, working capital requirements and/or refinancing of existing or future financing. As at reporting date, PDB had issued RM2.0 million for the Sukuk Wakalah Programmes on 31 July 2023 and subsequently redeemed RM1.0 million on 25 August 2023. The remaining of IMTN will be fully redeemed on 31 July 2024.

ii. Dissolution of PDB Netherlands B.V. ("PDBN")

On 8 August 2023, the Group dissolved its foreign operations subsidiary, PDB Netherlands B.V. ("PDBN").

iii. Assets classified as held for sale

On 19 March 2023, the Group via its subsidiary, PETRONAS Aviation Sdn. Bhd. ("PAV") has entered into a Shares Sale Agreement ("SSA") in relation to the divestment of 40% shareholdings by PAV in United Fuel Company LLC ("UFC"). The divestment in UFC is presented as assets classified as held for sale with the carrying value of RM15.4 million as at 31 December 2023. The divestment is expected to be completed in 2024 upon fulfilment of the conditions precedent as agreed in the SSA.

Included herein two (2) lands with a carrying value of RM1.2 million that were classified as assets held for sale during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

24. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

In RM'000	Group	
	2023	2022
Profit for the year attributable to shareholders	943,076	776,595
Number of ordinary shares ('000)	993,454	993,454
Basic earnings per ordinary share (in sen)	94.9	78.2

Basic earnings per share

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

25. DIVIDENDS

In RM'000	Company	
	2023	2022
In respect of financial year ended 31 December 2022:		
Quarter 4: Interim dividend of 26.0 sen per ordinary share (2021: 26.0 sen)	258,298	258,298
Quarter 4: special dividend of 14.0 sen per ordinary share (2021: Nil)	139,084	-
In respect of financial year ended 31 December 2023:		
Quarter 1: interim dividend of 15.0 sen per ordinary share (2022: 5.0 sen)	149,018	49,673
Quarter 2: interim dividend of 18.0 sen per ordinary share (2022: 11.0 sen)	178,822	109,280
Quarter 3: interim dividend of 20.0 sen per ordinary share (2022: 20.0 sen)	198,691	198,691
	923,913	615,942

The Directors had on 26 February 2024 declared an interim dividend of 27.0 sen per ordinary share amounting to RM268,232,580 in respect of the financial year ended 31 December 2023. The interim dividend has not been accounted for in the financial statements for the year ended 31 December 2023.

26. RELATED PARTIES 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, PETRONAS and its related entities. The Group'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.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

26. RELATED PARTIES DISCLOSURES (CONTINUED)

Key management personnel compensation

In RM'000	Group and Company	
	2023	2022
Directors		
- Fees	1,508	1,335
- Other short-term employee benefits	42	31
	1,550	1,366

The Company reimbursed the holding company for compensation of certain key management personnel attributable to services rendered as well as fees for Directors who are appointees of the holding company as disclosed in the related parties disclosures.

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:

In RM'000	Group	
	2023	2022
Federal and State Government of Malaysia:		
Sales of petroleum products	420,792	474,939
Government of Malaysia's related entities:		
Sales of petroleum products	7,495,653	5,788,289
Holding company:		
Sales of petroleum products	847	871
Facility charges	(23,885)	(25,397)
Reimbursement of key management personnel costs and benefits	(1,683)	(1,763)
Interest income from PETRONAS IFSSC	139,778	66,920
Fees for representation in the Board of Directors*	(362)	(362)
Information, communication and technology charges	(78,391)	(75,341)
Corporate services charges	(42,838)	(30,592)
Related companies:		
Sales of petroleum products	1,373,103	1,690,960
Purchases of petroleum products	(44,303,318)	(48,252,631)
Information, communication and technology charges	(53,785)	(58,188)
Facility charges	(4,348)	(4,386)
Lease expenses	(2,374)	(2,374)
Technical manpower services and training	(30,764)	(21,095)
Associate companies:		
Sales of petroleum products	600	686
Facility charges	(10,261)	(10,328)
Joint ventures:		
Sales of petroleum products	101	106
Facility charges	(37,111)	(27,760)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

26. RELATED PARTIES DISCLOSURES (CONTINUED)

Significant transactions with related parties (continued)

