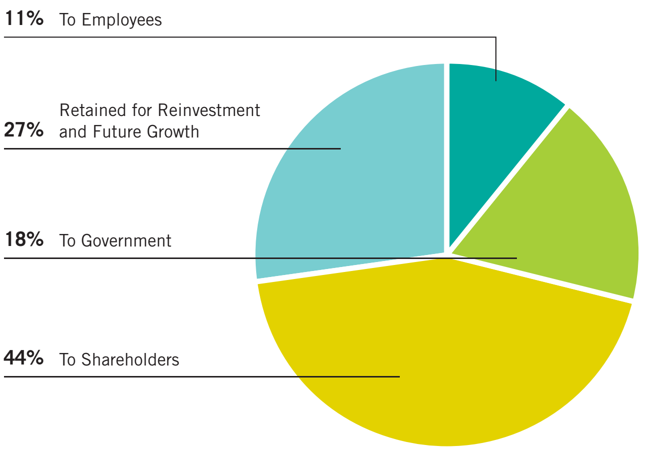
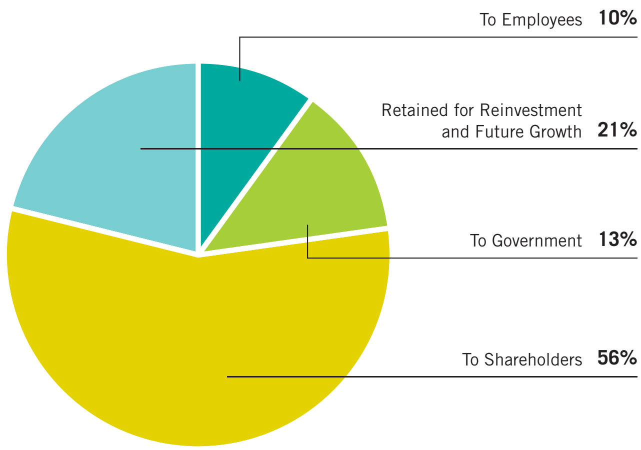
STATEMENT OF VALUE ADDED

	Group		Company	
	9 months period ended 31.12.2011 RM mil	12 months period ended 31.3.2011 RM mil	9 months period ended 31.12.2011 RM mil	12 months period ended 31.3.2011 RM mil
Revenue	11,887	14,574	1,801	2,340
Purchase of goods and services	(6,809)	(9,329)	(33)	(25)
Value added by the companies	5,078	5,245	1,768	2,315
Other expenses	(96)	(92)	(1)	(9)
Other income	341	321	194	66
Financing costs	(97)	(108)	(75)	(59)
Share of profit after tax of equity accounted associate and jointly controlled entity	273	714	–	–
Value added available for distribution	5,499	6,080	1,886	2,313
DISTRIBUTION				
To employees – Employment costs	596	577	77	9
To government – Taxation	985	798	33	11
To shareholders – Dividends	2,160	2,962	2,160	–
– Minority Interest	291	468	–	–
Retained for reinvestment and future growth				
– Depreciation and amortisation	1,006	1,247	–	–
– Retained profit	461	28	(384)	2,293
	5,499	6,080	1,886	2,313

DISTRIBUTION OF VALUE ADDED



Group
9 months period ended 31.12.2011



Group
12 months period ended 31.3.2011

INVESTOR RELATIONS

The Kuala Lumpur Composite Index (KLCI) held steady in the first half of 2011, with the following second half of the year being clouded by concerns over the global economy with the slow growth in the US, debt crisis in Europe, and monetary policies in China. PCG was not spared, with the share price falling from a high of RM7.53 in May 2011, to close the year at RM6.20. The volume of PCG shares traded daily was reduced towards the end of 2011 due to investors remaining cautious.

However, the markets staged a recovery early in 2012 due to positive sentiments. From January to end March 2012, PCG share prices appreciated by over 8%, comparing favorably to KLCI, which improved by nearly 5%. As at 31 March 2012, PCG has remained in KLCI's top 3 counters, with a market capitalization of RM 53.6 billion.

INVESTOR RELATIONS

PCG recognises the importance of developing a healthy relationship with investors, fund managers, analysts, and our broad range of shareholders, which stands at over 45,000 in 2011. With the view of creating shareholder value, and keeping communication channels open between the company and the financial community, Investor Relations planned and implemented a comprehensive engagement programme in 2011.

NON DEAL ROADSHOWS

Senior management participated in non-deal roadshows in Kuala Lumpur, Singapore, Hong Kong, and London in 2011. The roadshows gave senior management the opportunity to engage with fund managers directly in these key financial markets. We conducted meetings and presentations to an audience of over 120 fund managers across all the locations.

INVEST MALAYSIA 2011

PCG had the honor of representing Malaysia on the global investment stage by participating in the Invest Malaysia 2011 conference. Hosted by Bursa Malaysia, the event brought investors from around the world to meet with selected publicly listed companies in Malaysia. PCG conducted a corporate briefing attended by over 120 people, and hosted meetings with over 15 fund managers and analysts.

The conference was also held in New York, with participation from PCG and 9 other Malaysian public listed companies. The event, which was officiated by the Prime Minister of Malaysia at the New York Stock Exchange, attracted a wide range of US investors.

ANALYST BRIEFINGS

Investor Relations also hosted quarterly analyst conference calls, with an average of 35 global analysts joining at each event. Held in the months of May, August, and November 2011, the briefings gave the opportunity for senior management to share insights on the previous quarter's financial performance and discuss recent developments.

IN-HOUSE MEETINGS

Fund managers and analysts were also welcomed in PCG's corporate office in Kuala Lumpur, with senior management engaging with them personally. The in-house meetings gave the opportunity for investors and analysts to learn more about the company and industry. For the period under review, Investor Relations hosted in-house meetings and conference calls with over 45 analysts and fund managers from around the world.

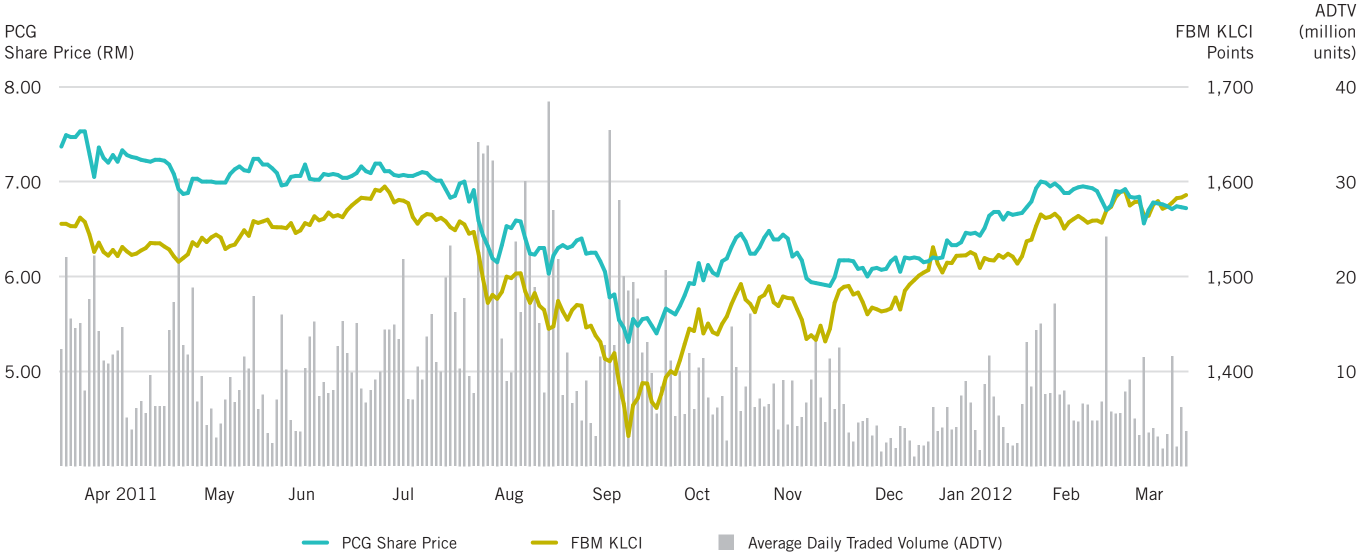
CAPITAL MARKET FEEDBACK

The engagements hosted by Investor Relations and senior PCG management allowed for accurate and timely information to be shared with the capital market. The consensus of financial analysts providing research on PCG was positive in 2011, with most giving a 'buy' call on the company.

PCG was also given due recognition in 2011 for its engagement efforts with the capital market. PCG was recognised with it being ranked in the Top 5 Best Investor Relations in Malaysia, by Finance Asia Magazine/ JP Morgan, and awarded the Best Investor Relations for an IPO in 2010, by the Malaysia Investor Relations Association (MIRA).

The PCG website serves as an important initial and post-engagement touch-point for investors. In it, we have provided visitors with web links to previous analyst briefing archives, information on our competitive advantages, and contact information of the Investor Relations team. You may access the website at www.petronaschemicals.com.

SHARE PERFORMANCE



Closing Prices	RM	on:	Average Daily Traded Volume (ADTV)
High	7.53	13 April 2011	9,974,000 units
Low	5.31	26 September 2011	

Price and Volume Traded from 1 April 2011 until 31 March 2012

FINANCIAL CALENDAR

Date	
26 August 2011	Announcement of the unaudited quarterly report of consolidated results for the 1st quarter ended 30 June 2011
22 November 2011	Announcement of the unaudited quarterly report of consolidated results for the 2nd quarter ended 30 September 2011
31 December 2011	Date of financial period end
27 February 2012	Announcement of the unaudited quarterly report of consolidated results for the 3rd quarter ended 31 December 2011
26 April 2012	Date of Notice of Annual General Meeting and date of issuance of Annual Report for the period ended 31 December 2011
23 May 2012	Date of Annual General Meeting
8 June 2012	Date of entitlement of the final dividend
26 June 2012	Date of payment of the final dividend

As a responsible corporate citizen and leader in a high-risk chemicals industry, PCG strives to nurture, promote and sustain good Health, Safety and Environment (HSE) culture. Our efforts have received recognition in the form of various awards. These include, amongst others, the Chemicals Industries Council of Malaysia (CICM) Responsible Care Awards, Malaysian Society for Occupational Safety and Health (MSOSH) Awards, National Occupational Safety and Health Excellence Awards and Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Awards.

We have also received recognition for our engagements with the capital market.

Moving forward, we shall continue to strive for excellence in all aspects of our operations.

Our Achievements


CICM
Responsible Care Awards
Year 2010
BDP
Anugerah Hibiscus Perdana Menteri
Prime Minister's Hibiscus Award
2010/2011
Notable Achievement in
Environmental Performance
MICCI
FinanceAsia
ASIA'S
BEST
COMPANIES
2011
Petronas Chemicals
ASSET ASIAN AWARDS 2011
TRIPLE A
PETRONAS CHEMICALS GROUP

PCG in the News

Petronas Chem 9-month revenue rises to RM11.9b

16PC INCREASE: Favourable market conditions lead to higher prices

KUALA LUMPUR

PETRONAS Chemicals Group Bhd (PCG), the petrochemicals arm of Petroliam Nasional Bhd (Petronas) registered a 16 per cent growth in revenue at RM11.9 billion for the nine-month period of its financial year ended December 31 2011.

This was achieved on the back of improved product prices for both the olefins and derivatives segment and the fertilisers and ...

PETRONAS sedia labur RM45 bilion di Sabah

Tingkat industri huluan, hiliran medan gas asli baru

PCG pengeluar baja kedua terbesar

Petronas Chemicals upbeat

CUSHION AGAINST US-EUROPE WOES: Good demand, feedstock cost among boosters

ZAIN ISHAM ISMAIL
KUALA LUMPUR

PETRONAS Chemicals Group Bhd is optimistic that it will do well this year due to robust demand for petrochemical products, recovering global economy and its competitive feedstock cost.

Petronas Chemicals is the petrochemicals business arm of state-owned oil and gas company Petroliam Nasional Bhd producing 11.5 million tonnes of petrochemical products a year such as paints and solvents.

"...integrated business model, diversified portfolio and strategic location ..."

PETRONAS Chemicals raih untung RM3.897b

Pendapatan syarikat didorong pemulihan harga produk

Petronas Chemical sasar kuasai pasaran lebih besar

KOTA KINABALU 9 Okt. - Petronas Chemical Group Bhd. (PCG) bakal menjadi pengeluar baja kedua terbesar di Asia Tenggara dengan siapnya pembinaan kilang baja, Sabah Ammonia Urea (Samur) di Sipitang menjelang 2015.

Naib Presiden Eksekutif (Urusniaga Hiliran) Petronas, Datuk Wan Zulkiflee Wan Ariffin berkata, pembinaan kilang bernilai RM4.7 bilion juga akan meningkatkan penguasaan pasarannya di Asia Tenggara.

"Kilang berkenaan akan membolehkan PCG meningkatkan pengeluaran baja kepada 2.6 juta tan metrik setahun berbanding 1.4 juta tan metrik pada masa ini.

"Jadi projek Samur akan mengukuhkan lagi kedudukan PCG sebagai pemain utama dalam perniagaan baja dan seterusnya membina kekuatan dan penguasaan pasarannya," katanya pada sidang akhbar selepas majlis memeterai perjanjian kontrak pembinaan kilang baja, Sabah Ammonia Urea (Samur) di Sipitang, baru-baru ini.

Pada masa ini PCG mempunyai dua buah kilang baja di Gurun, Kedah dan Bintulu, Sarawak yang mampu mengeluarkan 1.4 juta tan metrik baja setahun.

Menurut Wan Zulkiflee, pembinaan kilang tersebut amat tepat kerana ... baja di Asia Pasifik ... meningkat antara dua hingga tig... ratus antara 2010 dan 2020.

"Ini memberikan peluang ... baik kepada PCG untuk me... ngunkan perniagaan baja di ... ran utama seperti Asia Pasifik, ... tah lagi kelebihan kedudukan ... berdekatan pasaran terutamanya wilayah ASEAN," katanya.

Sementara itu, Wan Zul... berkata, projek Samur di Sipi... Sabah yang dimulakan pada ... dijangka siap pada 2015 itu ... menggunakan teknologi terki... ri Denmark, Italy dan Jerman.

不受天然气涨价影响

国油石化赚幅续看涨

PCG closing in at the top

Group to be second largest urea producer in S-E Asia

By RUBEN SARIO
sario@thestar.com.my

KOTA KINABALU: Petronas Chemicals Group Bhd (PCG) will become South-East Asia's second largest urea producer when its plant in Sipitang near here is operational by 2015.

The US$1.5bil (RM4.76bil) plant will nearly double PCG's total urea production of 1.4 million tonnes at its plants in Gurun, Kedah, and Bintulu, Sarawak, to 2.6 million tonnes.

"We currently enjoy a 14% market share in South-East Asia and hope to increase this once the Sipitang ...
chairman ...
Ariffin sa...
basic and ...

curement, construction and commissioning agreement between PCG subsidiary Petronas Chemicals Sabah Sdn Bhd and a consortium.

The deal will see the consortium headed by Mitsubishi Heavy Industries Ltd developing the Sabah Ammonia Urea (Samur) project on a 57ha site in Sipitang, some 195km from Kota Kinabalu.

The signing ceremony was witnessed by Chief Minister Datuk Musa Aman.

Wan Zulkiflee said the Samur project would enable PCG to grow its fertiliser business in the Asia-Pacific region.

He said the Samur project would the opportunity to be involved in the Samur project.

He said the scope of contracts for the local firms involved site preparation, transportation services, civil works and road construction, manpower supply, temporary facilities, landscaping and security services, apart from construction of a jetty and batching plant.

Musa said the state-owned Sabah Energy Corporation would be tasked with identifying the companies for the various contracts.

The Samur project as well as the Sabah Oil and Gas Terminal, Sabah Sarawak Gas Pipeline Project, and the Kimanis and Lahad Datu power

PETRONAS kukuh kedudukan

PCG bina kompleks petrokimia tingkat pengeluaran, pendapatan

Oleh Ahmad Farizal Hajat
ahmadfarizal@bharian.com.my

...UMBUHAN pesat sektor ...ndustrian di negara ...serta peningkatan taraf ...uruh dunia meningkat... ...naan bahan berasaskan ...seperti plastik serta ba... ...sebagai pengganti bagi ...

...tan bahan sumber asli ...u, logam, kaca, getah ...tidak lagi mempunyai ...

Petronas Chemicals going big in urea manufacturing

與潛在目標接觸

國化擁80億尋併購

PCG tinjau loji baru, beli ekuiti firma lain

PETRONAS Chemicals Group Bhd (PCG), yang memiliki tunai mencecah RM8 bilion, meninjau peluang pengambilalihan strategik syarikat di dalam negara dan serantau untuk mengukuhkan kedudukannya sebagai peneraju pet...

beberapa pihak buat masa ini tetapi semuanya masih berada pada peringkat terlalu awal.

"Bagaimanapun, ini adalah sebahagian komitmen diperingkat kan kumpulan dan strategi untuk mengembangkan perniagaan ...

melawat kompleks syarikat itu di Kemaman.

Abd Hapiz berkata, PCG sangat fleksibel apabila memulakan perbincangan tetapi ia semuanya akan bergantung kepada bagaimana cara untuk menetapkan matlamat meningkatkan pertumbuhan perniagaannya.

"Mempunyai kedudukan tunai yang mantap sedikit membantu menentukan cara untuk mengembangkan perniagaan. Kami akan mempunyai peluang pengambilalihan terpilih pada masa depan," katanya. PCG adalah unit petrokimia firma minyak dan gas negara, PETRONAS.

Syarikat itu menyenaraikan sahamnya di Bursa Malaysia November lalu, menjana RM12.8 bilion yang juga tawaran awam permulaan (IPO) terbesar di Asia Tenggara setakat ini.

PCG yang ditubuhkan pada 1985 mempunyai 22 anak syarikat di bawahnya. Ia terdiri daripada anak syarikat dimiliki sepenuh atau ...

國油化學處盤整格局

如圖一所示，國油化學(PCHEM,5183,主板工業產品組)股價在5月24日上揚突破1.1線後，擺脫了偏弱的格局，但是至今却还未能形成漲勢，这是因为股价还没有形成较高底，换句话说，股价还未出现形成漲势的特征，所以上揚空间有限。

虽然股价突破1.1线后曾一度上揚至7令吉25仙的水平，但是随后股价却开始回软，因此国油化学股价当前的阻力水平落在7令吉25仙的水平，支持水平则是6令吉80仙至6令吉85仙的水平。

以技术...