In RM'000	Company	
	2023	2022
Federal and State Government of Malaysia:		
Sales of petroleum products	420,792	474,939
Government of Malaysia's related entities:		
Sales of petroleum products	7,482,671	5,776,272
Holding company:		
Sales of petroleum products	847	871
Facility charges	(23,885)	(25,397)
Reimbursement of key management personnel costs and benefits	(1,683)	(1,763)
Interest income from PETRONAS IFSSC	134,558	63,328
Fees for representation in the Board of Directors*	(362)	(362)
Information, communication and technology charges	(76,812)	(73,682)
Corporate services charges	(40,023)	(27,859)
Related companies:		
Sales of petroleum products	1,324,867	1,644,731
Purchases of petroleum products	(43,841,624)	(47,845,288)
Information, communication and technology charges	(53,785)	(58,188)
Facility charges	(4,348)	(4,386)
Lease expenses	(2,374)	(2,374)
Technical manpower services and training	(30,764)	(21,095)
Associate companies:		
Sales of petroleum products	600	686
Facility charges	(10,261)	(10,328)
Joint ventures:		
Sales of petroleum products	102	106
Facility charges	(37,111)	(27,760)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2023 are disclosed in Note 9 and Note 18 as well as lease liabilities balances as follows:

In RM'000	Group		Company	
	2023	2022	2023	2022
Related companies	4,403	526	4,403	526

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

27. COMMITMENTS

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

In RM'000	Group		Company	
	2023	2022	2023	2022
Property, plant and equipment				
Approved and contracted for	87,102	97,011	75,805	91,325
Approved but not contracted for	397,898	326,655	265,657	260,667
	485,000	423,666	341,462	351,992

28. OPERATING SEGMENTS

The Group's reportable segments comprise Retail, Commercial and Convenience Businesses. Each reportable segment offers different products and services and require different marketing strategies. The following summary describes the operations in each of the Group's reportable segment:

- Retail** – consists of sales and purchases of petroleum products to the retail sector.
- Commercial** – consists of sales and purchases of petroleum products and provision of services to the commercial sector.
- Convenience** – comprises mainly non-fuel business activities.

For each of the reportable segment, the Group chief operating decision maker, which is the Board of Directors of the Company, reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit or loss before tax as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Revenues derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the operating segment. In this respect, no further disaggregation of revenue is presented.

Group 2023 Business Segments In RM'000	Retail	Commercial	Convenience	Total
Revenue	18,837,678	18,460,623	251,037	37,549,338
Depreciation and amortisation	370,337	57,738	35,069	463,144
Other income	215,842	91,586	7,124	314,552
Operating profit	798,605	524,743	27,739	1,351,087
Financing costs	(5,814)	(8,263)	(490)	(14,567)
Share of loss after tax of associates and joint ventures				(4,902)
Profit before taxation				1,331,618

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

28. OPERATING SEGMENTS (CONTINUED)

Group 2022 Business Segments in RM'000	Retail	Commercial	Convenience	Total
Revenue	17,371,537	19,156,544	220,815	36,748,896
Depreciation and amortisation	348,985	58,759	31,116	438,860
Other income	224,375	59,161	8,220	291,756
Operating profit	774,684	358,101	16,120	1,148,905
Financing costs	(15,693)	(9,076)	(434)	(25,203)
Share of profit after tax of associates and joint ventures				11,333
Profit before taxation				1,135,035

Geographical information

There is no disclosure on geographical segment information as the Group's operations are predominantly within Malaysia.

Major customers

As at 31 December 2023, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

29. CONTINGENCIES

In RM'000	Group	
	2023	2022
Contingent assets		
An award in favour of a subsidiary was issued by the arbitrator in 2018 following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The quantum to be paid following the award as of the financial period date is pending settlement negotiation between the parties.	26,662	26,662

In the normal course of business, the Group is subject to several contingencies arising from litigations and claims brought by various parties. As at 31 December 2023, there were no material contingent liabilities since the last audited consolidated statement of financial position.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Amortised cost ("AC").