(图一) 国油...
月8日技术图表

Kutip 1.5 tan sampah

Program Cakna Pantai anjuran Petronas Chemicals pupuk kesedaran masyarakat terhadap kebersihan pesisir pantai

Petronas Chemicals Q1 net profit up 12pc

KUALA LUMPUR: Petronas Chemicals Group Bhd (PCG) posted a 12 per cent increase ... RM814 million ... quarter ended ...

...dullah said in a statement yesterday.

A single tier final dividend of 19 sen per share, amounting to RM1.52 billion in respect of the financial year ended March 31 2011, was paid to shareholders on Thursday.

PCG has changed its financial year-end from March 31 to December 31 effective April 1 2011. Accordingly, the group's financial statements for the period ending December 31 2011 cover a nine-month period. Thereafter, its financial year will revert to the usual 12 months from January 1 to December 31.

PCG said during the quarter, methane gas supply limitation had affected the production in the fertilisers and methanol business segment.

On the other hand, the supply of ethane and propane was unaffected and continued to support the operations of the olefins and derivatives segment, a key contributor to group revenue.

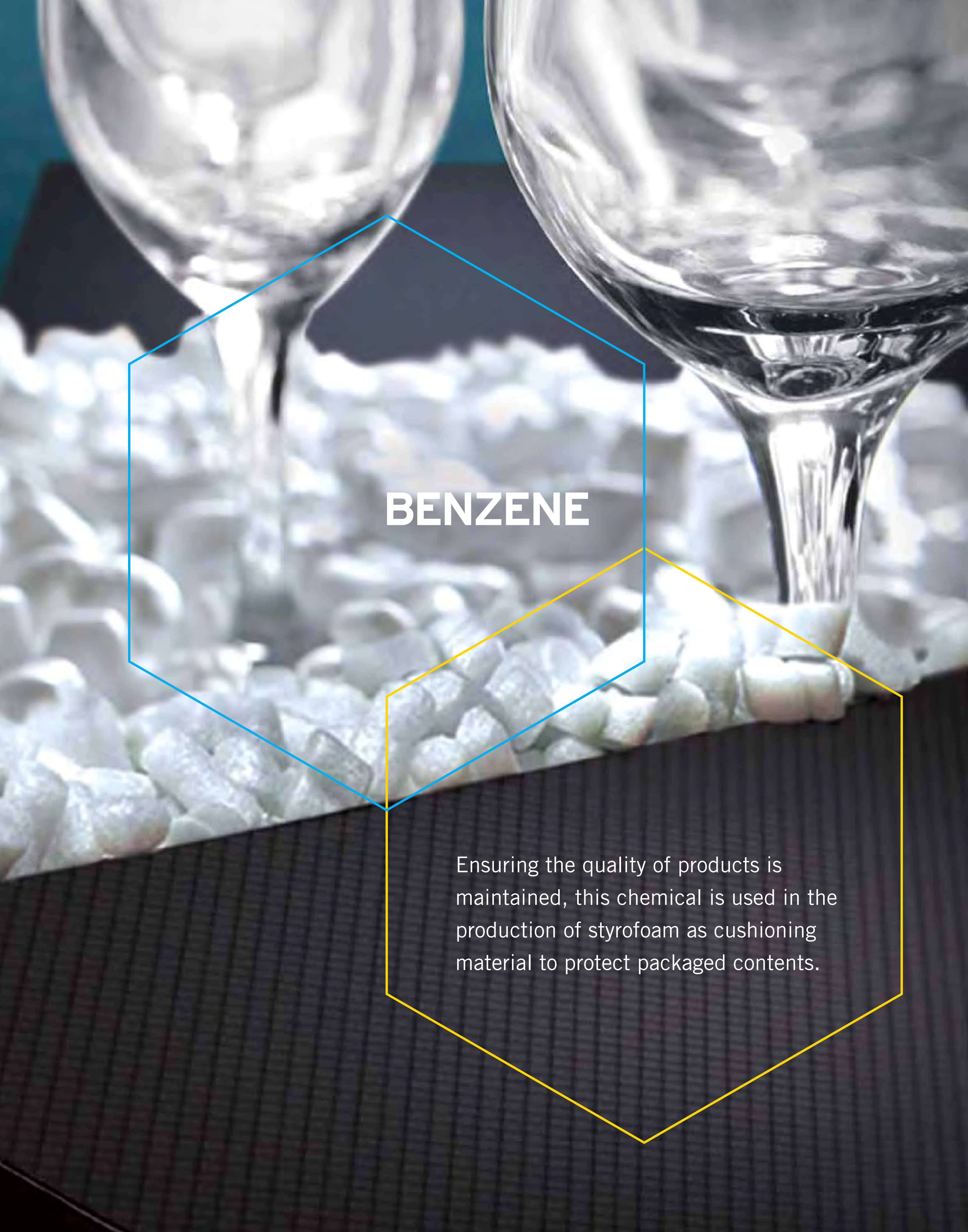
However, as the group had undertaken maintenance activities during the quarter, production volume declined inevitably.

Nonetheless, higher product prices and lower feedstock costs lifted the group's operating profit by RM114 million, or 13 per cent, year-on-year to RM981 million.

PCG's ebitda (earnings before interest, tax, depreciation and amortisation) rose 14 per cent year-on-year to RM1.24 billion in the current quarter from RM1.09 billion.

Its ebitda decreased by RM262 million from RM1.50 billion in the preceding quarter. However, ebitda margin in the current quarter improved to 37.1 per cent from 34.8 per cent.

Our Responsibilities



BENZENE

Ensuring the quality of products is maintained, this chemical is used in the production of styrofoam as cushioning material to protect packaged contents.


CHEMICALS

Sustainability Report

As a responsible corporate citizen, we place great importance on corporate social responsibility (CSR).

As part of the PETRONAS Group of Companies, we align ourselves with the PETRONAS approach to sustainability. In essence, we carry out business in a socially responsible and holistic manner to ensure continued growth and success for the benefit of both the present and future generations.

We aim to continuously improve our performance and sustainability practices, while complying with local and international laws, supporting human rights, doing our part to protect the environment and bringing benefit to the communities where we operate. These fundamental elements make up PETRONAS' Corporate Sustainability Framework, for which the key result areas are as follows:

Shareholder Value – Sustaining the Company's profitability through value creation, efficient extraction and manufacturing processes.

Natural Resource Use – Efficient use of energy and water, and supporting the use of renewable energy.

Climate Change – Limiting emissions of greenhouse gases into the atmosphere.

Biodiversity – Responsible management of biodiversity in our areas of operations, and undertake selective conservation.

Health, Safety & Environment (HSE) – Preventing and eliminating injuries, health hazards and damage to property, and conserving the environment throughout a product's lifecycle.

Product Stewardship – Ensuring quality products and services have minimal impact to health, safety and environment throughout their lifecycle.

Societal Needs – Safeguarding human rights within our sphere of influence, contributing to community needs, ensuring fair employment practices, developing talents and conducting our business in a transparent manner.

Bearing the foregoing in mind, as a responsible corporate citizen, we place great importance on corporate social responsibility (CSR). We strive to enhance and develop the talent and capabilities of our people in order to fully maximise their potential and, hence, shareholder value. This is reflected in our sustained efforts to deliver quality products and services as well as knowledge sharing to stakeholders and customers. In addition, we are committed to upholding HSE standards, and are dedicated to contribute to the wellbeing of communities where we operate.

CONSERVING OUR ENVIRONMENT

Our environmental policies cover a wide scope, which includes air, water effluent and noise emission, solid waste disposal, and the protection of ecology.

For the period under review, PCG continued to honour our long standing commitment to the conservation and preservation of the environment, by applying comprehensive Health, Safety and Environment (HSE) management policies and rigorous standards throughout the Group while maintaining our business operations in a sustainable manner.

Our environmental compliance policies cover a wide scope, which includes air, water effluent and noise emission, solid waste disposal, and the protection of ecology. These environmental policies are implemented through the inclusion of inbuilt control equipment and pollution monitoring in the plant designs as well as through an emphasis on control procedures and pollution management.

Environmental protection is one of the vital criteria when selecting new technologies, plants and equipments. Furthermore, our environmental management requires full compliance with local, state and federal laws and regulations concerning environmental protection and related matters, including those that govern the use, storage, transportation and disposal of toxic and hazardous materials.

Our operations are monitored by several Governmental entities, including the Department of Environment.

According to Malaysian law, we are required to prepare Environmental Impact Assessments (EIAs), environmental monitoring plans and environmental management plans if there is likelihood that our operations would impact the environment. This report must be submitted to a commission consisting representatives of various Federal and Local Government agencies and non-governmental organisations before the construction of a new facility. After the commission approves the EIA report, amendments will be provided to the commission prior to the commencement of operations.

Our operations are monitored by several Governmental entities, including the Department of Environment.

SUSTAINABILITY REPORT

CONSERVING OUR ENVIRONMENT

As such, all projects conducted by PCG require the preparation of EIAs, which outline the required controls and restrictions imposed on the design stage of the facility to minimise or eliminate the environmental impact to the surrounding ecosystem or community.

For our existing facilities, all appropriate and relevant environmental requirements have already been met.

Similarly, new PCG projects with favourable Final Investment Decisions (FID) shall comply with relevant EIA requirements, such as the Sabah Ammonia Urea (SAMUR) project that is being developed in Sipitang, Sabah.

Also, compliance-related data is reported on a regular basis to the local regulatory office and shared with the HSE division of the PETRONAS Group. In that regard, all our operations are in compliance with applicable environmental laws and regulations in Malaysia. There are no incidences of reported environmental violations or any claims that have led to any environmental proceedings. In addition, our production facilities are shut down periodically for scheduled maintenance and occasionally for corrective maintenance and catalyst changes. Statutory turnarounds, which involve a complete shutdown and a comprehensive maintenance check, are typically conducted every three years. However, an extension of up to six years, can be requested from the Department of Occupational Safety and Health (DOSH), subject to meeting all mandatory regulatory requirements and good maintenance record.

AWARDS

For the period under review, we were recognised locally and internationally for our HSE performance. The following are the organisations that have presented our subsidiaries with their prestigious awards.

Chemical Industries Council of Malaysia (CICM) Responsible Care Awards

Responsible Care is one of CICM's flagship activities, launched by the Council in 1994. More than 100 signatories or chemical companies have pledged their commitment to Responsible Care. The CICM Responsible Care Committee and its Regional Committees, namely the Central, Eastern, Northern and Southern Zone Committees, have been established to further enhance the promotion and implementation of Responsible Care among the chemical industry players in Malaysia. The following are PCG subsidiaries that have received the CICM Responsible Care Awards for the period under review:

1. Aromatics Malaysia Sdn Bhd
    - Merit Award for Pollution Prevention Code
    - Merit Award for Process Safety Code
    - Merit Award for Employee Health & Safety Code
2. PETRONAS Chemicals Ethylene Sdn Bhd (formerly known as Ethylene Malaysia Sdn Bhd)/ Polyethylene Malaysia Sdn Bhd
    - Gold Award for Product Stewardship Code
    - Gold Award for Process Safety
    - Gold Award for Distribution Code
    - Silver Award for Employee Health & Safety Code
    - Merit Award for Pollution Prevention Code
    - Merit Award for Community Awareness & Emergency Response Code
3. PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd)
    - Gold Award for Product Stewardship Code
    - Gold Award for Community Awareness & Emergency Response Code
4. PETRONAS Chemicals Derivatives Sdn Bhd (formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd)
    - Gold Award for Process Safety Code
    - Silver Award for Distribution Code
    - Merit Award for Community Awareness & Emergency Response Code
    - Merit Award for Pollution Prevention Code
    - Merit Award for Employee Health and Safety Code
5. PETLIN (Malaysia) Sdn Bhd
    - Merit Awards for Product Stewardship Code
    - Merit Awards for Pollution Prevention Code
    - Merit Award for Process Safety Code
    - Merit Award for Employee Health & Safety Code
    - Merit Awards for Distribution Code
    - Merit Awards for Community Awareness & Emergency Response Code

We are recognised locally and internationally for our HSE performance.

SUSTAINABILITY REPORT
CONSERVING OUR ENVIRONMENT

6. PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd)
    - Merit Award for Community Awareness & Emergency Response Code
    - Merit Award for Pollution Prevention Code
    - Merit Award for Process Safety Code
    - Merit Award for Employee Health & Safety Code
7. PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd)
    - Silver Award for Community Awareness & Emergency Response Code
    - Merit Award for Pollution Prevention Code
    - Merit Award for Process Safety Code
    - Merit Award for Employee Health & Safety Code

Malaysian Society for Occupational Safety and Health (MSOSH) Awards for the Petroleum, Gas, Petrochemical and Allied Sectors

The MSOSH Awards are presented annually to companies in Malaysia that have outstanding Occupational Safety and Health (OSH) performance. Identified companies are subjected to stringent document and site verification audits from the MSOSH Panel of Auditors in order to be considered for the awards. The panel members comprise representatives from the Department of Occupational Safety and Health (DOSH), Social Security Organisation (SOCSO), National Institute of Occupational Safety and Health (NIOSH), Standards and Industrial Research Institute of Malaysia (SIRIM) Berhad, QAS International and Federation of Malaysian Manufacturers (FMM). The following are PCG subsidiaries that have received the MSOSH Awards for the year under review:

1. PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd)
    - Grand Award
2. PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd)
    - Grand Award
3. PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd)
    - Gold Merit Award
4. PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd)
    - Gold Merit Award

National Occupational Safety and Health Excellence Award

The National Occupational Safety and Health Excellence Award is an initiative by the National Council of Occupational Safety and Health (under the purview of the Ministry of Human Resources). It acknowledges organisations, employers and employees in various sectors in the industries that achieve excellence in managing safety and health system in their workplace. The following PCG subsidiary received the National Occupational Safety and Health Excellence Award for the year under review:

1. PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd)
    - Award for Petroleum/Gas/Chemicals Category

Prime Minister's Hibiscus Award

The Prime Minister's Hibiscus Award is the premier private sector environmental award for business and industry in Malaysia. The award is jointly organised by four of Malaysia's leading private sector non-profit organisations concerned with corporate environmental management and performance, namely Business Council for Sustainable Development in Malaysia (BCSRM), Environmental Management & Research Association of Malaysia (ENSEARCH), Federation of Malaysian Manufacturers (FMM) and Malaysian International Chamber of Commerce & Industry (MICCI). The award is endorsed by the Ministry of Natural Resources and Environment (MNRE), Malaysia and supported by the Department of Environment (DOE) and the private sectors. The following are PCG subsidiaries that have received the Prime Minister's Hibiscus Award for the period under review:

1. Aromatics Malaysia Sdn Bhd
    - Notable Achievement in Environmental Performance
2. PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd)
    - Notable Achievement in Environmental Performance
3. PETLIN (Malaysia) Sdn Bhd
    - Notable Achievement in Environmental Performance

Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Awards

RoSPA, which is based in United Kingdom, organises its prestigious national award scheme to recognise excellence in work-related health and safety performance by private and public sector organisations. The scheme is based on the assessment of a broad portfolio of evidences about the level of development and performance of an entrant's occupational health and safety management system, and also takes into account the entrant's reportable accident rate and enforcement experience. The following are PCG subsidiaries that have received the RoSPA Occupational Health and Safety Awards for the year under review:

1. PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd)
    - Gold Award
2. PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd)
    - Silver Award

SUSTAINABILITY REPORT

CONSERVING OUR ENVIRONMENT

MOVING FORWARD WITH SUSTAINABLE DEVELOPMENT

In line with the Malaysian Government's "Green Technology" agenda, PCG carries out a research and development (R&D) programme that looks at ways to improve and add value to the granular urea produced by ASEAN Bintulu Fertilizer Sdn Bhd and PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd), so as to make the granular urea more "green" or friendly to the environment.

For instance, to optimise the uptake of the most essential crop nutrient, nitrogen, PCG is developing an advanced coating technology for controlled release of urea.This involves the identification of coating materials, coating processes and evaluation of crop performance in tropical conditions. We have developed a lab-scale coating machine and identified potential coating materials and coating processes for granular urea. Initial lab testing has shown promising results. Product evaluation is underway through greenhouse and field study. We plan to begin a market seeding exercise sometime in mid-2013 before expanding to commercial scale.

PCG also strives towards efficient use of natural resources. We continuously seek better practices that reduce the usage of water, recycling of waste and its impact to the environment. We pay great attention to minimising energy loss and greenhouse gas (GHG) emission by improving our plants' efficiency.

As part of our strategy to broaden our product portfolio, studies on the Group's bio footprint that support Malaysia's national green agenda are underway, complementing our plans for continuous enhancement of waste management.

ENVIRONMENTAL CONSERVATION WITH THE COMMUNITY

Beach Cleaning Programme

PCG successfully organised a Beach Cleaning Programme at Pantai Kuala Kerteh to encourage the preservation of nature through the 3R (Recycle, Reuse & Reduce) culture. The programme included tree planting activities. More than 300 people attended the programme including staff volunteers and Terengganu State Government representatives.

Care for Water Programme

PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd) held its Care for Water Programme at Kampong Sg Balok, Kuantan, Pahang to instil awareness among participants of the value of clean water and the role that rivers play in providing clean water supply to the people and environment. Activities included dyke officiation, fish and mud-ball release, tree planting, talk on environmental conservation and 3R Invention for the Family Competition (Refuse, Reduce, Reuse). More than 500 people participated including Pahang State Government representatives, local community and schoolchildren from the vicinity of Balok river.

"Cintai Air Kita"

PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) also embarked on an initiative to instil awareness on water cleanliness through its CSR activity themed "Cintai Air Kita" (Love Our Water). In its first phase of implementation, small teams canvassed areas around the Labuan International Ferry Terminal to conduct a survey on the public perception and awareness on water cleanliness around the island. The teams also distributed free calendars with positive messages on the importance of water quality to survey respondents. Phase two in 2012 shall include actual groundwork on improving water quality in strategic areas on the island.

ecoCare Programme

Our commitment to the conservation of natural heritage and environment is further enhanced with the ecoCare Programme organised by PETRONAS Chemicals Olefins Sdn Bhd (formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd), PETRONAS Chemicals Glycols Sdn Bhd (formerly known as OPTIMAL Glycols (Malaysia) Sdn Bhd) and PETRONAS Chemicals Derivatives Sdn Bhd (formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd) in collaboration with the Malaysian Nature Society (MNS). The programme focuses on the reforestation and rehabilitation of ecologically sensitive mangrove habitat along the Kertih River with the cooperation of communities adjacent to the Kertih river.

We are committed to the conservation of natural heritage and the environment.

Our growth projects aim towards strengthening our market positions, whilst contributing towards Malaysia's long-term development and nation building.

SUSTAINABILITY REPORT

GROWING IN THE MARKETPLACE

We are committed to running our business in the most efficient and effective manner, creating the best value for our shareholders, customers, suppliers as well as regulators.