Group 2023 In RM'000	Note	Amortised cost	Total carrying amount
Financial assets			
Trade and other receivables*	9	5,614,293	5,614,293
Cash and cash equivalents	10	1,507,053	1,507,053
		7,121,346	7,121,346
Financial liabilities			
Trade and other payables*	18	(5,294,855)	(5,294,855)
Sukuk facilities		(1,000)	(1,000)
		(5,295,855)	(5,295,855)
Group 2022 In RM'000	Note	Amortised cost	Total carrying amount
Financial assets			
Trade and other receivables*	9	3,914,520	3,914,520
Cash and cash equivalents	10	2,889,161	2,889,161
		6,803,681	6,803,681
Financial liabilities			
Trade and other payables*	18	(4,936,015)	(4,936,015)

* These balances exclude non-financial instruments balances.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Group 2023 In RM'000	Note	Amortised cost	Total carrying amount
Financial assets			
Trade and other receivables*	9	5,431,179	5,431,179
Cash and cash equivalents	10	1,105,370	1,105,370
		6,536,549	6,536,549
Financial liabilities			
Trade and other payables*	18	(5,094,182)	(5,094,182)
Sukuk facilities		(1,000)	(1,000)
		(5,095,182)	(5,095,182)

Company 2022 In RM'000	Note	Amortised cost	Total carrying amount
Financial assets			
Trade and other receivables*	9	3,771,586	3,771,586
Cash and cash equivalents	10	2,592,322	2,592,322
		6,363,908	6,363,908
Financial liability			
Trade and other payables*	18	(4,771,805)	(4,771,805)

* These balances exclude non-financial instruments balances.

Financial risk management

The Group and the Company are exposed to various risks, that are particular to its core business which consists of domestic marketing of petroleum products. These risks, which arise in the normal course of the Group's and the Company's business, comprise counterparty credit risk, liquidity risk and market risk relating to interest rates risk and foreign exchange risk.

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

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

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

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

The Group and the Company's exposures to credit risk arise principally from their receivables from third party customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint ventures and associates. Credit risks are controlled in accordance with PETRONAS' policies, standards and guidelines implemented across PETRONAS Group.

Trade and other receivables**Risk management objectives, policies and processes for managing the risk**

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

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate credit risk by requiring collateral or other credit enhancements such as cash deposits, letter of credit, Amanah Saham Bumiputera ("ASB"), Amanah Saham Bumiputera 2 ("ASB 2"), Amanah Saham Wawasan 2020 ("ASW 2020"), bank guarantees and fixed deposits.

The Group uses ageing analysis to monitor the credit quality of the receivables. As at the year end, 92% (2022: 94%) of gross trade receivables of the Group are within the credit terms.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company.

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

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

Exposure to credit risk, credit quality and collateral

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

At each reporting date, the Group and the Company 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:

- significant financial difficulty of the customer;
- a breach of contract such as a default; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Concentration of credit risk

On reporting date, there is a significant concentration of credit risk of the Group arising from an amount owing from a customer constituting 13% (2022: 14%) of the total trade receivables of the Group.

In addition, there is a significant concentration of credit risk of the Group on the amount owing from the Government constituting 93% (2022: 92%) of the total other receivables of the Group. The amount related to subsidies arising from the Automatic Pricing Mechanism governing the sales of petroleum products.

Recognition and measurement of impairment loss

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

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

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

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023 which are grouped together as they are expected to have similar risk nature.

Group 2023 In RM'000	Note	Gross carrying amount	Loss allowance	Net balance
Credit Risk Rating				
Sovereign		35,511	-	35,511
Excellent		372,203	(103)	372,100
Good		952,555	(1,029)	951,526
Fair		678,650	(16,743)	661,907
		2,038,919	(17,875)	2,021,044
Credit impaired:				
Individually impaired		49,572	(49,572)	-
		2,088,491	(67,447)	2,021,044
Representing:				
Trade receivables	9	2,088,491	(67,447)	2,021,044

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Group 2022 In RM'000	Note	Gross carrying amount	Loss allowance	Net balance
Credit Risk Rating				
Sovereign		48,104	-	48,104
Excellent		408,206	(117)	408,089
Good		666,223	(550)	665,673
Fair		757,691	(15,793)	741,898
		1,880,224	(16,460)	1,863,764
Credit impaired:				
Individually impaired		43,413	(43,413)	-
		1,923,637	(59,873)	1,863,764
Representing:				
Trade receivables	9	1,923,637	(59,873)	1,863,764

Company 2023 In RM'000	Note	Gross carrying amount	Loss allowance	Net balance
Credit Risk Rating				
Sovereign		35,511	-	35,511
Excellent		308,151	(96)	308,055
Good		873,644	(792)	872,852
Fair		631,955	(16,540)	615,415
		1,849,261	(17,428)	1,831,833
Credit impaired:				
Individually impaired		39,935	(39,935)	-
		1,889,196	(57,363)	1,831,833
Representing:				
Trade receivables	9	1,889,196	(57,363)	1,831,833

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Company 2022 In RM'000	Note	Gross carrying amount	Loss allowance	Net balance
Credit Risk Rating				
Sovereign		48,104	-	48,104
Excellent		332,401	(108)	332,293
Good		617,102	(494)	616,608
Fair		718,016	(15,644)	702,372
		1,715,623	(16,246)	1,699,377
Credit impaired:				
Individually impaired		34,015	(34,015)	-
		1,749,638	(50,261)	1,699,377
Representing:				
Trade receivables	9	1,749,638	(50,261)	1,699,377

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

In RM'000	Group		Company	
	2023	2022	2023	2022
At net				
Current	1,925,399	1,813,621	1,754,292	1,672,019
Past due 1 to 30 days	59,819	12,895	53,683	7,248
Past due 31 to 60 days	8,579	5,697	6,873	610
Past due 61 to 90 days	3,813	4,772	678	2,581
Past due more than 90 days	23,434	26,779	16,307	16,919
	2,021,044	1,863,764	1,831,833	1,699,377
Representing:				
Trade receivables (Note 9)	2,088,491	1,923,637	1,889,196	1,749,638
Less: Impairment losses (Note 9)	(67,447)	(59,873)	(57,363)	(50,261)
	2,021,044	1,863,764	1,831,833	1,699,377

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit, ASB, ASB 2, ASW 2020 and bank guarantees.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)**Trade and other receivables (continued)****Recognition and measurement of impairment loss (continued)**

Trade receivables which are credit impaired amounting to RM67,447,000 (2022: RM59,873,000) are partially collateralised in the form of financial guarantee by banks. Impairment loss has been provided in excess of the collateral value of the financial guarantee of RM147,727,000 (2022: RM164,616,000).

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

In RM'000	Group		Company	
	2023	2022	2023	2022
Opening balance	59,873	22,676	50,261	16,180
Impairment loss recognised	16,350	40,281	15,419	35,329
Impairment loss reversed	(8,776)	(3,084)	(8,317)	(1,248)
Closing balance	67,447	59,873	57,363	50,261

Fund investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investment activities which is managed by IFSC on behalf of the Group 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 investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines.

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

As at the reporting date, the Group and the Company have only invested in short term domestic money market instrument. In view of the sound credit rating of counterparties, the Group and the Company do not expect any counterparties to fail to meet its obligation and hence, loss allowance is not provided for.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will have insufficient funds to meet financial commitments in a timely manner. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables, and borrowings. In managing its liquidity risk, the Group and the Company maintains sufficient cash and liquid marketable assets and a balance between continuity of funding and flexibility through use of stand-by credit facilities. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis

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

Group 2023 In RM'000	Carrying amount	Effective interest rates per annum/ discount rate %	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Lease liabilities	151,219	3.41-8.43	275,509	61,996	16,684	41,911	154,918
Trade and other payables	5,294,855	-	5,294,855	5,294,855	-	-	-
Sukuk facilities	1,000	3.66	1,000	1,000	-	-	-
	5,447,074		5,571,364	5,357,851	16,684	41,911	154,918

Group 2022 In RM'000	Carrying amount	Effective interest rates per annum/ discount rate %	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Lease liabilities	184,313	3.51-8.43	356,497	57,662	56,878	78,807	163,150
Trade and other payables	4,936,015	-	4,936,015	4,936,015	-	-	-
	5,120,328		5,292,512	4,993,677	56,878	78,807	163,150

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2023 In RM'000	Carrying amount	Discount rate %	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Lease liabilities	73,519	3.41-7.80	92,581	53,278	8,237	13,702	17,364
Trade and other payables	5,094,182	-	5,094,182	5,094,182	-	-	-
Sukuk	1,000	3.66	1,000	1,000	-	-	-
	5,168,701		5,187,763	5,148,460	8,237	13,702	17,364

Company 2022 In RM'000	Carrying amount	Discount rate %	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Lease liabilities	106,104	3.68-7.80	166,836	49,667	48,775	49,667	18,727
Trade and other payables	4,771,805	-	4,771,805	4,771,805	-	-	-
	4,877,909		4,938,641	4,821,472	48,775	49,667	18,727

Market risk

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

Profit margin or Interest rate risk

Profit margin or interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

Sukuk facilities, short-term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest-bearing financial assets and financial liabilities, which consist mainly of fixed rate short term fund placement and Sukuk facilities do not have significant exposure to interest rate risk.