PCG strives to sustain a profitable business model while upholding our shared values of loyalty, integrity, professionalism and cohesiveness. We are committed to running our business in the most efficient and effective manner, creating value for our shareholders, customers, suppliers as well as regulators.

TO SHAREHOLDERS AND CUSTOMERS

Our commitment to deliver strong earnings coupled with sustainable long-term growth means that our business strategy planning and implementation are executed and delivered to maximise shareholders value, whilst guided by exemplary corporate governance practices at all times.

With reliable and advantageous feedstock, we are able to operate a number of world-class production sites that are integrated from feedstock to downstream end-products. In our efforts to serve our customers, we focus on continuous improvement and strive to raise the bar by increasing our production capacity through greenfield projects and upgrading our technology as well as processes.

Our growth projects aim towards strengthening our market positions, whilst contributing towards Malaysia's long-term development and nation building.

The Sabah Ammonia Urea (SAMUR) project is expected to generate greater employment and business opportunities in Sabah during the construction and post construction stages. Acting as a catalyst for the growth of Sabah's petrochemical industry, the SAMUR project will also spur the growth of supporting industries, such as infrastructure development, logistics, housing, hotel, healthcare and education, amongst others.

The Refinery and Petrochemical Integrated Development (RAPID) project, currently led by our parent, PETRONAS has the potential of turning Southern Johor into a new refinery and petrochemical centre in Malaysia, complementing the existing complexes in the country's eastern corridors. It will also create multiple economic spin-offs and a new generation of oil and petrochemical professionals that will drive the development of this sector further, in line with the Government's aspirations to turn Malaysia into a leading petroleum industry hub in the region.

SUSTAINABILITY REPORT
GROWING IN THE MARKETPLACE

QUALITY PRODUCTS

In our efforts to meet the highest standard for all of our petrochemical products, our production facilities have their own quality control units and quality management systems, and are certified with the relevant ISO standards.

In addition, their quality management systems undergo internal and external audits annually to ensure continuous compliance and effectiveness. Quality control processes for our products and facilities are conducted at each of the plants through "in process" testing of products and various stages in the production process, so that any deviation can be detected and remedied promptly.

Our methanol plants, for example, are tested not only on production processes, but also undergo tests relating to gases, water treatment and boiler systems, as well as intermediate and final products via scheduled daily testing, in order to produce chemical grade methanol. These processes are subject to strict United States Federal grade AA specification guidelines and also the highest Japanese quality standards. Furthermore, emission levels have to comply with the requirements of the Malaysian Department of Environment and Department of Occupational Safety & Health.

SUSTAINABLE PRODUCTION PERFORMANCE

We operate and maintain our production facilities to ensure sustainable plant performance. Our facilities undergo regular and periodic inspections to ensure compliance to the requirements of Department of Occupational Safety and Health as well as the Department of Environment. The production performance of our facilities are further monitored by tracking a number of performance indicators commonly used in the petrochemicals industry, covering HSE indicators as well as efficiency indicators such as plant utilisation rate and plant reliability rate.

We operate and maintain our production facilities to ensure sustainable plant performance.

KNOWLEDGE SHARING

In educating the local community and industry players at the national level, we were involved in providing numerous technical training sessions to industry associations, local authorities and communities on the latest technologies and know-how as well as contributed to discussions on the best practices within the industry.

During the year under review, PCG's Centralised Services Division was established to consolidate common plant services, so as to maximise operational and cost synergies, while minimising duplication of roles across the Group. This contributed towards effective knowledge sharing within the Group, with accelerated capability development of the centralised functions.

Our Centralised Services Division focuses on the following functions:

- Centralised Logistics & Distribution, which manages finished products' outbound logistics as well as sourcing of transportation, logistics service providers and packaging materials for the Group, including all the ports, terminal or jetty owned by PCG. This enables our distribution networks to be further optimised as well as the consolidation of distribution contracts to maximise synergy potential.
- Turnaround Centralised Services, which aim to provide excellent Turnaround Management services to the Group. The objective is to leverage best-practices throughout the Group through effective turnaround planning and execution, resulting in lower turnaround days and hence higher available production days.
- Project Engineering Centralised Services, which drive value by providing high-quality project engineering services to the Group. The objective is to drive the realisation of a project's objectives through the application of consistent methods that are aligned to the best-practice front-end loading PETRONAS' Project Management Standard System and Engineering Management of Change procedures.
- Laboratory Centralised Services, which provide reliable and efficient analytical services to the Group. The objective is to drive value by optimising resources, sharing common facilities, standardising systems and work processes, and leveraging knowledge and skills.

Our workforce is our most valuable asset.
We depend on the capabilities and dedication
of our people in maximising shareholder value.

SUSTAINABILITY REPORT

CREATING A GREAT WORKPLACE

We conducted numerous leadership and capability workshops for all levels to fully develop the potential of our workforce.

Our workforce is our most valuable asset. We depend on the capabilities and dedication of our people in maximising shareholder value. Hence, we pledge to uphold the highest standards of conduct to safeguard our pool of human capital.

Throughout the year under review, human resource management remained of vital importance for gaining a competitive advantage through the strategic mix of limited skilled and highly skilled workers. We employ 4,082 people, comprising 3,401 men and 681 women, out of which about 78% are technical experts.

In order to create and sustain an even healthier workforce and safer working conditions, we continued to strive for further improvements in Health, Safety and Environment (HSE) practices.

In line with our strategic business plans, we recruited, trained and developed our skilled and qualified talents as part of our continuous efforts to achieve and sustain operational excellence. We also conducted numerous leadership and capability workshops for all levels to fully develop the potential of our workforce.

Job Function		No. of Staff*
Executive	Non-Technical	507
	Technical	988
Non-Executive	Non-Technical	408
	Technical	2,179
Total		**4,082**

* including seconded staff but excluding staff of BASF PETRONAS Chemicals, Idemitsu SM and BP PETRONAS Acetyls.

SUSTAINABILITY REPORT

CREATING A GREAT WORKPLACE

HEALTH & SAFETY

PCG's operations come with inherent risks, which is why we place high importance on health and safety. We strive towards good health and safety culture whereby we maintain a comprehensive approach to risk assessment and management, involving prescriptive safety and pollution prevention standards that are proactive-risk based, as well as critical barriers and integrity management.

Hence, we have taken proactive steps to create and sustain a good health and safety culture by, first and foremost, shaping the mindset of all staff in such a way that everyone would have a no-compromise stand on the issue of health and safety. Our "STRIVE FOR ZERO" incidents campaign epitomises this effort, in that it is a campaign to inculcate a positive mindset that all incidents or accidents are avoidable.

As part of the "STRIVE FOR ZERO" campaign, mandatory plant daily "Safety Walkabout" has been initiated for all our plants, premised on the understanding that major incidents could be avoided by tackling minor or prolonged outstanding issues in a plant's operations. We also implement "safety pause" sessions whereby the leaders are required to communicate directly with every staff on specific safety matters within a prescribed time. Similarly, we concern ourselves with the health and safety of our contractors by conducting training and performing audits to ensure their compliance with HSE requirements.

These are all in line with PETRONAS' Group-wide directive to enhance health and safety culture, such that every inherent risk from our operations is continuously reviewed, monitored, controlled and diminished.

STRIVE FOR ZERO

ZERO injury ZERO harm to the environment
ZERO incident ZERO occupational illness
ZERO *ZeTo* non-compliance

CREATING A GREAT WORKPLACE

We continue to employ PETRONAS' ZeTo Rules, which represent PETRONAS Group's first set of mandatory safety rules that have been drawn up to create a more focused and firm approach to addressing the recurring causes of major accidents and fatalities, such as road accidents, falls from height and hits by objects.

We also practice the Control of Industrial Major Accident Hazards (CIMAH), which is a set of rules and regulations for ensuring that businesses take all necessary measurements to prevent major accidents involving dangerous substances from occurring at the workplace. CIMAH is applicable to any establishment storing or otherwise handling large quantities of industrial chemicals that are hazardous in nature. Numerous communications sessions have been conducted, during the period under review, with all our staff and the community in areas where we operate, to raise their awareness and educate them on the dangers of hazardous substances as well as to meet Occupational Safety and Health Act (OSHA) requirements.

Our preparedness to handle emergency situations is key and hence we conduct regular emergency drills, together with Government authorities and agencies, as well as non-governmental organisations.

For instance, during the year under review, a Tier-2 full scale drill during silent hours was successfully held at PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd), aimed at testing the implementation of PCG's Emergency Preparedness and Response Plan. Furthermore, the drill provided a platform for gauging the communications effectiveness of the Emergency Response Team (ERT) and Emergency Management Team (EMT).

We have taken proactive steps to create and sustain a good health and safety culture by, first and foremost, shaping the mindset of all staff.

SUSTAINABILITY REPORT
CREATING A GREAT WORKPLACE

A similar drill conducted at PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd) included the participation of training institutions namely Politeknik Sultan Ahmad Shah (POLISAS), Kuantan and Institut Latihan Perindustrian (ILPP), Gebeng, Kuantan.

To drive home the message that health and safety are important at all times, during the period under review, we held the STRIVE FOR ZERO Campaign, which included driving and road safety, in conjunction with the national day and festive holiday season as well as during the school holiday seasons. The campaign successfully heightened staff awareness of health and safety beyond the workplace, including at home or during travel and recreational activities, and most important of all, the health and safety of our loved ones. The campaigns were successful with no reportable incidences.

We monitor a range of HSE performance indicators such as Fatal Accident Rate (FAR), Lost Time Injury Frequency (LTIF) and Total Reportable Case Frequency (TRCF) under the Occupational Safety category and Loss of Primary Containment (LOPC) and fire incidences under the Process Safety category. For the period under review, we achieved Zero Fatality rate with all the key goals well managed in comparison to permissible targets.

To further demonstrate our commitment to safety at the workplace, we sponsored the 1st Hazards Asia Pacific Symposium organised by the Institution of Chemical Engineers (IChemE) and Chemical Industries Council of Malaysia (CICM) which aims towards increasing process safety standards in the Asia Pacific region. Leading oil and gas companies participated in the symposium, where established speakers from the industry shared their process safety expertise and provided insights into how their respective organisations strive towards maintaining a positive process safety culture.

Our people benefit from PETRONAS' structured training and development system that links the capabilities of staff with their current and future roles.

LEADERSHIP TRAINING AND DEVELOPMENT

We continuously enrich and motivate our employees to meet the long term needs of the Group as well as our employees' individual career goals. They benefit from PETRONAS' structured training and development system that links the capabilities of our staff with their current and future roles. Furthermore, we appoint dedicated skill group advisors, whose responsibility is to lead the implementation of business and technical skills development programmes.

An example of such programmes is the PETRONAS Leadership Learning Series, which is a series of leadership related programmes conducted by PETRONAS Leadership Centre Sdn Bhd, a PETRONAS training institution that aims to provide comprehensive learning solutions, consultancy and services. In addition, our subsidiaries conduct Building Leaders Programmes, which are customised leadership training programmes to groom potential leaders.

Besides providing the necessary leadership training and development programmes, we also believe in addressing employee needs through staff engagement sessions. These are organised throughout the year and they also provide Management with the opportunity to gauge employee satisfaction levels.

We are actively involved in a broad range of CSR programmes, such as education and interactive activities with local community and authorities.

SUSTAINABILITY REPORT

CARING FOR THE COMMUNITY

Our CSR activities reflect our commitment to uphold the wellbeing of the nation and its people.

PCG contributes to the wellbeing of local communities where we operate in a sustainable manner. We are actively involved in a broad range of Corporate Social Responsibility (CSR) programmes, such as education, interactive activities with local community and authorities, public awareness programmes, donation and charity drives as well as other stakeholder engagements.

The following are the main CSR activities conducted throughout the year. These initiatives reflect our commitment, as a responsible corporate citizen, in upholding the wellbeing of the nation and its people.

ENGAGEMENT WITH FARMERS

During the year under review, we continued our engagement session with selected farming groups on fertiliser application and soil management to further enhance their crop growing techniques such as seeding, irrigation systems and pest management. Held in Bintulu, the programme was conducted by ASEAN Bintulu Fertilizer Sdn Bhd with the support and cooperation from the State Agriculture Department of Sarawak.

PROGRAM BAKTI PENDIDIKAN PETRONAS

The year under review saw the continuation of Program Bakti Pendidikan PETRONAS activities being conducted at schools adopted under the programme. For instance, English classes were organised by PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly

SUSTAINABILITY REPORT

CARING FOR THE COMMUNITY

known as PETRONAS Fertilizer (Kedah) Sdn Bhd) for 120 selected students of Sekolah Kebangsaan Pokok Tai, Kedah, once a month from April – August 2011 and in October 2011. Conducted with the aid of some 30 facilitators, the classes were taught in ways that were fun and interesting to the students.

About Program Bakti Pendidikan PETRONAS

Program Bakti Pendidikan PETRONAS is an adopt-a-school programme held throughout the PETRONAS Group. Its aim is to help improve the academic performance of underprivileged children at the primary level. In addition, this programme assists in nurturing the characters of these children, such as academic and psychosocial skills.

PROGRAM SENTUHAN KASIH

During the year under review, all our operating units had organised their respective Program Sentuhan Kasih activities within the space of one week from 11 to 17 August 2011. The activities included shopping for Hari Raya goodies with orphans and underprivileged children, visiting the poor and needy as well as breaking fast or 'iftar' at various locations throughout the country. At PETLIN (Malaysia) Sdn Bhd, the programme was extended to cover its "We Care Program 2011", whereby staff contributions were distributed to the underprivileged families and handicapped in the nearby villages.

About Program Sentuhan Kasih

Program Sentuhan Kasih is a community outreach initiative that provides assistance to the poor and underprivileged families in the country during major festive seasons. This programme is held throughout the PETRONAS Group and emphasises the importance of reaching out and fostering a better relationship with the community during festive seasons as well as the importance of instilling a sense of giving among our workforce.

PROGRAM SAHABAT PENDIDIKAN PENCEGAHAN DADAH - PETRONAS

In our efforts to educate schoolchildren on the dangers of drug abuse, PETLIN (Malaysia) Sdn Bhd conducted the Program Sahabat Pendidikan Pencegahan Dadah - PETRONAS for Sekolah Menengah Sains Kepala Batas, Penang. Similarly, PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) conducted the programme for Sekolah Kebangsaan Pekan 1, Federal Territory of Labuan.

About Program Sahabat Pendidikan Pencegahan Dadah - PETRONAS

Program Sahabat Pendidikan Pencegahan Dadah - PETRONAS is a school outreach programme that focuses on preventing drug and substance abuse among youth. The programme is held in collaboration with the Ministry of Education. Peer-to-peer counselling, forums and special motivational camps are organised with the aim of providing support and driving the participation and involvement of schoolchildren and teachers to combat drugs and substance abuse in schools and inculcate a drug-free lifestyle. Through these events, students are also introduced to the various career opportunities in the oil, gas and chemicals industry, as well as the various sponsorship programmes offered by PETRONAS.

CALENDAR OF EVENTS

5 APRIL 2011

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd) conducted a career briefing and motivational talk for form five students at SMK Gurun, Kedah. The two-hour session focused on how to build their future career especially in PETRONAS.

23 APRIL 2011

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd) organised a Program Bersama Komuniti at Taman Sejahtera Kampung Sungai Toh Pawang, Kedah. The half day engagement session was attended by 100 staff from various departments and more than 300 villagers.

1 MAY 2011

PCG appointed Dr Abd Hapiz Abdullah as President/Chief Executive Officer and Executive Director with effect from 1 May 2011.

7 MAY 2011 A

PETRONAS Chemicals Olefins Sdn Bhd (formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd), PETRONAS Chemicals Glycols Sdn Bhd (formerly known as OPTIMAL Glycols (Malaysia) Sdn Bhd) and PETRONAS Chemicals Derivatives Sdn Bhd (formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd) and Malaysia Nature Society organised a one day get-together programme at Sungai Kertih with members of the local community to celebrate the successful growth of 1,867 mangrove seedlings along the Kertih River under the ecoCare initiative.

21 MAY 2011

PCG demonstrated support for the arts scene by organising the Labuan Indah Permai Painting Competition finals through PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) in the Federal Territory of Labuan on 21 May 2011. Over 200 entries were received from schoolchildren and general public. This competition, which ran from February to 21 May 2011, was aimed at promoting the artistic talents of locals and highlighting the natural and architectural attractions around the island.

8 - 9 JUNE 2011 B

PCG held a Media Familiarisation Trip to its operations in Kertih Integrated Petrochemicals Complex. Some 14 representatives from the mainstream media attended the event, which was held for the first time to acquaint members of the media with operations of the Group.

14 - 15 JUNE 2011

PETLIN (Malaysia) Sdn Bhd conducted the "Program Sahabat Pendidikan Pencegahan Dadah - PETRONAS" (drug abuse intervention education programme) for Sekolah Menengah Sains Kepala Batas, Penang.

30 JUNE 2011

PCG announced that it would build a new world-scale fertiliser plant in Sipitang, Sabah at an estimated development cost of USD 1.5 billion. Also known as the Sabah Ammonia-Urea or SAMUR project, it would be one of PETRONAS' key initiatives to monetise natural gas obtained from Sabah's offshore wells.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CALENDAR OF EVENTS

6 JULY 2011

ASEAN Bintulu Fertilizer Sdn Bhd conducted a Media Photo Journalism Workshop, which was facilitated by professional speakers from the Malaysian Press Institute who shared their knowledge and experience with the local media practitioners on writing skills and photo editing techniques.

11 - 17 JULY 2011 C

All PCG OPUs conducted their "Sentuhan Kasih" (a community outreach initiative that provides assistance to the poor and underprivileged families in the country during major festive seasons) programme in 2011 within the space of one week from 11 - 17 July 2011. The activities included shopping for Hari Raya goodies with orphans and underprivileged children, visiting the poor and needy as well as breaking fast or 'iftar' held at various locations throughout the country. At PETLIN (Malaysia) Sdn Bhd the Sentuhan Kasih programme was extended to "We Care Programme 2011", whereby staff contributions were distributed to the underprivileged families and handicapped in the nearby villages. Similarly, PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd) / Polypropylene Malaysia Sdn Bhd and PETRONAS Chemicals Olefins Sdn Bhd (formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd), PETRONAS Chemicals Glycols Sdn Bhd (formerly known as OPTIMAL Glycols (Malaysia) Sdn Bhd) and PETRONAS Chemicals Derivatives Sdn Bhd (formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd) extended their Sentuhan Kasih programme by organising the "Program Sekampit Beras Sekilo Gula" (donation of essential food items to the needy) during Ramadan to provide assistance to needy families in their preparations for Hari Raya or Eid celebrations.

16 JULY 2011

PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) conducted the Program Sahabat Pendidikan Pencegahan Dadah PETRONAS" (Drug prevention programme) for SK Pekan 1, Federal Territory of Labuan.

26 JULY 2011 D

PCG held its first Annual General Meeting (AGM) as a company listed on Bursa Malaysia. The AGM was held at the Kuala Lumpur Convention Centre, KLCC and was attended by over 1,600 shareholders.

18 AUGUST 2011

PCG launched its "Strive for ZERO" safety campaign in conjunction with "Merdeka-Raya" holidays. The campaign emphasised PCG's commitment to safety at all times, whether at work, travelling or at home.

27 - 29 SEPTEMBER 2011

PCG sponsored the first Hazards Asia Pacific symposium with the intention of securing and advancing process safety standards in the Asia Pacific region, as well as to demonstrate its continuing commitment to safety at all times.

4 OCTOBER 2011

PCG held a Media Familiarisation Trip for Sabah Media to PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd). Ten representatives of Sabah Media attended the trip which showcased the successful operations of one of PCG's fertiliser plants as well as the benefits that such a plant has brought to the local economy in Gurun, Kedah.

CALENDAR OF EVENTS

6 OCTOBER 2011 E

PCG held a signing ceremony in Kota Kinabalu, Sabah for the award of the Basic and Detailed Engineering, Procurement, Construction and Commissioning (BEPCC) Alliance contract for the Sabah Ammonia Urea (SAMUR) Project to a consortium of contractors comprising Mitsubishi Heavy Industries Ltd, Apex Energy Sdn Bhd and Pt Rekayasa Industri. The signing of the contract of award was witnessed by guest of honour, Sabah Chief Minister YAB Datuk Seri Panglima Musa bin Haji Aman.

29 OCTOBER 2011

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd) held a "Program Bersama Komuniti" (community programme) Futsal at Gurun Jaya Sport centre, Kedah. More than 30 teams competed from the 44 villages within a 5km vicinity of PETLIN's operations.

11 NOVEMBER 2011

ASEAN Bintulu Fertilizer Sdn Bhd with the support and cooperation from Agriculture Department conducted training for local farmers on good agricultural practices such as seeding, irrigation systems and pest management under its AGRENAS with Local Farmers programme.

12 NOVEMBER 2011

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd) organised a "Program Bakti Pendidikan PETRONAS" (an adopt-a-school programme to help less fortunate students) Outing Day for some 80 students of SK Pokok Tai, Kedah. Accompanied by two teachers from the school and 20 facilitators from PCFKSB, the schoolchildren enjoyed cheerful educational games at PETROSAINS Jusco Perda, Kedah.

13 NOVEMBER 2011 F

PCG fielded a team of runners from various subsidiaries to participate in the CICM Responsible Care Run 2011. The team won Overall Winner for Company Category – 5KM and Overall Winner for Company Category – 10KM.

17 NOVEMBER 2011

PCG's "Strive for ZERO" safety campaign was launched in conjunction with the year-end school holidays. The campaign emphasised the Group's commitment to safety at all times, whether at work, travelling or at home.

17 NOVEMBER 2011

PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd) organised an Outreach Day as part of its Corporate Social Responsibility initiative. One of the activities was a 'gotong-royong' (mass work to assist the community) event held at Madrasah Darul Bayan located in Kg Nyior Paka, Dungun. Staff and management from PCASB took part in the event, where they made repairs, painted and restored the buildings of the religious school in the village.

CALENDAR OF EVENTS

19 NOVEMBER 2011

PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd) and Polypropylene Malaysia Sdn Bhd organised a "Care for Water" programme at Balok River, Pahang aimed at instilling awareness among participants of the value of clean water and the role that rivers play in providing clean water supply to the people and environment. Participants included Pahang State Government representatives, schoolchildren from the vicinity of Balok River and the local community.

23 NOVEMBER 2011

PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) embarked on an initiative to instil awareness on water cleanliness through its CSR activity themed "Cintai Air Kita" (Love Our Water). In its first phase of implementation, small teams canvassed areas around the Labuan International Ferry Terminal to conduct a survey on public perception and awareness of water cleanliness around the island of Labuan. The teams also distributed free calendars with positive messages on the importance of water quality to survey respondents.

10 DECEMBER 2011

PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd) and Polypropylene Malaysia Sdn Bhd organised a friendly golf tournament with stakeholders and Government agencies.

12 DECEMBER 2011 G

PETRONAS Chemicals Ethylene Sdn Bhd (formerly known as Ethylene Malaysia Sdn Bhd) and Polyethylene Malaysia Sdn Bhd organised a "Beach Care Programme", an environmental conservation initiative in collaboration with Malaysia Plastics Manufacturers Association and Majlis Perbandaran Kemaman, Pahang. The objective of the programme was to instil awareness among participants on the value of a clean beach and to educate people to take care, respect and protect the beach and sea.

17 DECEMBER 2011

PCG held its 2nd Customer Appreciation Golf Tournament for its valued customers, aimed at strengthening the relationship between PCG and its customers. It was also an opportunity for PCG to show its appreciation to loyal customers.

19 - 21 DECEMBER 2011 H

PCG organised a familiarisation trip to PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd) for the local authorities of Sipitang, Sabah. The trip enabled them to better appreciate the successful operations of one of PCG's fertiliser plants as well as the benefits that such a plant has brought to the local economy in Gurun, Kedah.

Our Governance

PARAXYLENE

Paraxylene as feedstock plays a significant role in the production of fibres for textiles. From the lab to the hands of a fashion designer, the versatility of chemistry undeniably touches our lives.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to high standards of corporate governance and strives to ensure that it is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and enhance the performance of the Group.

In this Statement, the Board reports on the manner the Group has adopted and applied the principles and best practices as set out in the Malaysian Code on Corporate Governance and the governance standards prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad throughout the year under review.

A) BOARD OF DIRECTORS

Principal Responsibilities of the Board

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. To discharge the Board's stewardship responsibilities, the Board has assumed the following principal responsibilities:-

i) Review and approve annual corporate plan, which includes overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan and budget, and risk management plan;

ii) Oversee the conduct of businesses, and to evaluate whether the businesses are being properly managed;

iii) Identify principal risks and ensure the implementation of appropriate systems to manage these risks;

iv) Manage succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management;

v) Develop and implement an investor relations programme or shareholders' communications policy;

vi) Review the adequacy and integrity of internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines; and

vii) Review and approve financial statements.

Board Composition and Balance

The Board currently has nine members, comprising one Executive Director and eight Non-Executive Directors. Three of the Non-Executive Directors fulfil the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proportion of one third Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

The Board members are persons of high calibre and are professionals in their respective fields. Together, the Board members bring a wide range of business and financial experience, skills and technical expertise that are vital to the Board's successful stewardship of the Company and the Group. The Board also believes that the structure of the Board satisfactorily reflect the interest of the shareholders with representation of minority interest through Independent Directors. Profile of each Director is presented on page 26 to page 31 of this Annual Report.

The Board practices a clear division of duties and responsibilities between the Chairman, President/Chief Executive Officer ("CEO") and Non-Executive Directors to ensure a balance of power and authority in the Board. The Chairman is primarily responsible for the orderly conduct and function of the Board whilst the President/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. The President/CEO is assisted by the Management Committee in managing the business on a day-to-day basis, which he consults regularly. The Management Committee ensures effective systems, controls and resources are in place to execute business strategies and decisions taken by the President/CEO and/or the Board.

The Non-Executive Directors have the necessary calibre to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of the shareholders and stakeholders. They contribute to the formulation of policy and decision-making through their expertise and experience. They also provide guidance and promote professionalism and competence among management and employees.

The Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with any companies within the Group. They play a significant role in providing unbiased and independent views, advice and judgement taking into account the interest of relevant stakeholders including minority shareholders of the Company.

Ms Vimala a/p V.R. Menon, Chairman of the Board Audit Committee has been appointed as the representative of the Board, to whom any concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

Board Meetings

The Board meets at least quarterly with additional meetings convened as and when as necessary. Board meetings for each financial year are scheduled in advance to facilitate the Directors to plan ahead and fit the Board meetings into their respective schedules.

The Board has a formal schedule of matters reserved at Board Meetings which includes corporate plans, annual budgets, Management and Group's performance review, major investments and financial decisions, changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits. Board Committees' reports are also presented and discussed at Board Meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Company Secretary.

STATEMENT ON CORPORATE GOVERNANCE

During the financial period ended 31 December 2011, the Board met a total of six times. Details of attendance of the Board members are as follows :-

	Name of Directors	No. of meetings attended
1	Datuk Wan Zulkiflee bin Wan Ariffin	5 out of 6
2	Dr Abd Hapiz bin Abdullah [a]	5 out of 5
3	Ir Kamarudin bin Zakaria	6 out of 6
4	Md Arif bin Mahmood	6 out of 6
5	Datuk Anuar bin Ahmad [b]	1 out of 4
6	Datuk Manharlal a/l Ratilal [b]	4 out of 4
7	Dato' Tengku Mahamad bin Tengku Mahamut [c]	1 out of 1
8	Vimala a/p V.R. Menon	6 out of 6
9	Ching Yew Chye	6 out of 6
10	Dong Soo Kim	6 out of 6
11	Pramod Kumar Karunakaran [d]	2 out of 2
12	Rashidah binti Alias @ Ahmad [d]	2 out of 2

[a] Appointed w.e.f 1 May 2011
[b] Resigned w.e.f 15 September 2011
[c] Resigned w.e.f 30 April 2011
[d] Appointed w.e.f 15 September 2011

Supply of Information

Prior to each Board Meeting, the agenda and a set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting are circulated to all Directors on a timely basis. This enables the Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretary before each meeting so that they are properly prepared for the meeting. Urgent papers may be presented and tabled at meetings under supplemental agenda.

Presentations and briefings by the Management and relevant external consultants are also held at Board Meetings to advise the Board and furnish information and clarification for the Board to arrive at a considered decision.

The Directors have direct access to the Senior Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have direct access to the advice and services of the Company Secretary and are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. The Directors, whether as a full board or in their individual capacity, may seek independent professional advice at the Company's expense, in furtherance of their duties.

Board Committees

To assist the Board in discharging its duties, the Board has established two Board Committees whose compositions are in accordance with the best practices as prescribed by the Code. The functions and Terms of Reference of the Board Committees, as well as authority delegated by the Board to these Board Committees, are reviewed and updated from time to time.

a) *Board Audit Committee*

The Board Audit Committee is made up of three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. In line with good corporate governance, Executive Director is not a member of the Board Audit Committee.

The Board Audit Committee reviews quarterly and annual financial statements, announcements on quarterly results, internal financial controls, reports of the Internal Audit and ensures that the internal control system and management information system are in compliance with the Company's policies and procedures, applicable laws and regulations. The Board Audit Committee also monitors the effective implementation of programmes to ensure compliance to the Company's Risk Management Policy and continue to ensure that principal risks are identified and monitored and appropriate measures are undertaken to manage these risks.

The report on the Board Audit Committee is presented on page 118 to page 122 and the summary of the Terms of References of the Board Audit Committee are included therein.

b) *Nomination and Remuneration Committee*

With the appointment of Dong Soo Kim on 1 November 2011 and the resignation of Datuk Anuar Ahmad on 15 September 2011, the Nomination and Remuneration Committee is currently made up of entirely Independent Non-Executive Directors.

The Nomination and Remuneration Committee undertakes the following functions :-

i) Periodically assess the performance of the Board;
ii) Recommend candidates to fill vacancies on the Board or to stand for election to the Board;
iii) Assist the Board in defining and assessing qualifications for Board membership and to identify qualified individuals;
iv) Review and recommend to the Board appropriate corporate governance policies and procedures for the Company;
v) Monitor compliance with corporate governance standards;
vi) Recommend the framework remuneration policy of Directors and key management and to determine the remuneration package for each Director and key management, if applicable;
vii) Recommend incentive compensation plans for the Board; and
viii) Review and recommend to the Board any proposal to change the organisational structure of the Company and the management system of the Group.

During the financial period ended 31 December 2011, the Nomination and Remuneration Committee met four times and the attendance of the members are as follows:-

Name of Members	No. of meetings attended
Ching Yew Chye	4 out of 4
Vimala a/p V.R. Menon	3 out of 4
Datuk Anuar bin Ahmad [a]	1 out of 2
Dong Soo Kim [b]	2 out of 2

[a] Resigned w.e.f 15 September 2011

[b] Appointed w.e.f 1 November 2011

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as required under the Main Market Listing Requirements issued by Bursa Securities. The Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which the Group operates. As an integral part of orientation programme for new directors, the Company provides briefings on the Group's operations and financial performance as well as organising site visits to the Group's facilities.

The Directors recognise the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast with the development and changes in the industries in which the Group operates, as well as to update themselves on new statutory and regulatory requirements. During the period under review, the Directors have attended and participated in programmes, conferences and forums that covered the areas of Corporate Governance, financial, relevant industry updates and global business developments which they considered as useful in contributing to the effective discharge of their duties as Directors.

Re-election of Directors

In accordance with the Articles of Association of the Company, at every Annual General Meeting ("AGM"), one-third of the Directors for the time being shall retire from office by rotation and may offer themselves for re-election. The Articles of Association also provide that all Directors are subject to retirement by rotation at least once in every three years and shall be eligible for re-election. Directors who are appointed by the Board during the financial period are subject to re-election by shareholders at the next AGM held following their appointments.

B) DIRECTORS' REMUNERATION

The remuneration structure of Non-Executive Directors of the Company is as follows :-

- Fees for duties as Directors and additional fees for undertaking responsibilities as Chairman of the Board
- Meeting allowances for each meeting attended

The fees for Non-Executive Directors are determined by the Board and subject to the approval of the shareholders of the Company at AGM. Meeting allowances for all the Non-Executive Directors are determined by the Board.

Dr Abd Hapiz bin Abdullah, the President/CEO and an Executive Director of the Company, is an employee of the Company. He is not entitled to fees nor was he entitled to receive any meeting attendance fees for Board meetings which he attended. He receives salary and emoluments directly from the Company. During the period, the total remuneration of the President/CEO amounts to RM970,000.

For the period under review, the breakdown of the Directors' remuneration is as follows :-

Name of Directors	Directors' Fee (RM)	Board Meeting Allowance* (RM)	Audit Committee Meeting Allowance* (RM)	Nomination and Remuneration Meeting Allowance* (RM)	Total (RM)
Executive Directors :-					
Dr Abd Hapiz bin Abdullah [a]	Nil	Nil	Nil	Nil	Nil
Dato' Tengku Mahamad bin Tengku Mahamut [b]	Nil	Nil	Nil	Nil	Nil
Non-Executive Directors :-					
Datuk Wan Zulkiflee bin Wan Ariffin	81,000	24,000	Nil	Nil	105,000[#]
Ir Kamarudin bin Zakaria	54,000	21,000	Nil	Nil	75,000[#]
Md Arif bin Mahmood	54,000	18,000	6,000	Nil	78,000[#]
Datuk Anuar bin Ahmad [c]	33,000	6,000	Nil	2,000	41,000[#]
Datuk Manharlal a/l Ratilal [c]	33,000	15,000	Nil	Nil	48,000[#]
Vimala a/p V.R. Menon	54,000	24,500	14,000	10,500	103,000
Ching Yew Chye	54,000	24,500	14,000	14,000	106,500
Dong Soo Kim	162,000	24,500	14,000	7,000	207,500
Pramod Kumar Karunakaran [d]	21,000	6,000	Nil	Nil	27,000[#]
Rashidah Alias @ Ahmad [d]	21,000	6,000	Nil	Nil	27,000[#]
Total	**567,000**	**169,500**	**48,000**	**33,500**	**818,000**

* Meeting allowances depend on the number of meetings attended by the Directors.

[#] Fees paid and payable directly to PETRONAS

[a] Appointed w.e.f 1 May 2011

[b] Resigned w.e.f 30 April 2011

[c] Resigned w.e.f 15 September 2011

[d] Appointed w.e.f 15 September 2011

The presence of the Non-Independent Non-Executive Directors who are employees of PETRONAS, gives the Board a deeper insight into PETRONAS' operations with greater accountability for the Group's performance, both financial and operational.

The director's fee and meeting allowance for the Non-Independent Non-Executive Directors who are also employees of PETRONAS are paid directly to PETRONAS.

The Company reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors.

Management staffs of the Company are seconded from PETRONAS. Their training and succession planning are aligned to PETRONAS' Human Resources Division. The Board ensures that only appropriate personnel with the relevant skills and experience are appointed to Management positions of the Company.

STATEMENT ON CORPORATE GOVERNANCE

C) RELATIONSHIPS WITH SHAREHOLDERS

Communications between the Company and its Investors

The Board recognises the importance of effective communications with the Company's shareholders and other stakeholders including the general public. Information on the Group's business activities and financial performance is disseminated timely through announcements to Bursa Securities, postings on Company's website, press releases, issuance of Annual Report and where required, press conferences.

The President/CEO together with the Chief Financial Officer and the Company's Investor Relations Unit conducts regular dialogues with its institutional shareholders and analysts, and holds quarterly analysts briefings to further explain the Group's quarterly financial results. This is to promote better understanding of the Group's financial performance and operations. Periodically, visits to the Group's facilities or plants are also organised to facilitate better appreciation and insight into the Group's business and operations.

The Company actively updates its website (www.petronaschemicals.com) with latest information on the corporate and business aspect of the Group. Press releases, announcements to Bursa Securities, analysts briefings and quarterly results of the Group are also made available on the website and this helps to promote accessibility of information to the Company's shareholders and all other market participants.

Annual General Meeting ("AGM")

AGM is the principal forum of dialogue with all shareholders whereby the Company has open communication with shareholders. At each AGM, shareholders are encouraged and given sufficient opportunity to raise questions on issues pertaining to the Annual Report, resolutions being proposed and the business of the Company or the Group in general. The Board, senior management, external auditors and other advisors, as applicable are present at AGM to provide answers and clarifications to shareholders.

The notice and agenda of AGM together with Forms of Proxy are given to shareholders at least 21 days before AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. Each item of special business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

D) ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Annual Reports and all other reports or statements to shareholders, investors and relevant regulatory authorities.

The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 123 of this Annual Report.

Related Party Transactions

All related party transactions including recurrent related party transactions are reviewed by the Board Audit Committee and reported to the Board.

The Group has established its policies and procedures on related party transactions and conflict of interest situations, including recurrent related party transactions, to ensure that they are undertaken on normal commercial terms and are not to the detriment of the Company's minority shareholders.

During the period under review, the Board through the Board Audit Committee appointed an Independent Financial Advisor, to ensure that the policies and procedures adopted by the Group is sufficient to ensure that they are not to the detriment to our minority shareholders. An overview of the Independent Financial Advisor's opinion is set out on page 116 to page 117 of this annual report.