All profit or interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines.

Foreign exchange risk

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The Group's and the Company's funds are managed by IFSSC whereby foreign currency exposure is typically managed by matching receipts and payment for the same currency and internally hedged with IFSSC. When deemed necessary and appropriate, the Company, via IFSSC will enter into external hedging to minimise its exposure to the foreign currency movements.

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'000	2023 Denominated in USD	2022 Denominated in USD
Financial asset		
Trade and other receivables	287,463	213,616
Financial liabilities		
Trade and other payables	(104,241)	(164,124)
Lease liabilities	(47,818)	(90,897)
	135,404	(41,405)

Company In RM'000	2023 Denominated in USD	2022 Denominated in USD
Financial asset		
Trade and other receivables	287,055	213,436
Financial liabilities		
Trade and other payables	(104,241)	(160,822)
Lease liabilities	(47,818)	(90,897)
	134,996	(38,283)

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2023 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2023 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

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

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Appreciation in foreign currency rate %	Group	Company
		Effect on profit or loss RM'000	Effect on profit or loss RM'000
2023			
USD	10	13,540	13,500
2022			
USD	10	(4,141)	(3,828)

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

Fair value information

The Group's and the Company's financial instruments consist of borrowings, cash and cash equivalents, trade and other receivables and trade and other payables.

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

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

Group 2023 In RM'000	Fair value of financial instruments not carried at fair value		Carrying amount
	Level 3	Total	
Financial liability			
Sukuk facilities	965	965	1,000

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

Group 2023 In RM'000	Interest income	Interest expense	Net impairment loss	Others	Total
Financial assets at amortised cost	145,724	-	(14,116)	(4,452)	127,156
Financial liabilities at amortised cost	-	(18)	-	10,003	9,985
Total	145,724	(18)	(14,116)	5,551	137,141

Group 2022 In RM'000	Interest income	Interest expense	Net impairment loss	Others	Total
Financial assets at amortised cost	69,601	-	(37,463)	19,910	52,048
Financial liabilities at amortised cost	-	(10,218)	-	(25,436)	(35,654)
Total	69,601	(10,218)	(37,463)	(5,526)	16,394

Company 2023 In RM'000	Interest income	Interest expense	Net impairment loss	Others	Total
Financial assets at amortised cost	136,541	-	(13,699)	(4,523)	118,319
Financial liabilities at amortised cost	-	(18)	-	9,992	9,974
Total	136,541	(18)	(13,699)	5,469	128,293

Company 2022 In RM'000	Interest income	Interest expense	Net impairment loss	Others	Total
Financial assets at amortised cost	64,268	-	(34,191)	19,885	49,962
Financial liabilities at amortised cost	-	(10,060)	-	(25,436)	(35,496)
Total	64,268	(10,060)	(34,191)	(5,551)	14,466

Others relate to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses.

31. CAPITAL MANAGEMENT

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds to support its business and maximise shareholders' value. The Group monitors and maintains a prudent level of total debt to total asset, if any.

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

The debt to equity ratio of the Group as at 31 December 2023 is 2.6:100 (2022: 3.2:100).

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

32. HOLDING AND ULTIMATE HOLDING COMPANY

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

33. SUBSIDIARIES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2023 %	2022 %	
Companies incorporated in Malaysia			
Mesra Retail & Cafe Sdn. Bhd.	100	100	Managing operations of Mesra convenience stores, food & beverage and managing petrol station.
PETRONAS Aviation Sdn. Bhd.	100	100	Providing technical consultancy services.
PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.	100	100	Marketing and distribution of petroleum products.
Setel Express Sdn. Bhd.	100	100	Sale of PETRONAS merchandise via retail marketing and e-commerce.
Setel Pay Sdn. Bhd.	100	100	Issuing and operating electronic money (e-money) and the Company is currently dormant.
Setel Ventures Sdn. Bhd.	100	100	Providing seamless payment solutions.
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	65	65	Operating, maintaining and managing Aircraft Fuelling System (AFS) at Kuala Lumpur International Airport, and providing aviation fuelling services related to the AFS to fuel suppliers.
Company incorporated in Netherlands			
PDB (Netherlands) B.V.	0	100	To hold activities and investment in any business of marketing and distributing lubricants. On 8 August 2023, the Group dissolved its foreign operations subsidiary, PDB (Netherlands) B.V. ("PDBN").

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

34. ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2023 %	2022 %	
Companies incorporated in Malaysia			
* IOT Management Sdn. Bhd.	20	20	Managing independent oil terminals at Senari, Kuching.
* Tanjung Manis Oil Terminal Management Sdn. Bhd.	20	20	Managing oil terminals at Tanjung Manis.

* Audited by firm of auditors other than KPMG PLT.

35. JOINT VENTURES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2023 %	2022 %	
Companies incorporated in Malaysia			
P S Pipeline Sendirian Berhad	50	50	Maintaining and operating the Multi Product Pipeline and Klang Valley Distribution Terminal (MPP-KVDT) and the associated facilities for the transportation of petroleum products on behalf of the MPP-KVDT owners/ shareholders namely Shell Malaysia Trading Sendirian Berhad and PETRONAS Dagangan Berhad.
P S Terminal Sendirian Berhad	50	50	Operation, management and maintenance of joint facilities – terminal, depot, warehouse, equipment, machinery, pipelines, tanks and associated facilities in Tawau and Bintulu on behalf of the joint shareholders namely Shell Timur Sendirian Berhad and PETRONAS Dagangan Berhad.
PETROSNiaga Sdn. Bhd.	49	49	To supply industrial bulk, commercial and residential LPG.
Company incorporated in Kingdom of Saudi Arabia			
* United Fuel Company Limited (Limited Liability Company)^	40	40	Providing support, maintenance and operation services for airport facilities and gas fuel, storage equipment and fuel supply to aircrafts in the airports of the Kingdom of Saudi Arabia.

* Audited by firm of auditors other than KPMG PLT. The Company was reclassified as assets held for sale as per Note 23.

^ Interest owned by PETRONAS Aviation Sdn. Bhd.

OUR FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**36. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS**

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

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*

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

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

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

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

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

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

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

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

The Amendments to MFRS 112/IAS 12 introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the Group. Based on the initial assessment carried out as at 31 December 2023, the Pillar Two effective tax rate in all jurisdiction in which the Group operates is above 15%. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

37. PRONOUNCEMENTS YET IN EFFECT

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

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 *Leases (Lease Liability in a Sale and Leaseback)*

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

Amendments to MFRS 101 *Presentation of Financial Statements (Non-current Liabilities with Covenants)*

Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures (Supplier Finance Arrangements)*

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

37. PRONOUNCEMENTS YET IN EFFECT (CONTINUED)

Effective for a date yet to be confirmed

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

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

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

38. NEW AND REVISED PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

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

39. COMPARATIVE FIGURES

The Group and the Company have represented the comparative figures in prior year due to the reclassification on cost recovered from hospitality arrangement to be netted off against the cost of revenue instead of recognising as other income. The effects of the restatement are disclosed below:

Group In RM'000	As restated	As previously stated
Cost of revenue	(33,094,811)	(33,194,963)
Other income	291,756	391,908

Company In RM'000	As restated	As previously stated
Cost of revenue	(32,666,495)	(32,766,647)
Other income	377,711	477,863

The above restatement does not have any impact on the earnings for ordinary shares of the Group. Certain notes to the financial statements have been represented to be in accordance with the current year presentation.

OUR FINANCIAL STATEMENTS

Independent Auditors' Report

to the members of PETRONAS DAGANGAN BERHAD
(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PETRONAS Dagangan Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss 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 material accounting policy information, as set out on pages 12 to 89.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Revenue Recognition

Refer to page 39 (Note 2.19 Material Accounting Policies) and page 64 (Note 19) to the financial statements.

The key audit matter

The main revenue streams of the Group are split into retail, commercial and convenience. Revenue recognition is a key audit matter due to risk that revenue may be overstated arising from pressure faced by the Group in achieving performance targets as revenue recognition has a direct impact on the results of the Group.