The Statement of Internal Control includes an overview of the Group's policies and procedures on related party transactions, including recurrent related party transactions, as set out on page 113 to page 115 of this Annual Report.

Internal Control

The Board continues to maintain and review its internal control procedures to ensure a sound system of internal control to safeguard shareholders' investments and the assets of the Company and the Group.

The Statement on Internal Control which provides an overview of the state of internal controls within the Group is set out on page 108 to page 115 of this Annual Report.

Relationship with External Auditors

Through the Board Audit Committee, the Company maintains a professional and transparent relationship with its external auditors, Messrs KPMG Desa Megat & Co. Whenever the need arises, the external auditors will highlight to both the Board Audit Committee and the Board on matters that warrant their attention. The role of the Board Audit Committee in relation to the external auditors is described in the Board Audit Committee Report on page 118 to page 122 of this Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 27 February 2012.

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Dr Abd Hapiz bin Abdullah
President/Chief Executive Officer

E) ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Audit Fee**
   The amount of non-audit fees paid and payable to the external auditors of the Company for the financial period ended 31 December 2011 was RM735,000 (RM772,000 for financial year ended 31 March 2011).

2. **Sanction**
   During the financial year, there were no sanctions or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies.

3. **Material Contracts**
   There were no material contracts or loans entered into by the Company or its subsidiaries involving directors' or major shareholders' interests, either still subsisting at the end of the financial period ended 31 December 2011 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

STATEMENT OF INTERNAL CONTROL

Internal control is an integral part of PETRONAS Chemical Group's objectives, risk and control continuum. The Board recognises that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to be able to support its business objectives. Hence, the Board continues with its commitment to maintain a firm system of internal control throughout the Group and in compliance with Bursa Malaysia Securities Berhad Listing Requirements and the Statement on Internal Control: Guidance for Directors of Public Listed Companies). The Group also embraces PETRONAS' shared values of loyalty, integrity, professionalism and cohesiveness which provide the foundation for effective internal control structure.

The Board is pleased to provide the following statement on control frameworks that are embedded into the organisation's culture, processes and structures.

BOARD'S ACCOUNTABILITY

The Board acknowledges the importance of maintaining a sound system of internal control and a robust risk management practice for good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets. The Board affirms its overall responsibility for reviewing the adequacy and the integrity of the Group's internal control system and management information system, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

In view of the limitations that are inherent in any internal control system, this system is designed to manage, rather than eliminate the risk of failure of achieving the Group's objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatements or losses.

The Group has established a process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of corporate objectives. This process is being implemented throughout the Group and the Board will continue to review this process periodically and enhances it as relevant to ensure sustainability.

RISK MANAGEMENT

Risk Management is an integral part of the Group's organizational processes, with the objective of maintaining a sound internal control system and ensuring its continuing adequacy and effectiveness in protecting and creating value for the Group.

Guided by the Group's Risk Management Policy, Risk Management Oversight was enhanced comprising of Risk Management Committee, Plant and Facilities Risk Management Committee as well as Commercial Risk Management Committee were established to oversee and ensure seamless integration of Risk Management into PCG business processes to protect and safeguard PCG interest covering strategic, plant, facilities and commercial risks. Similarly, the Risk Management Department is entrusted with the responsibility of ensuring effective risk management implementation and governance in the Group was expanded to cover commercial risks.

The Group's Corporate Risk Profile and OPU level was established based on enterprise risk management concept with principal risks identified, key risk indicators and risk treatments reviewed periodically at various management or risk committees and Board Audit Committee.

In providing an effective risk management control structure, a risk governance model was developed. Specific requirements were established to operationalize Risk Governance Framework approved by the Board. A Risk Management Manual based on the principles and guidelines of International Standard ISO 31000:2009 is also available to guide implementation.

As an assurance of operationalization and effectiveness of the Group's Risk Governance Framework, a Risk Assurance Model was established with internal assessment conducted throughout the Group. The performance gap closure effort has been identified as part of the Group's Strategic Risk Plan.

The Group had also established its operational risk tolerance limits for plant operation and marketing activities based on the Group's Risk Appetite. Critical business decisions are subjected to risk assessment to facilitate decision making by the Board. Credit exposure is closely tracked as monitoring and control tools to guide credit risk decisions.

The Risk Management Department is also collaborating with PETRONAS Finance Risk Management Department to enhance credit risk mitigation with integrated customer's master data throughout PETRONAS Group as well as enhancement of Credit and Price Risks Policy. Marketing agreements were also reviewed with close collaboration with PETRONAS Corporate Legal to ensure compliance to Malaysia's Competition Act 2010.

In ensuring the Group's readiness in managing business continuity, a Business Continuity Management Policy and Framework were approved by the Board.

The Group will continue its focus in the implementation of key Risk Management strategies and initiatives to achieve its Risk Agenda to institutionalize Risk Management as a business culture throughout the Group.

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BOARD AUDIT COMMITTEE

Internal Audit

Internal audits are undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control systems in the assessment of potential risks exposures in key business processes and in controlling the proper conduct of business within the Group. The Board Audit Committee has full and direct access to internal auditors and the Board Audit Committee receives reports on all internal audits performed.

The Group established its own dedicated internal audit function in June 2011. Prior to June 2011, the internal audit function of the Group is carried out by PETRONAS Group Internal Audit Department (GIAD), a division in PETRONAS. The internal audit department provides the Group with a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group. It maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Board Audit Committee.

The internal audit function reviews the internal controls of selected key activities of the Group's businesses based upon an annual internal audit plan which is presented to the Board Audit Committee for approval. The annual audit plan, which covers the Group and its subsidiary companies, is established primarily on a risk-based approach. The Board Audit Committee reviews audit reports and directs the Management for the necessary corrective actions. The Management is responsible for ensuring that corrective actions are implemented accordingly. In addition, the status of the audit issues closures is reported to the Board Audit Committee on a quarterly basis.

The interests of the Group in associated companies and jointly controlled entities are primarily served through representation on the board of directors of the respective companies. Internal controls of associated companies and jointly controlled entities may be reviewed through annual shareholders audit or upon specific request by the Board Audit Committee.

Other Key Elements of Internal Control Systems

In furtherance to the Board's commitment to maintain a sound system of internal control, the Board continues to maintain and implement a strong control structure and environment for the proper conduct of the Group's business operations as follows:

- *Board of Directors*
  The Board meets at least quarterly and has set a schedule of matters, which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The President/Chief Executive Officer leads the management in presentation of board papers and ensures management provides comprehensive explanation of pertinent issues. In arriving at any decision requiring Board's approval

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as set out in the Limits of Authority manual, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis.

The President/Chief Executive Officer reports to the Board on significant changes in the business and external environments which are relevant to the business. The Chief Financial Officer provides the Board with quarterly performance reports and related financials of the Group.

- *Board Audit Committee*
  The Board has delegated the duty of reviewing and monitoring the effectiveness of the Group's system of internal controls to the Board Audit Committee.

  The Board Audit Committee assumes the overall duties of reviewing with the external auditors their audit plan, audit report, as well as their findings and recommendations pursuant to the year end audit. The Board Audit Committee also evaluates the adequacy and effectiveness of the Group's risk management and internal control systems and reviews internal control issues identified by internal auditors and management. Throughout the period, the Board Audit Committee was updated on any development in Bursa Malaysia Securities Berhad Listing Requirements, updates of Malaysian Financial Reporting Standards, as well as new legal and regulatory requirements.

  The Board Audit Committee continues to meet regularly and has full and unimpeded access to the internal and external auditors and all employees of the Group.

  Further information relating to the activities of the Board Audit Committee is set out in the Board Audit Committee's report as presented in page 118 to page 121 of this annual report.

- *Organisation Structure and Management Committees*
  An organisational structure, which is aligned to the business and operational requirements, and with clearly defined lines of responsibility, accountability and levels of authority, is in place to assist in implementing the Group's strategies and day-to-day business activities. The establishment of Management Committees assists the President/CEO in accomplishing the vision, mission, strategies and objectives set for the Group.

  A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

  Various functional committees were set up at the management level to ensure the Group's actions and operations are properly aligned towards achieving the organisation's goals and objectives.

- *Limits of Authority*
  The Group has established Limits of Authority manual which define the appropriate approving authority to govern and manage business decision process. The manual sets out a clear line of accountability and responsibility which serves as a reference in identifying the approving authority for various transactions including matters that require Board's approval. It provides a framework of authority and accountability within the Group and facilitates decision making at the appropriate level in the Group hierarchy.

- *Financial Control Framework*
  The Group has implemented Financial Control Framework to ensure key internal controls are adequate and effective at all times. The framework requires the documentation of key processes and a structured process to identify control gaps and the required mitigation action. Annually, each key process owner at various management levels is required to complete and submit a letter of assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable. As a result, the Financial Control Framework provides further assurance on the quality of the Group's financial reports.

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- *Corporate Financial Policy*
  The Group practices PETRONAS Corporate Financial Policy with the objective of establishing policy guidance for financial management activities embedding the principles of financial risk management. The Corporate Financial Policy governs financial risk management practices across the Group. It prescribes a framework in which financial risk exposure are identified and managed.

- *Business Plan and Budget*
  The Group performs annual budgeting and forecasting exercise including development of business strategies for the next five years, and the establishment of key performance indicators against which the overall performance of the Group, including the respective performance of business segments and companies within the Group, can be measured and evaluated.

  A detailed operating and capital expenditure requirements is tabled to the Board for approval prior to the commencement of a new financial year. The Group's performances are reported internally on a monthly basis in Management Committee meetings. The Group's quarterly performances are also presented to the Board as compared to approved plans as well as compared to prior periods.

  The Group's strategic direction is also reviewed through a rigorous assessment process taking into account changes in market conditions and significant business risks.

- *Tender Committee*
  Tender Committee which comprises cross functional representatives has been established to review all major purchases and contract. The committee provides the oversight function on tendering matters prior to approval by the relevant Approving Authorities as set out in the Limits of Authority manual.

- *Employees Performance Management*
  The professionalism and competency of staff are enhanced through a structured training and development programme and potential entrants or candidates are subject to a structured recruitment process. A performance management system is in place, with established key performance indicators (KPIs) to measure staff performance and the performance review is conducted on semi-annual basis.

- *Operating Procedures and Guidelines*
  The Group has developed Operating Procedures and Guidelines which covers business planning, capital expenditure, financial operation, performance reporting, plant operations, supply chain management, human resource, information technology and Health, Safety and Environment. These manual defines the policies and procedures for day-to-day operations and acts as guidelines as to the proper measures to be undertaken in a given set of circumstances. These policies and procedures are also reviewed on a regular basis to ensure relevance and effectiveness.

- *Information and Communications Technology*
  Information and Communications Technology is extensively employed in the Group to automate work processes, where possible and to collect key business information. The Group's information and communication systems, which acts as an enabler to improve business processes, work productivity and decision making, are being implemented throughout the Group. System reviews will be initiated and conducted to confirm adequate controls are in place in order to adhere to the Group's business objectives, policies and procedures.

Related Party Transaction (RPT) and Conflict of Interest (COI)

The Group has established policies and procedures with regards to RPT and COI, to ensure full compliance to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The policies and standard operating procedures require the use of various methods to ensure that RPTs are conducted on normal commercial terms, which are consistent with the Group's normal business practices and policies, and will not be to the detriment of the Company's minority shareholders. Such methods include the review and disclosure procedures as follows:

(i) Directors and officers of the Company and its Group shall not to enter into transactions with related parties unless these transactions are carried out on normal commercial terms and are not to the detriment of the Company's minority shareholders;

(ii) PETRONAS Chemicals Group and its subsidiaries render numerous services to related parties within the scope of its ordinary business activities. Conversely, these related companies, i.e. holding company, subsidiaries, associates and/or joint venture companies provide services to the Group as part of their normal business. All sourcing and sales of PETRONAS Chemicals Group's products, general merchandise and/or shared facilities/services takes place on the basis of market/industry negotiated pricing terms and conditions and/or pricing formulas quoted against international price benchmarks;

(iii) Whenever practicable and/or possible, at least two (2) other contemporaneous transactions with third parties for substantially similar products/services and/or quantities, other than that which are proprietary in nature or unique to the PETRONAS Group, will be used as comparison to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/ by other third parties, bearing in mind, market forces for the demand and supply of the products/services and its impact on pricing, quality, delivery schedules, preferential terms and conditions, and on the urgency that the products/services are required. Nonetheless, in the event that such quotation or comparative pricing from third parties cannot be obtained, the transactions prices will be reviewed to ensure that the RPTs/RRPTs are within normal commercial terms and not detriment to the company's minority shareholders;

(iv) All RPTs/RRPTs will be approved by either the Board or the shareholders. In the case of transaction/contract entered into by the subsidiary companies, the RPTs/RRPTs will be endorsed by the Board and approved by the subsidiary company's Board respectively. As for the authority threshold, the Group employs clearly defined authority limits governing all of our Group's business transactions. All business transactions have rigorous monitoring parameters such as order

STATEMENT OF INTERNAL CONTROL

limits guided by demand forecasts and other budgetary control tools. If a Director or a related party has an interest in a transaction, he or she will abstain from any deliberation and decision-making at the Board or subsidiary company's Board (as the case may be) in respect of the said transactions;

(v) RPTs/RRPTs will be reviewed at the Board Audit Committee meeting should there be any changes to the terms and conditions of the arrangement. The Board will have the overall responsibility to ascertain if the guidelines and procedures established to monitor RPTs/RRPTs and COI situations have been complied with, including addition of new review procedures, as and when necessary. The Board and/or Board Audit Committee may also appoint individuals and Committees to examine the RPTs/RRPTs, as they deem appropriate;

(vi) On an annual basis, all Directors and any related party of the Group will declare in writing an annual declaration form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly; All Directors and any related party of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes known to them;

(vii) The Group Legal and Corporate Secretariat Division perform reviews on all commercial contracts. System based records are maintained to capture all the RPTs/RRPTs which have been entered into. Processes concerning negotiations, tendering and/or analysis carried out for transactions between related parties are appropriately documented and retained to support and evidence that such transactions have been carried out on normal commercial terms and are not detrimental to the Company's minority shareholders.

The Company has been granted a waiver by Bursa Securities on 19 October 2010 from complying with the requirement of paragraph 10.09 of the Main Market Listing Requirements including having to seek shareholders approval in relation to the supply, sale, purchase, provision and usage of certain goods, services and facilities which form part of PETRONAS Group integrated operations. The waiver is conditional upon disclosing in annual report an independent financial adviser's opinion that the method or procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of the Company's minority shareholders.

The Group forms part of the integrated oil and gas value chain of the PETRONAS Group. The transactions such as the supply of raw materials are vital to the Group's operations, and alternative supplies will not be readily available as PETRONAS Group is a major supplier and at times, the sole supplier of such raw materials. Due to the integrated nature of the Group's petrochemicals and business operations with the PETRONAS Group, the waiver is of particular significance to ensure the Group does not experience any potential disruption to its operations.

Accordingly the Board through its Board Audit Committee, has appointed Messrs PricewaterhouseCoopers Capital Sdn Bhd as the Independent Financial Advisor to give their opinion that the Company's method or procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of the Company's minority shareholders. The opinion of the Messrs PricewaterhouseCoopers Capital Sdn Bhd is disclosed on page 116 to 117 of this annual report.

The details of the RRPTs incurred during the financial year that were waived by Bursa Securities are presented on page 115 of this annual report.

STATEMENT OF INTERNAL CONTROL

Weaknesses in Internal Control that Result in Material Losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the internal control environment.

The internal control systems discussed in this statement does not apply to associated companies and jointly controlled entity which falls under the control of their majority shareholders. Nonetheless, the interest of the group is safeguard through the representatives on the board of the associated companies and jointly controlled entity and through the review of management accounts received.

This Statement of Internal Control is made in accordance with the resolution of the Board dated 27 February 2012

Datuk Wan Zulkiflee bin Wan Ariffin

Chairman

Dr Abd Hapiz bin Abdullah

President/Chief Executive Officer

Recurrent Related Party Transactions that were waived by Bursa Securities from complying with the requirement of paragraph 10.09 of the Main Market Listing Requirements

Transacting Parties		Integrated operations of our group	For Period Ended 31/12/2011 RM '000
PCG Group and PETRONAS and its subsidiaries ("PETRONAS Group")	(i)	Supply of fuel and feedstock (such as propane , butane, ethane, dry gas, naphtha, natural gas) by PETRONAS Group	3,910,528
	(ii)	Supply of utilities, electricity and water by PETRONAS Group	228,596
	(iii)	Upgrading and pipeline works on the Labuan Gas Terminal by PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd)	Nil
	(iv)	Grant to PETRONAS Group for the right of usage of facilities and passage of commodities to facilitate the receipt and distribution of petrochemicals and related products	404
	(v)	Provision of operating and maintenance services by PETRONAS Group	2,332
	(vi)	Purchase of marine diesel oil from PETRONAS Group	1,211
		Services rendered within the PETRONAS Group	
	(vii)	Provision of vessel screening services by PETRONAS Maritime Sdn Bhd	150
	(viii)	Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries ("MISC Group")	11,599
		Others	
	(ix)	Sales of Petrochemical products and other related products to PETRONAS Group	2,325,510

INDEPENDENT FINANCIAL ADVISOR'S REPORT

To the Board Audit Committee of PETRONAS Chemicals Group Berhad

Board Audit Committee
PETRONAS Chemicals Group Berhad
Tower 1,
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

27 February 2012

Dear Sirs,

REVIEW ON METHODS OR PROCEDURES IN DETERMINING AND REVIEWING TRANSACTION PRICES AND TERMS OF RECURRENT RELATED PARTY TRANSACTIONS

1 INTRODUCTION

This letter has been prepared for the purpose of inclusion in the Annual Report for the financial year ended 31 December 2011 pursuant to the waiver for compliance with Paragraph 10.09 of Bursa Malaysia Main Market Listing Requirements ("LR") on selected categories of related party transactions ("the Waiver") granted by Bursa Malaysia based on its letter to PCG dated 19 October 2010 ("the Waiver Letter").

As part of the Waiver, PCG is required to disclose in its Annual Report after the listing date, an independent financial advisor's opinion that the methods or procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of its minority shareholders (the "Minority Shareholders").

2 TERMS OF REFERENCE

To comply with the condition attached to the waiver as described above, PricewaterhouseCoopers Capital Sdn Bhd ("PwCC") has been appointed as the independent financial advisor to provide an opinion on whether the methods or procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of Minority Shareholders.

PwCC's views as set forth in this letter are based on the prevailing market and economic conditions, and our analysis of the information provided to us by PCG up to the date of this letter. Accordingly, this opinion shall not take into account any event or condition which occur after that date.

The scope of our review for the purposes of this letter covers the RRPT contracts entered into by PCG on or after its listing date of 26 November 2010 and up to 31 December 2011 ("Period of Review") for the nine (9) categories of RRPTs set out in Section 1 above.

PwCC was not involved in the formulation of the procedures adopted by the Company for determining the transaction prices of the RRPTs. Our work is in respect of a review of methods or procedures and did not include a review to verify actual prices are in accordance with third party commercial terms.

INDEPENDENT FINANCIAL ADVISOR'S REPORT

To the Board Audit Committee of PETRONAS Chemicals Group Berhad

In the course of our evaluation of the procedures, we have performed the following:

- Desktop reviews of documented standard operating procedures and relevant Board and Management reports that were used to determine and review the transaction prices and terms of RRPTs;
- Performed a walkthrough on selected RRPTs, the procedures undertaken to determine transaction prices and terms of RRPTs;
- Discussions with selected members of Senior Management on the methods and procedures employed by PCG to determine and review the transaction prices and terms of RRPTs; and
- Interviews with selected Board members, including the Audit Committee Chairman to understand the Board's role in reviewing RRPTs.

3 REVIEW PROCEDURES IN DETERMINING AND REVIEWING TRANSACTION PRICES AND TERMS OF RRPTS

Details of such review procedures and threshold limits are set out in PCG's Policies and Procedures on Related Party Transactions and Conflict of Interest Situations (2011) document, as summarised in the Statement on Internal Control of this Annual Report, and Shareholders are advised to read the information carefully.

In our review of procedures for determining the transaction prices of RRPTs, we have considered the following:

(a) The Directors' rationale for, and the benefits accruing to the Group arising from the RRPTs;
(b) The classes of Related Parties and the nature and description of the RRPTs; and
(c) The review procedures for the RRPTs.

4 OPINION

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, PwCC is of the opinion that the review procedures for determining the transactions prices of the RRPTs, as set out in the Statement on Internal Control of this Annual Report, are sufficient to ensure that the RRPTs will be carried out on normal commercial terms and will not be detrimental to the interests of PCG and its Minority Shareholders.

Yours faithfully,

PricewaterhouseCoopers Capital Sdn Bhd

BOARD AUDIT COMMITTEE REPORT

From left: Vimala a/p V.R. Menon • Ching Yew Chye • Dong Soo Kim • Md Arif bin Mahmood

The Board Audit Committee (BAC) is pleased to present its report for the financial period ended 31 December 2011 in compliance with paragraph 15.15 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

COMPOSITION

The Board has established the Board Audit Committee with members as follows :-

1) Vimala a/p V.R. Menon – Chairman
(Independent Non-Executive Director)
2) Ching Yew Chye
(Independent Non-Executive Director)
3) Dong Soo Kim
(Independent Non-Executive Director)
4) Md Arif bin Mahmood
(Non-Independent Non-Executive Director)

In compliance with the Malaysian Code on Corporate Governance and paragraph 15.09 (1)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all four Board Audit Committee members are Non-Executive Directors including three Independent Directors who fulfill the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Chairman of the Board Audit Committee, Ms Vimala a/p V.R. Menon is a member of the Malaysian Institute of Accountants and also an Associate Member of the Institute of Chartered Accountants in England and Wales. In this regard, the Company is in compliance with paragraph 15.09(c)(i) under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires at least one member of the Board Audit Committee to be a qualified accountant.

BOARD AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The summary terms of reference of the Board Audit Committee as set out on page 122 of the Annual Report are consistent with the Listing Requirements and the Malaysian Code on Corporate Governance. All the requirements under the terms of reference are fully complied with.

MEETINGS

The Board Audit Committee met four times during the financial period ended 31 December 2011 and details of attendance of the Board Audit Committee members are as follows :-

Name of Members	No. of meetings attended
Vimala a/p V.R. Menon	4 out of 4
Ching Yew Chye	4 out of 4
Dong Soo Kim	4 out of 4
Md Arif bin Mahmood	3 out of 4

By invitation, the Chief Executive Officer, Chief Financial Officer, Head of Risk Management, external and internal auditors are invited to attend BAC meetings to brief the members of BAC and furnish them with information and clarification required on relevant items on the agenda.

During the year under review, the Company had appointed the Head, Internal Auditor who attends Board Audit Committee meetings to present the internal audit reports to the Board Audit Committee.

At the conclusion of each meeting, recommendations are made for the Management to improve the internal controls, procedures and systems of the Company and the Group, where relevant.

The Board Audit Committee meets at least quarterly with additional meetings convened as and when necessary. BAC meetings for each financial year are scheduled in advance to facilitate the Directors to plan ahead and fit the BAC meetings into their respective schedules.

All proceedings of BAC meetings are duly recorded in the minutes of each meeting and signed minutes of each BAC meeting are properly kept by the Company Secretary. The draft BAC minutes are circulated to the BAC members subsequent to the BAC meeting but prior to the next Board meeting. This assists the BAC Chairman to effectively convey to the Board matters deliberated at the BAC meeting.

SUMMARY OF ACTIVITIES OF THE BAC

During the financial period ended 31 December 2011, the Board Audit Committee carried out the following activities in discharging its functions and duties:-

External Audit

a) Reviewed and recommended the terms of engagement and fees structure of external auditors for Board's approval.

b) Reviewed and approved the external auditors audit plan and scope for the period under review.

c) Reviewed the external audit report and the Management Letter, including Management's responses.

d) Reviewed the independence and objectivity of the external auditors and the effectiveness of services provided.

e) Reviewed quarterly the status of agreed corrective actions for management letter.

Internal Audit

a) Reviewed Annual Internal Audit Plan to ensure adequacy of resources, competencies and coverage on entities selected per risk based assessment.

b) Reviewed internal audit reports on the effectiveness and adequacy of governance, risk management, operational and compliance processes.

c) Reviewed the adequacy and effectiveness of agreed corrective actions undertaken by management on all significant and secondary issues raised.

d) Reviewed the adequacy of resources and competencies of staff within Internal Audit Unit to execute the internal audit plan.

e) Reviewed quarterly the status of agreed corrective actions raised by internal audit.

BOARD AUDIT COMMITTEE REPORT

Financial Results

a) Reviewed the Quarterly financial results prior to the approval by the Board, to ensure compliance to the Main Market Listing Requirements, the applicable financial reporting standards as well as other relevant legal and regulatory requirements. The review and discussion were conducted with the Chief Executive Officer and the Chief Financial Officer of the Company.

b) Reviewed the audited financial statements for the period under review prior to the approval by the Board, to ensure that they were prepared in accordance with the provisions of the Companies Act, 1965 and the applicable financial reporting standards. The review and discussion were conducted with the Chief Executive Officer and the Chief Financial Officer of the Company.

c) Reviewed the relevant corporate governance and internal controls statements for the annual report in relation to the audited financial statements, prior to the approval by the Board.

d) Reviewed the impact of adoption of IC Interpretation 4 (Determining Whether an Arrangement Contains a Lease) and Compliance with FRS 117 (Leases).

e) Reviewed the impact of implementing the latest Malaysian Financial Reporting Standards.

Corporate Governance

a) Reviewed the impact of relevant regulatory changes and ensured compliance by the Company and the Group.

Related Party Transactions (“RPT”)/Recurrent Related Party Transactions (“RRPT”)

a) Reviewed the policies and procedures relating to RPTs/RRPTs and conflicts of interests situations, with the objective of ensuring that all RPTs/RRPTs are carried out on normal commercial terms and are not to the detriment of the Company’s minority shareholders.

b) Ensured that the policies and procedures includes methods and processes to identify, evaluate, monitor, report, approve and disclose accurately and completely, in a timely and orderly manner such situations and transactions.

c) Reviewed RPTs/RRPTs for approval or endorsement by the Board to ensure compliance to the Company’s policies and procedures on RPT.

d) Reviewed the terms of engagement and fees of Independent Financial Advisor for the review of RPTs/RRPTs policies and procedures. Reviewed the report and findings of the Independent Financial Advisor and ensured adequacy and effectiveness of agreed corrective actions by Management, as applicable.

The Statement on Internal Control includes an overview of the Group’s policies and procedures on related party transactions, including recurrent related party transactions, as set out on page 113 to page 115 of this Annual Report.

An overview of the Independent Financial Advisor’s opinion on the RPT/RRPT policies and procedures is set out on page 116 to 117 of this annual report.

Risk Management

a) Reviewed and endorsed all policies, frameworks, guidelines and other key components of risk management for implementation within the Company and throughout the Group.

b) Reviewed and endorsed corporate risk profile for the Group.

c) Reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

Internal Audit Department

The internal audit function of the Group was established in June 2011 and the Head of Internal Audit was appointed concurrently. The Internal Audit Unit reports directly to the Board Audit Committee to ensure impartiality and independence.

BOARD AUDIT COMMITTEE REPORT

Prior to June 2011, the internal audit function was carried out by Group Internal Audit Department of PETRONAS.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control systems in anticipating potential risk exposures over key business processes within the Group. The Board Audit Committee has full access to internal auditors and received reports on all audits performed.

In the period under review, the internal auditors carried out audits according to the internal audit plan which had been duly approved by the Board Audit Committee. The audits conducted during the period under review were:-

– Audit on PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) - Plant Maintenance Activities
– Audit on PETRONAS Chemicals Marketing Sdn Bhd (formerly known as Malaysian International Trading Corporation Sdn Bhd) - Operations
– Shareholders' Audit on PETRONAS BASF Chemicals Sdn Bhd
– Audit on ASEAN Bintulu Fertilizer Sdn Bhd - Project Management Activities
– Audit on PETRONAS Chemicals Olefins Sdn Bhd (formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd), PETRONAS Chemicals Derivatives Sdn Bhd (formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd) and PETRONAS Chemicals Glycols Sdn Bhd (formerly known as Optimal Glycols (Malaysia) Sdn Bhd) - Overall Governance
– Audit on PETRONAS Chemicals Ethylene Sdn Bhd (formerly known as Ethylene Malaysia Sdn Bhd) and Polyethelene Malaysia Sdn Bhd - Plant Operations and Maintenance
– Audit on PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd) - Plant Operations and Maintenance Activities

The resulting reports from the audits were reviewed by the Board Audit Committee and subsequently forwarded to the Management for the necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions are taken within the required time frame and reports to the Board Audit Committee quarterly on the status of audit issues resolutions.

The total costs incurred for the internal audit function of the Company and the Group for the financial period was RM607,830.

REPORTING TO THE EXCHANGE

The Board Audit Committee did not see any matter in breach of the Main Market Listing Requirements that warrants reporting to Bursa Malaysia Securities Berhad.

Vimala a/p V.R. Menon
Chairman
Board Audit Committee

27 February 2012

SUMMARY OF BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

OBJECTIVE

To provide independent oversight of the Company's financial reporting and internal control systems and to ensure adequate and effective checks and balances within the Company and the Group.

COMPOSITION

The Board Audit Committee shall comprise only non executive directors with at least three members, where majority shall be independent directors. The committee shall be chaired by an independent director. At least one member should have accounting expertise and experience in the field of finance.

RIGHTS

The Board Audit Committee in performing its duties shall have authority to investigate any matter within its terms of reference and given adequate resources to perform its duties. The Board Audit Committee shall have full and unrestricted access to any information or persons within the Company and the Group as well as direct communication channels with external auditors and person(s) carrying out the internal audit functions or activities.

DUTIES AND FUNCTIONS

Duties of Board Audit Committee amongst others are to:-

- External Audit
  - Review and recommend to the Board, the appointment of external auditors and their fees.
  - In the event of resignation or dismissal of external auditors, to review and consider any questions in relation to the resignation or dismissal before making recommendations to the Board.
  - Review the nature and scope of the audit, and ensure co-ordination where more than one audit firm are involved.
  - Review the external auditors' management letter and management's responses.
  - Establish direct communication channels with the external auditors to ensure full transparency of the audit processes and its findings.
  - Ensure that there are proper checks and balances in place so that the provision of non audit services, if any does not interfere with the exercise of independent judgment of the external auditors.

- Internal Audit
  - Ensure independence and authority of the internal audit function and that all audits are carried out with impartiality, proficiency and due professional care.
  - Review the internal audit plan, audit reports and consider the findings of internal audits and management's responses.
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function.
  - Direct and, where appropriate, supervise any special project or investigation considered necessary.

- Financial Reporting Review
  - Review the quarterly and yearly financial statements prior to approval by the Board.
  - Ensure fair and transparent reporting and prompt publication of the financial accounts.

- Internal Control
  - Review the adequacy and effectiveness of internal controls systems.

- Risk Management
  - Review the adequacy and effectiveness of risk management practices and procedures.
  - Review on quarterly basis, the risk profile of the Group.

- Related Party Transaction
  - Review all related party transactions and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

The Board Audit Committee shall hold regular meetings, at least quarterly and should report to the Board. The Board Audit Committee shall also prepare periodic reports to the Board on work performed to fulfil its primary responsibilities.

The terms of reference and performance of the Board Audit Committee and each of its members will be reviewed by the Board periodically to ensure that the Board Audit Committee and its members have carried out their duties in accordance with the terms of reference.

STATEMENT OF DIRECTORS' RESPONSIBILITY

(in relation to the Financial Statements)

The financial statements of the Group and of the Company as set out on page 126 to page 197 of this Annual Report are properly drawn up, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results of its operations and cash flows for the 9 months period ended on that date.

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

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgements and estimates have been made;
- all Financial Reporting Standards and the Companies Act, 1965 in Malaysia have been followed; and
- prepared on a going concern basis.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Companies Act, 1965 in Malaysia to be retained by the Group have been properly kept in accordance with the provisions of the said Act.

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

Urea enhances soil fertility and ensures healthy growth of crops, a significant chemistry that helps sustain human life through longer cycles of high yield harvests.

UREA

Financial Statements

DIRECTORS' REPORT

For the Period Ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the period ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

The principal activities of subsidiaries, associates and jointly controlled entity are stated in Note 26 to the financial statements respectively.

There has been no significant change in the nature of these activities during the financial period.

RESULTS

	Group RM Mil	Company RM Mil
Profit for the period	2,912	1,776
Attributable to:		
Owners of the Company	2,621	1,776
Non-controlling interests	291	–

DIVIDENDS

During the financial period, the Company:

(i) as proposed in last year's report, paid a single tier final dividend of 19 sen per ordinary share amounting to RM1,520 million in respect of the financial year ended 31 March 2011;

(ii) paid a single tier interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial period ended 31 December 2011.

The Directors propose a single tier final dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial period ended 31 December 2011 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial period do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2012.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the period.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Datuk Wan Zulkiflee bin Wan Ariffin
Dr Abd Hapiz bin Abdullah (appointed w.e.f 1 May 2011)
Ir Kamarudin bin Zakaria
Md Arif bin Mahmood
Vimala a/p V.R. Menon
Ching Yew Chye
Dong Soo Kim
Pramod Kumar Karunakaran (appointed w.e.f 15 September 2011)
Rashidah binti Alias @ Ahmad (appointed w.e.f 15 September 2011)
Dato' Tengku Mahamad bin Tengku Mahamut (resigned w.e.f 30 April 2011)
Datuk Anuar bin Ahmad (resigned w.e.f 15 September 2011)
Datuk Manharlal a/l Ratilal (resigned w.e.f 15 September 2011)

In accordance with Article 93 of the Company's Articles of Association, Vimala a/p V.R. Menon, Ching Yew Chye and Dong Soo Kim retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Pramod Kumar Karunakaran and Rashidah binti Alias @ Ahmad who were appointed during the period retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors in office at the end of the period who have interests in the shares of the Company and of its related corporations (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company pursuant to Section 134(12)(c) of the Companies Acts, 1965) other than wholly owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:-

	Number of ordinary shares of RM0.10 each in the Company			
Name	Balance at 1.4.2011/ Appointment Date	Bought	Sold	Balance at 31.12.2011
Direct interest in the Company				
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	–	–	**20,000**
Dr Abd Hapiz bin Abdullah	10,000	10,000	–	**20,000**
Ir Kamarudin bin Zakaria	20,000	15,000	–	**35,000**
Md Arif bin Mahmood	20,000	–	–	**20,000**
Vimala a/p V.R. Menon	20,000	–	–	**20,000**
Ching Yew Chye	20,000	–	–	**20,000**
Dong Soo Kim	20,000	–	–	**20,000**
Pramod Kumar Karunakaran	6,000	–	–	**6,000**
Rashidah binti Alias @ Ahmad	6,000	–	–	**6,000**

DIRECTORS' REPORT

For the Period Ended 31 December 2011

DIRECTORS' INTERESTS (Continued)

Name	Number of ordinary shares of RM0.10 each			
	Balance at 1.4.2011	Bought	Sold	Balance at 31.12.2011
Indirect interest in the Company				
Ir Kamarudin bin Zakaria	6,000[1]	2,000	–	**8,000**
Ching Yew Chye	30,000[2]	–	–	**30,000**

1 Indirect interest in shares held through children by virtue of Section 134(12)(c) of the Companies Act, 1965.

2 Indirect interest in shares held through spouse by virtue of Section 134(12)(c) of the Companies Act, 1965.

Name	Number of ordinary shares of RM0.50 each			
	Balance at 1.4.2011	Bought	Sold	Balance at 31.12.2011
Direct interest in Malaysia Marine and Heavy Engineering Holdings Berhad				
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	–	–	**10,000**
Ir Kamarudin bin Zakaria	–	5,000	5,000	**–**

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than amount of emoluments benefits included in the aggregate received or due and receivable by the Directors or the fixed salary of a full time employee of the Company or of the related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial period 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 period.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

For the Period Ended 31 December 2011

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to realise, 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 of the Company 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 or in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial period and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial period.

No 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 period 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 period ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

AUDITORS

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

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

Datuk Wan Zulkiflee bin Wan Ariffin

Dr Abd Hapiz bin Abdullah

Kuala Lumpur,
Date: 27 February 2012

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 131 to 197, are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the financial period ended on that date.