Independent Auditors' Report
to the members of PETRONAS DAGANGAN BERHAD
(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

How the matter was addressed in our audit

We performed the following audit procedures, among others, around revenue recognition:

- We tested the design and implementation as well as operating effectiveness of the Group's controls relevant to recognition of revenue;
- We assessed whether sales transactions on either side of the statement of financial position date as well as credit notes issued after year end are recognised in the correct period;
- We tested sales transactions recorded to the acknowledged customer delivery orders as an indication of transfer of control on goods to ascertain validity of sales; and
- We involved our Information Technology specialist to test the overall general IT control environment and application controls relevant to recognition of sales.

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 Director's 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 auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

OUR FINANCIAL STATEMENTS

Independent Auditors' Report

to the members of PETRONAS DAGANGAN BERHAD
(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditors' Report
to the members of PETRONAS DAGANGAN BERHAD
(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

Date: 26 February 2024

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2025 J
Chartered Accountant

OUR FINANCIAL STATEMENTS

Net Book Value of Land and Buildings of the Company

	Freehold			Leasehold			Total Land			Building
	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Buildings (RM'000)
CENTRAL REGION	427,703	118	4,416,692	277,288	93	19,678,893	704,991	211	24,095,585	124,838
NORTHERN REGION	191,246	84	3,680,319	47,629	41	5,689,004	238,875	125	9,369,323	240,217
SOUTHERN REGION	364,010	140	5,536,755	76,882	45	1,664,964	440,892	185	7,201,719	76,243
EAST COAST REGION	68,351	37	1,593,158	35,553	55	1,955,778	103,904	92	3,548,936	18,548
SARAWAK	11,721	4	183,095	23,508	36	1,441,916	35,229	40	1,625,011	11,028
SABAH	215	1	49,223	30,170	37	2,534,198	30,385	38	2,583,421	17,682
Grand Total	1,063,246	384	15,459,242	491,030	307	32,964,753	1,554,276	691	48,423,995	488,556

Usage of Land*

	Bulk Depot	Klang Valley Distribution Terminal	LPG Storage & Bottling Plant	Multi Product Pipeline	Service Station	Training Centre & Service Station	Vacant Land	Grand Total
CENTRAL REGION	-	2	-	1	199	1	8	211
NORTHERN REGION	3	-	-	-	118	-	4	125
SOUTHERN REGION	-	-	-	-	183	-	2	185
EAST COAST REGION	-	-	1	-	87	-	4	92
SARAWAK	3	-	-	-	37	-	-	40
SABAH	3	-	-	-	33	-	2	38
Grand Total	9	2	1	1	657	1	20	691

* This represents usage of freehold and leasehold land belonging to the Company, and exclude stations or facilities built on leased land

List of Top 10 Landed Properties

AS AT 31 DECEMBER 2023

Name of Facilities and Location	Net Book Value (RM)
PSS SEBERANG PRAI KM 131, PLUS Arah Selatan, Lot 1973 Seberang Perai Tengah, Pulau Pinang	12,299,757
LUMUT FUEL TERMINAL Lumut Port Industrial Park, Kg Acheh, 32000 Sitiawan, Perak	6,279,133
PSS JLN KOLAM AYER AMPANG Lot 36904, Jalan Kolam Air Lama, 68000 Ampang, Kuala Lumpur	5,869,348
PASIR GUDANG LPG BOTTLING PLANT Lot 108, Lorong Sawit 2, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor	5,686,043
PSS SUBANG AIRPORT Lot 1210 Jalan Lapangan Terbang, Subang	4,955,566
PSS LEBUHRAYA SILK DENGKIL Lot 44116, KM 26.8 Lebuhraya Silk (Arah Kajang), 43300 Seri Kembangan, Selangor	4,825,193
PSS BANDAR SUNGAI MERAB Lot PT 2, Bandar Sungai Merab, 43000 Sepang, Selangor	4,109,409
PSS KEMENA Lot 912 Blok 32 Jalan Bintulu Tatau, Kemena	3,999,990
PSS PLUS/BESRAYA HIGHWAY KM 305, PLUS Arah Selatan, Lot 896, GRN 46223, Mukim Kajang, 43650 Hulu Langat, Selangor	3,825,622
PSS JURU LAYBY ARAH UTARA Lot 4290, MK.6, Lebuhraya Utara Selatan, Perhentian Juru, 14000, Bukit Mertajam, Pulau Pinang	3,272,603

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PETRONAS

PETRONAS DAGANGAN BERHAD

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