In the opinion of the Directors, the information set out in Note 37 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Wan Zulkiflee bin Wan Ariffin

Dr Abd Hapiz bin Abdullah

Kuala Lumpur,
Date: 27 February 2012

STATUTORY DECLARATION

I, **Wan Shamilah binti Wan Muhammad Saidi**, the officer primarily responsible for the financial management of **PETRONAS Chemicals Group Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 131 to 197, 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 the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Wan Shamilah binti Wan Muhammad Saidi at Kuala Lumpur
in Wilayah Persekutuan on 27 February 2012

BEFORE ME:

PESURUHJAYA SUMPAH
W 565
AISHAH BT SHAHUL HAMEED
PJK
MALAYSIA

No. 66 Jalan Tun Perak
50050 Kuala Lumpur, Malaysia.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Note	Group 31.12.2011 RM Mil	Group 31.3.2011 Restated RM Mil	Group 1.4.2010 Restated RM Mil	Company 31.12.2011 RM Mil	Company 31.3.2011 RM Mil
ASSETS						
Property, plant and equipment	3	**12,646**	13,057	13,382	**14**	–
Investments in subsidiaries	4	**–**	–	–	**13,978**	13,378
Investments in associates	5	**651**	875	822	**532**	532
Investments in jointly controlled entity	6	**71**	70	107	**87**	87
Intangible assets	7	**2,016**	2,142	1,211	**–**	–
Long term receivables	8	**54**	64	80	**279**	895
Deferred tax assets	9	**484**	623	517	**–**	–
TOTAL NON-CURRENT ASSETS		**15,922**	16,831	16,119	**14,890**	14,892
Trade and other inventories	10	**1,341**	1,173	1,231	**–**	–
Trade and other receivables	11	**1,671**	2,308	2,249	**387**	2,254
Tax recoverable		**122**	124	212	**–**	–
Fund and other investments	12	**–**	10	25	**–**	–
Cash and cash equivalents	13	**9,380**	8,904	7,532	**4,758**	4,149
TOTAL CURRENT ASSETS		**12,514**	12,519	11,249	**5,145**	6,403
TOTAL ASSETS		**28,436**	29,350	27,368	**20,035**	21,295
EQUITY						
Share capital	14	**800**	800	1	**800**	800
Reserves	15	**19,272**	18,778	17,003	**17,157**	17,541
Total equity attributable to owners of the Company		**20,072**	19,578	17,004	**17,957**	18,341
Non-controlling interests	16	**1,550**	1,406	1,976	**–**	–
TOTAL EQUITY		**21,622**	20,984	18,980	**17,957**	18,341
LIABILITIES						
Borrowings	17	**241**	3,282	1,254	**–**	2,920
Deferred tax liabilities	9	**1,620**	1,638	1,170	**3**	–
Other long term liabilities and provisions	18	**430**	467	516	**–**	–
TOTAL NON-CURRENT LIABILITIES		**2,291**	5,387	2,940	**3**	2,920
Trade and other payables	19	**1,984**	2,368	4,787	**145**	30
Borrowings	17	**2,152**	407	623	**1,920**	–
Taxation		**387**	204	38	**10**	4
TOTAL CURRENT LIABILITIES		**4,523**	2,979	5,448	**2,075**	34
TOTAL LIABILITIES		**6,814**	8,366	8,388	**2,078**	2,954
TOTAL EQUITY AND LIABILITIES		**28,436**	29,350	27,368	**20,035**	21,295

The notes set out on pages 138 to 197 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ended 31 December 2011

	Note	Group 1.4.2011 to 31.12.2011 RM Mil	Group 1.4.2010 to 31.3.2011 Restated RM Mil	Company 1.4.2011 to 31.12.2011 RM Mil	Company 1.4.2010 to 31.3.2011 RM Mil
Revenue	20	**11,887**	14,574	**1,801**	2,340
Cost of goods sold		**(7,522)**	(10,299)	**–**	–
Gross profit		**4,365**	4,275	**1,801**	2,340
Selling and distribution expenses		**(410)**	(358)	**–**	–
Administration expenses		**(479)**	(496)	**(110)**	(34)
Other expenses		**(96)**	(92)	**(1)**	(9)
Other income		**341**	321	**194**	66
Operating profit	21	**3,721**	3,650	**1,884**	2,363
Financing costs	22	**(97)**	(108)	**(75)**	(59)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		**273**	714	**–**	–
Profit before taxation		**3,897**	4,256	**1,809**	2,304
Tax expense	23	**(985)**	(798)	**(33)**	(11)
PROFIT FOR THE PERIOD/YEAR		**2,912**	3,458	**1,776**	2,293
Other comprehensive income					
Foreign currency translation differences for foreign operations		**3**	–	**–**	–
Share of other comprehensive income of associates and jointly controlled entity		**35**	(112)	**–**	–
		38	(112)	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**2,950**	3,346	**1,776**	2,293
Profit attributable to:					
Owners of the Company		**2,621**	2,990	**1,776**	2,293
Non-controlling interests		**291**	468	**–**	–
PROFIT FOR THE PERIOD/YEAR		**2,912**	3,458	**1,776**	2,293
Total comprehensive income attributable to:					
Owners of the Company		**2,659**	2,878	**1,776**	2,293
Non-controlling interests		**291**	468	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**2,950**	3,346	**1,776**	2,293
Basic earnings per ordinary share (RM)	24	**0.33**	0.40	**–**	–

The notes set out on pages 138 to 197 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Period Ended 31 December 2011

Group	Attributable to owners of the Company: Non-Distributable					Distributable			
	Share Capital (Note 14) RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve RM Mil	Merger Reserve (Note 15) RM Mil	Other Reserve RM Mil	Retained Profits RM Mil	Total RM Mil	Non-controlling Interests RM Mil	Total Equity RM Mil
As at 1 April 2010,									
– As previously reported	1	–	(3)	5,925	247	10,899	17,069	1,979	19,048
– Effects of adopting IC 4, net of tax (Note 36)	–	–	–	–	–	(65)	(65)	(3)	(68)
As restated	1	–	(3)	5,925	247	10,834	17,004	1,976	18,980
Share of other comprehensive income of associates and jointly controlled entity	–	–	–	–	(112)	–	(112)	–	(112)
Total other comprehensive income for the year	–	–	–	–	(112)	–	(112)	–	(112)
Profit for the year	–	–	–	–	–	2,990	2,990	468	3,458
Total comprehensive income for the year	–	–	–	–	(112)	2,990	2,878	468	3,346
Adjustment arising from settlement of debt	–	–	–	–	(83)	–	(83)	–	(83)
Effect on common control transfer of subsidiaries, associates and jointly controlled entities	729	4,561	–	(6,129)	–	–	(839)	–	(839)
Additional equity interest in subsidiaries	–	–	–	–	–	–	–	(273)	(273)
Pre-merger dividends	–	–	–	–	–	(2,962)	(2,962)	(468)	(3,430)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(265)	(265)
Issuance of ordinary shares	70	3,570	–	–	–	–	3,640	–	3,640
Share issuance expenses	–	(60)	–	–	–	–	(60)	–	(60)
Others	–	–	–	–	9	(9)	–	(32)	(32)
Total contribution from/ (distribution to) owners	799	8,071	–	(6,129)	(74)	(2,971)	(304)	(1,038)	(1,342)
Balance at 31 March 2011	800	8,071	(3)	(204)	61	10,853	19,578	1,406	20,984

The notes set out on pages 138 to 197 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Period Ended 31 December 2011

Group	Share Capital (Note 14) RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve RM Mil	Merger Reserve (Note 15) RM Mil	Other Reserve RM Mil	Retained Profits RM Mil	Total RM Mil	Non-controlling Interests RM Mil	Total Equity RM Mil
	Attributable to owners of the Company								
	Non-Distributable					*Distributable*			
As at 1 April 2011,									
– As previously reported	800	8,071	(3)	(204)	61	10,922	19,647	1,409	21,056
– Effects of adopting IC 4, net of tax (Note 36)	–	–	–	–	–	(69)	(69)	(3)	(72)
As restated	800	8,071	(3)	(204)	61	10,853	19,578	1,406	20,984
Foreign currency translation differences for foreign operations	–	–	3	–	–	–	3	–	3
Share of other comprehensive income of associates and jointly controlled entity	–	–	–	–	35	–	35	–	35
Total other comprehensive income for the period	–	–	3	–	35	–	38	–	38
Profit for the period	–	–	–	–	–	2,621	2,621	291	2,912
Total comprehensive income for the period	–	–	3	–	35	2,621	2,659	291	2,950
Redemption of Redeemable Preference Shares by a subsidiary	–	–	–	–	–	–	–	(36)	(36)
Transfer to capital reserves	–	–	–	–	11	(11)	–	–	–
Dividends (Note 25)	–	–	–	–	–	(2,160)	(2,160)	(109)	(2,269)
Others	–	–	–	–	(5)	–	(5)	(2)	(7)
Total contribution from/ (distribution to) owners	–	–	–	–	6	(2,171)	(2,165)	(147)	(2,312)
Balance at 31 December 2011	800	8,071	–	(204)	102	11,303	20,072	1,550	21,622

The notes set out on pages 138 to 197 are an integral part of these financial statement.

STATEMENT OF CHANGES IN EQUITY

For the Period Ended 31 December 2011

Company	Attributable to owners of the Company				
	Non-Distributable			Distributable	
	Share Capital (Note 14) RM Mil	Share Premium RM Mil	Merger Relief (Note 15) RM Mil	Retained Profits RM Mil	Total Equity RM Mil
Balance at 1 April 2010	1	–	–	1	2
Profit/total comprehensive income for the year	–	–	–	2,293	2,293
Issuance of shares for common control transfer of subsidiaries, associates and jointly controlled entities	729	4,561	7,176	–	12,466
Issuance of ordinary shares	70	3,570	–	–	3,640
Share issuance expenses	–	(60)	–	–	(60)
Total contribution from owners	799	8,071	7,176	–	16,046
Balance at 31 March 2011	800	8,071	7,176	2,294	18,341
Balance at 1 April 2011	**800**	**8,071**	**7,176**	**2,294**	**18,341**
Profit/total comprehensive income for the year	**–**	**–**	**–**	**1,776**	**1,776**
Dividends (Note 25)	**–**	**–**	**–**	**(2,160)**	**(2,160)**
Total contribution from owners/Balance at 31 December 2011	**800**	**8,071**	**7,176**	**1,910**	**17,957**

The notes set out on pages 138 to 197 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Period Ended 31 December 2011

	Note	Group 1.4.2011 to 31.12.2011 RM Mil	Group 1.4.2010 to 31.3.2011 Restated RM Mil	Company 1.4.2011 to 31.12.2011 RM Mil	Company 1.4.2010 to 31.3.2011 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**12,635**	14,599	**35**	–
Cash paid to suppliers and employees		**(7,910)**	(12,577)	**(44)**	(5)
		4,725	2,022	**(9)**	(5)
Interest income received		**220**	167	**122**	38
Taxation paid		**(595)**	(672)	**(24)**	(6)
Net cash generated from operating activities		**4,350**	1,517	**89**	27
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in investment in a subsidiary		**–**	–	**(12)**	–
Dividends received from:					
– associates		**532**	283	**528**	280
– subsidiaries		**–**	–	**3,225**	67
Net cash paid resulting from acquisition of additional equity interest in subsidiaries		**–**	(911)	**–**	(967)
Cash paid resulting from acquisition of loan of a subsidiary		**–**	–	**–**	(166)
Purchase of property, plant and equipment		**(424)**	(620)	**(1)**	–
Redemption of preference share in a subsidiary		**–**	–	**54**	–
Proceeds from other receivables		**18**	27	**–**	–
Proceeds from disposal of:					
– securities		**10**	15	**–**	–
– property, plant and equipment		**–**	1	**–**	–
Net cash generated from/(used in) investing activities		**136**	(1,205)	**3,794**	(786)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
– PETRONAS		**(1,390)**	–	**(1,390)**	–
– Others (third parties)		**(770)**	–	**(770)**	–
– non-controlling interests of subsidiaries		**(346)**	(496)	**–**	–
Proceeds from issues of shares (at premium)		**–**	3,640	**–**	3,640
Share issuance expenses		**–**	(60)	**–**	(60)
Pre-merger dividend paid to PETRONAS		**–**	(2,781)	**–**	–
Balance carried forward		**(2,506)**	303	**(2,160)**	3,580

The notes set out on pages 138 to 197 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Period Ended 31 December 2011

	Note	Group 1.4.2011 to 31.12.2011 RM Mil	Group 1.4.2010 to 31.3.2011 Restated RM Mil	Company 1.4.2011 to 31.12.2011 RM Mil	Company 1.4.2010 to 31.3.2011 RM Mil
CASH FLOWS FROM FINANCING ACTIVITIES (continued)					
Balance brought forward		**(2,506)**	303	**(2,160)**	3,580
Pre-merger redemption of preference shares		**–**	(80)	**–**	–
Payment to non-controlling interests on redemption of shares		**(36)**	–	**–**	–
Drawdown of:					
– PETRONAS loans and advances		**–**	1,367	**–**	1,133
– other facilities		**285**	2,520	**–**	–
Repayment of:					
– PETRONAS loans and advances		**(1,000)**	(5)	**(1,000)**	–
– Islamic financing facilities		**(66)**	(92)	**–**	–
– term loans		**(93)**	(78)	**–**	–
– other facilities		**(443)**	(2,745)	**–**	–
– loan repayment by subsidiaries		**–**	–	**48**	252
– finance lease liabilities		**(51)**	(68)	**–**	–
Interest expenses paid		**(79)**	(47)	**(55)**	(59)
Interest income on advances to subsidiaries		**–**	–	**6**	–
Long term receivables and advances to subsidiaries		**–**	–	**(113)**	–
Net cash (used in)/generated from financing activities		**(3,989)**	1,075	**(3,274)**	4,906
NET INCREASE IN CASH AND CASH EQUIVALENTS		**497**	1,387	**609**	4,147
(INCREASE)/DECREASE IN DEPOSITS RESTRICTED		**(31)**	6	**–**	–
NET FOREIGN EXCHANGE DIFFERENCE		**(21)**	(15)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**8,821**	7,443	**4,149**	2
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		**9,266**	8,821	**4,758**	4,149
CASH AND CASH EQUIVALENTS					
Cash and bank balances and deposits	13	**9,380**	8,904	**4,758**	4,149
Less: Deposits restricted	13	**(114)**	(83)	**–**	–
		9,266	8,821	**4,758**	4,149

The notes set out on pages 138 to 197 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 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 April 2011, the Group and the Company have adopted the following FRSs and Statement of Interpretation which are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011:

Effective for annual periods beginning on or after 1 July 2010

FRS 1	*First-time Adoption of Financial Reporting Standard (Revised)*
FRS 3	*Business Combinations (Revised)*
FRS 127	*Consolidated and Separate Financial Statements (Revised)*
Amendment to FRS 127	*Consolidated and Separate Financial Statements*
Amendments to FRS 138	*Intangible Assets*
Amendments to IC Interpretation 9	*Reassessment of Embedded Derivatives*

Effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1	*First-time Adoption of Financial Reporting Standard Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
Amendments to FRS 7	*Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
IC Interpretation 4	*Determining whether an Arrangement contains a Lease*
IC Interpretation 18	*Transfer of Assets from Customers*

The adoption of the above FRSs and Amendments do not have material impact on these financial statements other than discussed below.

IC Interpretation 4 addresses the determination on whether certain arrangements are, or contain, leases that are required to be accounted for in accordance with FRS 117, Leases. Where an arrangement is within the scope of FRS 117, the Group applies FRS 117 in determining whether the arrangement is a finance or an operating lease. The adoption of IC Interpretation 4 results in certain arrangements being accounted for as finance leases. This change has been applied retrospectively in accordance with FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors. The financial impact of this change has been disclosed in Note 36.

The Group and Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Group and the Company will not be adopting FRSs, Interpretation and Amendments that are set out in Note 32.

1. BASIS OF PREPARATION (Continued)

1.1 Statement of compliance (continued)

The first reported results under MFRS, including restated comparatives, will be in the Group's interim financial report for the period ending 31 March 2012.

The financial statements were authorised for issue by the Board of Directors on 27 February 2012.

1.2 Change in financial year end

As disclosed in Note 35 to the financial statements as at 31 March 2011, the Group and the Company have changed its financial year end from 31 March to 31 December. Consequently, the comparatives for the statements of comprehensive income, changes in equity, cash flows as well as certain comparatives in the notes to the financial statements of the Group and the Company are for a period of 9 months from 1 April 2011 to 31 December 2011, and are not comparable to the previous 12 months ended 31 March 2011. The next financial statements will be for a period of 12 months commencing from 1 January 2012.

1.3 Basis of measurement

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

1.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency, and has been rounded to the nearest million unless otherwise stated.

1.5 Use of estimates and judgments

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

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

In the preparation of these financial statements, there are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries that were acquired from PETRONAS are consolidated using the merger method of accounting. Other subsidiaries are consolidated using the acquisition method of accounting.

Under the merger method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts in the consolidated statement of financial position. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within the Group.

Under the acquisition method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

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

From 1 April 2011, the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The revised standard still requires the acquisition method of accounting to be applied for business combinations but introduces changes to the accounting treatment.

Prior to 1 April 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, the difference was recognised immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combination were capitalised as part of the cost of the acquisition.

The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued.

Following the revision of FRS 3, cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

For acquisition on or after 1 April 2011, any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, plus the recognised amount of any non-controlling interest in the acquiree and if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, represents goodwill.

When the excess is negative, the negative goodwill is recognised immediately in profit and loss.

Non-controlling interests at the reporting date, 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 equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the period between the non-controlling interests and the equity shareholders of the Company.

Prior to adoption of FRS 127 (revised), where losses applicable to the non-controlling interests exceed the non-controlling's interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, are charged against the equity shareholders' interest except to the extent that the non-controlling has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the equity shareholders' interest is allocated all such profits until the non-controlling's share of losses previously absorbed by the equity shareholders has been recovered.

From 1 April 2011, the Group has adopted FRS 127, Consolidated and Separate Financial Statements (revised), whereby losses applicable to 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 adoption of FRS 127 (revised) has been accounted prospectively in accordance with the transitional provision of the standard.

The effects of all transactions with non-controlling interests are required to be recorded in equity if there is no change in control. When control is lost, any remaining interest in this previous subsidiary is remeasured to fair value at the date that control is lost and any gain or loss is recognised in profit or loss. Subsequently it is accounted for as an equity accounted investee or as an available-for sale financial assets depending on the level of influenced retained.

Prior to adoption of FRS 127 (revised), if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date the control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of consolidation (continued)

(ii) 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. The consolidated financial statements include the Group's share of post-acquisition profits or losses 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 are 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) 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 investee.

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.

(iii) Jointly controlled entity

The Group has interests in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in the jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.1(ii).

2.2 Property, plant and equipment and depreciation

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Property, plant and equipment and depreciation (continued)

The cost of replacing part 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 part will flow to the Group or the Company and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss of the statement of comprehensive income accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss of the statement of comprehensive income as incurred.

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

Leasehold land is depreciated over the lease period of 30 to 99 years. The estimated useful lives of other property, plant and equipment are as follows:

Buildings	14 – 50 years
Plant and equipment	5 – 67 years
Office equipment, furniture and fittings	5 – 7 years
Computer software and hardware	5 years
Motor vehicles	3 – 5 years

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial period 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.

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 of the statement of comprehensive income.

2.3 Leased assets

(i) Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group or the Company all the risks and rewards incidental to ownership. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability, if not settled, is included in the statement of financial position as borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Leased assets (continued)

(i) Finance lease (continued)

Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

All leases that do not transfer substantially to the Group or the Company all the risks and rewards incidental to ownership are classified as operating leases, and the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss of the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over lease term on a straight-line basis.

(iii) Prepaid lease payments

Leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively.

Leasehold land is classified into long lease and short lease. Long lease is defined as a lease with an unexpired lease period of fifty periods or more. Short lease is defined as a lease with an unexpired lease period of less than fifty periods.

2.4 Investments

Long term investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment loss, if any, in the Company's financial statements.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (Note 2.6 (i)).

2.5 Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. 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.

(ii) 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 are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Intangible assets (continued)

(ii) Other intangible assets (continued)

Amortisation for intangible assets is recognised in the profit or loss of the statement of comprehensive income on a straight-line basis over the estimated economic useful lives.

The estimated useful life for the current and comparative periods are as follows:

License	10 years
Feedstock contracts	6 – 12 years

The amortisation method and the useful life for intangible assets are reviewed at least at the end of each reporting period. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

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

The amortisation of other intangible assets is recognised in cost of sales.

2.6 Financial instruments

(i) Financial assets

Initial recognition

Financial assets within the scope of FRS 139, Financial Instruments: Recognition and Measurement are classified as loans and receivables, financial assets at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group or the Company determines the classification of financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Purchases or sales that require delivery of financial assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date i.e. the date that the Group or the Company commits to purchase or sell the financial asset.

The Group and the Company's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, investments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group or the Company, including separated embedded derivatives, unless they are designated as effective hedging instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the profit or loss. The methods used to measure fair values are stated in Note 2.6 (iv).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortised cost, using the effective interest rate method (Note 2.6 (v)), less impairment losses.

Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Financial liabilities

Initial recognition

Financial liabilities within the scope of FRS 139, Financial Instruments: Recognition and Measurement are classified as loans and borrowings, financial liabilities at fair value through profit or loss, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group or the Company determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction costs.

Fair value adjustments on loans and advances due from subsidiaries at initial recognition, if any, are recognised as cost of investment in the subsidiaries.

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group or the Company that do not meet the hedge accounting criteria as defined by FRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (continued)

(ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities at fair value through profit or loss are carried on the statement of financial position at fair value with gains or losses recognised in the profit or loss.

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

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

(iii) 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.

(iv) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position 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. Where fair value cannot be reliably estimated for equity instruments that do not have active market, assets are carried at cost less impairment losses.

(v) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses 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.

(vi) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (continued)

(vi) Derecognition of financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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.

(vii) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Such 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 or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to 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 and not held for own use, or which contain written options, are recognised at fair value, with gains and losses taken to the profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and economic characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Group or the Company becomes a party to them, including at the date of a business combination.

Embedded derivatives are measured at fair value at each statement of financial position date. Any gains or losses arising from changes in fair value on embedded derivatives during the period that do not qualify for hedge accounting are taken directly to the profit or loss.

2.7 Impairment

(i) Financial assets

A financial asset is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment (continued)

(i) Financial assets (continued)

Loans and receivables

For loans and receivables carried at amortised cost, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

(ii) Other assets

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

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

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit is the smallest identifiable asset group that generates cash flows 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment (continued)

(ii) Other assets (continued)

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

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

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw material costs and production overheads and is determined on the weighted average basis.

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

2.9 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 value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.10 Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has 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 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 statement of financial position date. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Employee benefits

(i) Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group.

(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.

2.12 Taxation

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

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rates that have been enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the end of each reporting period 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 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 unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 statutory tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

On consolidation, the assets and liabilities of operations in functional currencies other than Ringgit Malaysia, including goodwill and fair value adjustments, are translated to Ringgit Malaysia at exchange rates at the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to Ringgit Malaysia at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

2.14 Finance costs

Finance costs comprise interest payable on borrowings and profit share margin on Islamic financing facilities, as well as any accretion in provision due to the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Finance costs (continued)

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.15 Revenue

Revenue from sale of petrochemicals products and their related-products are recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognised in profit or loss on the date the Group or the Company's right to receive payment is established.

Revenue from services rendered is recognised in the profit or loss based on the actual and estimated throughput volume and port charges.

2.16 Interest income

Incomes arising from assets yielding interest are recognised on a time proportion basis that takes into account the effective yield on the assets.

2.17 Operating segment

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

2.18 Basic earnings per ordinary share

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

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

3. PROPERTY, PLANT AND EQUIPMENT

Group

31.12.2011	As previously stated RM Mil	At 1.4.2011 Effect of adopting IC 4 RM Mil	Restated RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.12.2011 RM Mil
At cost:									
Leasehold land									
– Long lease	266	–	266	–	–	–	–	–	266
– Short lease	25	–	25	–	–	–	–	–	25
Buildings	1,253	–	1,253	13	–	–	45	–	1,311
Plant and equipment	21,172	794	21,966	35	–	(231)	334	8	22,112
Office equipment, furniture and fittings	144	–	144	4	–	–	3	–	151
Computer software and hardware	120	–	120	1	–	(3)	8	–	126
Motor vehicles	35	–	35	1	–	–	–	–	36
Projects-in-progress	389	–	389	505	–	(20)	(393)	–	481
	23,404	794	24,198	559	–	(254)	(3)	8	24,508

Group

31.12.2011	As previously stated RM Mil	At 1.4.2011 Effect of adopting IC 4 RM Mil	Restated RM Mil	Charge for the period RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil	Impairment RM Mil	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.12.2011 RM Mil
Accumulated depreciation and impairment losses										
Leasehold land										
– Long lease	47	–	47	2	–	–	–	–	–	49
– Short lease	9	–	9	1	–	–	–	–	–	10
Buildings	451	–	451	18	–	–	–	–	–	469
Plant and equipment*	9,964	443	10,407	840	–	(157)	–	–	3	11,093
Office equipment, furniture and fittings	108	–	108	4	–	–	–	–	–	112
Computer software and hardware	86	–	86	11	–	(1)	–	–	–	96
Motor vehicles	33	–	33	1	–	(1)	–	–	–	33
Projects-in-progress	–	–	–	–	–	–	–	–	–	–
	10,698	443	11,141	877	–	(159)	–	–	3	11,862

* Included in the accumulated depreciation and impairment losses of plant and equipment is impairment losses carried forward since 2007 amounting to RM225 million.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

31.3.2011	As previously stated RM Mil	At 1.4.2010 Effect of adopting IC 4 RM Mil	Restated RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
At cost:									
Leasehold land									
– Long lease	258	–	258	1	7	–	–	–	266
– Short lease	25	–	25	–	–	–	–	–	25
Buildings	1,221	–	1,221	1	21	–	10	–	1,253
Plant and equipment	19,752	794	20,546	179	576	(146)	824	(13)	21,966
Office equipment, furniture and fittings	109	–	109	5	21	–	9	–	144
Computer software and hardware	97	–	97	3	12	(1)	9	–	120
Motor vehicles	34	–	34	1	1	(1)	–	–	35
Projects-in-progress	810	–	810	430	6	(2)	(855)	–	389
	22,306	794	23,100	620	644	(150)	(3)	(13)	24,198

Group

31.3.2011	As previously stated RM Mil	At 1.4.2010 Effect of adopting IC 4 RM Mil	Restated RM Mil	Charge for the period Restated RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil	Impairment RM Mil	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Accumulated depreciation and impairment losses										
Leasehold land										
– Long lease	39	–	39	4	4	–	–	–	–	47
– Short lease	8	–	8	1	–	–	–	–	–	9
Buildings	417	–	417	23	11	–	–	–	–	451
Plant and equipment*	8,673	404	9,077	1,066	391	(127)	5	–	(5)	10,407
Office equipment, furniture and fittings	81	–	81	6	21	–	–	–	–	108
Computer software and hardware	65	–	65	13	9	(1)	–	–	–	86
Motor vehicles	31	–	31	2	1	(1)	–	–	–	33
Projects-in-progress	–	–	–	–	–	–	–	–	–	–
	9,314	404	9,718	1,115	437	(129)	5	–	(5)	11,141

* Included in the accumulated depreciation and impairment losses of plant and equipment is impairment losses carried forward since 2007 amounting to RM225 million.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	31.12.2011 RM Mil	31.3.2011 Restated RM Mil	1.4.2010 Restated RM Mil
Net book value:			
Leasehold land			
– Long lease	**217**	219	219
– Short lease	**15**	16	17
Buildings	**842**	802	804
Plant and equipment	**11,019**	11,559	11,469
Office equipment, furniture and fittings	**39**	36	28
Computer software and hardware	**30**	34	32
Motor vehicles	**3**	2	3
Projects-in-progress	**481**	389	810
	12,646	13,057	13,382

Included in the property, plant and equipment of the Group are plant and equipment with net book value of RM321 million (31.3.2011-restated: RM351 million) under finance lease arrangement arising from the adoption of IC Interpretation 4 (details as in Note 36).

Security

Net book value of property, plant and equipment that have been pledged as security for loan facilities of the Group as set out in Note 17 are as follows:

	Group 31.12.2011 RM Mil	 31.3.2011 RM Mil
Net book value of property, plant and equipment:		
Pledged to secure borrowings of the Group	**1,647**	1,754

Others

Certain subsidiaries within the Group were involved in notional sales of a beneficial interest in specific property, plant and equipment ("sukuk assets") with a carrying amount of RM2,526 million (31.3.2011-restated: RM2,672 million) to a special purpose vehicle ("SPV") owned by PETRONAS, pursuant to an issuance of Islamic Trust Certificate. The SPV leased the beneficial interest in the sukuk assets to PETRONAS and were subsequently sub-leased by PETRONAS to the subsidiaries. This structure does not represent a collaterisation and there is no transfer of registered title of the sukuk assets.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

31.12.2011	At 1.4.2011 RM Mil	Additions RM Mil	Disposals/ write offs RM Mil	At 31.12.2011 RM Mil
At cost:				
Motor vehicles	–	1^	– #	1
Projects-in-progress	–	13	–	13
	–	14	–	14

31.12.2011	At 1.4.2011 RM Mil	Charge for the period RM Mil	Disposals/ write offs RM Mil	At 31.12.2011 RM Mil
Accumulated depreciation and impairment losses:				
Motor vehicles	–	–^	– #	–
Projects-in-progress	–	–	–	–
	–	–	–	–

	31.12.2011 RM Mil	31.3.2011 RM Mil
Net book value:		
Motor vehicles	1^	–
Projects-in-progress	13	–
	14	–

^ During the financial period, there were additions to and depreciation charged for motor vehicles amounting to RM716,000 and RM82,000 respectively. The net book value as at 31 December 2011 was RM634,000.

During the financial period, certain motor vehicles were disposed of which cost RM347,000 with accumulated depreciation of RM36,000.

4. INVESTMENTS IN SUBSIDIARIES

	Company 31.12.2011 RM Mil	Company 31.3.2011 RM Mil
Investments in unquoted shares at cost	**13,978**	13,378

During the financial period, the Company waived its right to demand repayment of a loan from a subsidiary amounting to RM642 million. Hence, the loan has been accounted for as an equity instrument in the subsidiary and has increased the cost of investment in subsidiaries by the same amount.

Details of subsidiaries are stated in Note 26 to the financial statements.

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5. INVESTMENTS IN ASSOCIATES

	Group		Company	
	31.12.2011 RM Mil	31.3.2011 RM Mil	31.12.2011 RM Mil	31.3.2011 RM Mil
Investments in unquoted shares at cost	**551**	551	**532**	532
Merger adjustment	**(80)**	(80)	**–**	–
	471	471	**532**	532
Share of post-acquisition profits and reserves	**180**	404	**–**	–
	651	875	**532**	532
Summary of financial information on associates:				
Total assets (100%)	**2,447**	3,066	**2,181**	2,836
Total liabilities (100%)	**726**	781	**591**	675
Revenue (100%)	**4,502**	4,800	**4,437**	4,736
Profit (100%)	**689**	1,677	**685**	1,691

Details of associates are stated in Note 26 to the financial statements.

6. INVESTMENTS IN JOINTLY CONTROLLED ENTITY

	Group		Company	
	31.12.2011 RM Mil	31.3.2011 RM Mil	31.12.2011 RM Mil	31.3.2011 RM Mil
Investments in unquoted shares at cost	**87**	87	**87**	87
Merger adjustment	**(70)**	(70)	**–**	–
	17	17	**87**	87
Share of post-acquisition profits and reserves	**54**	53	**–**	–
	71	70	**87**	87
Summary of financial information on jointly controlled entity:				
Total assets (100%)	**530**	430	**530**	430
Total liabilities (100%)	**292**	197	**292**	197
Revenue (100%)	**531**	497	**531**	497
Profit/(Loss) (100%)	**12**	(8)	**12**	(8)

Details of jointly controlled entity are stated in Note 26 to the financial statements.

7. INTANGIBLE ASSETS

Group

31.12.2011	At 1.4.2011 RM Mil	Additions RM Mil	Transfer RM Mil	At 31.12.2011 RM Mil
At cost:				
Goodwill	**626**	**–**	**–**	**626**
Other intangible assets				
– Contractual rights from supply arrangements	**1,620**	**–**	**–**	**1,620**
– Others	**36**	**–**	**3**	**39**
	2,282	**–**	**3**	**2,285**

	At 1.4.2011 RM Mil	Charge for the period RM Mil	Transfer RM Mil	At 31.12.2011 RM Mil
Accumulated amortisation:				
Goodwill	**–**	**–**	**–**	**–**
Other intangible assets				
– Contractual rights from supply arrangements	**130**	**126**	**–**	**256**
– Others	**10**	**3**	**–**	**13**
	140	**129**	**–**	**269**

Group

31.3.2011	At 1.4.2010 RM Mil	Additions RM Mil	Acquisition of subsidiaries (Note 34) RM Mil	Purchase price allocation RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
At cost:						
Goodwill	1,186	–	232	(792)	–	626
Other intangible assets						
– Contractual rights from supply arrangements	–	–	564	1,056	–	1,620
– Others	33	4	–	–	(1)	36
	1,219	4	796	264*	(1)	2,282

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7. INTANGIBLE ASSETS (Continued)

	At 1.4.2010 RM Mil	Charge for the period RM Mil	Acquisition of subsidiaries RM Mil	Purchase price allocation RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Accumulated amortisation:						
Goodwill	–	–	–	–	–	–
Other intangible assets						
– Contractual rights from supply arrangements	–	130	–	–	–	130
– Others	8	2	–	–	–	10
	8	132	–	–	–	140

* The net difference of the purchase price allocation amounting to RM264 million was a transfer to deferred tax liabilities arising from the fair valuation of intangible assets.

Group

	31.12.2011 RM Mil	31.3.2011 RM Mil
Net book value:		
Goodwill	**626**	626
Other intangible assets		
– Contractual rights from supply arrangements	**1,364**	1,490
– Others	**26**	26
	2,016	2,142

The Group has identified intangible assets arising from the contractual rights from supply arrangements with the ultimate holding company which will expire in 2016 and 2023. In the previous year, the fair value of the intangible asset was determined by discounting the cash flows arising from the advantaged feedstock prices. The Group applied a discount rate of 9 percent.

Impairment review of goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of net assets of the subsidiaries acquired by the Group and is paid for the acquisitions due to the synergy expected to be generated from integrating the newly acquired subsidiaries with the Group's existing operations. For the purpose of impairment testing, the goodwill amounting to RM259 million and RM367 million is allocated to the Group's Ethane-Vinyl cash-generating units ("CGUs") and the Group's Ethane-Olefins/Polyethylene CGUs respectively, which are part of the Olefins and Derivatives Segment of the Group. These CGUs represent the lowest level within the Group at which the goodwill is monitored for internal reporting purposes.

7. INTANGIBLE ASSETS (Continued)

Impairment review of goodwill (continued)

In assessing whether goodwill has been impaired, the carrying amount of the CGUs (including goodwill) is compared with the recoverable amount of the cash-generating units. The recoverable amounts of both Ethane-Vinyl and Ethane-Olefins/Polyethylene CGU are their fair values computed using Price-Earnings ("PE") multiples method. This reflects the estimated fair value of the value chains based on observable market PE multiples of the Group.

Based on our assessment, no impairment charge is required to the goodwill as the recoverable amount exceeds the carrying value of CGUs assets and goodwill.

Based on the sensitivity analysis performed, there are no reasonably possible changes in significant assumptions used in the fair value computation which could cause both the CGUs' recoverable amounts to fall below its carrying values.

8. LONG TERM RECEIVABLES

	Note	Group			Company	
		31.12.2011	31.3.2011 Restated	1.4.2010 Restated	31.12.2011	31.3.2011
		RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Loans and advances due from subsidiaries	8.1	**–**	–	–	**279**	895
Others		**54**	64	80	**–**	–
		54	64	80	**279**	895

	Note					
Note 8.1						
Loans and advances due from subsidiaries						
Receivable within twelve months	11	**–**	–	–	**315**	235
Receivable after twelve months		**–**	–	–	**279**	895
		–	–	–	**594**	1,130

Included in the Company's loans and advances due from subsidiaries are amounts of loans totalling RM594 million (31.3.2011: RM 1,020 million), which bear interest at average effective rates ranging from 1.10% to 4.38% per annum (31.3.2011: 1.16% to 5.00% per annum).

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9. DEFERRED TAX

The component and movements of deferred tax liabilities and assets during the financial period prior to offsetting are as follows:

Group

31.12.2011	As previously stated RM Mil	At 1.4.2011 Effect of adopting IC 4 RM Mil	Restated RM Mil	Charged/ (credited) to profit or loss RM Mil	At 31.12.2011 RM Mil
Deferred tax liabilities					
Property, plant and equipment	**2,206**	**1**	**2,207**	**(84)**	**2,123**
Intangible assets	**374**	**–**	**374**	**(33)**	**341**
Others	**3**	**–**	**3**	**–**	**3**
	2,583	**1**	**2,584**	**(117)**	**2,467**
Deferred tax assets					
Property, plant and equipment	**–**	**(26)**	**(26)**	**–**	**(26)**
Unused reinvestment allowances	**(10)**	**–**	**(10)**	**–**	**(10)**
Unused investment tax allowances	**(1,119)**	**–**	**(1,119)**	**120**	**(999)**
Unused tax losses	**(85)**	**–**	**(85)**	**–**	**(85)**
Unabsorbed capital allowance	**(315)**	**–**	**(315)**	**121**	**(194)**
Others	**(14)**	**–**	**(14)**	**(3)**	**(17)**
	(1,543)	**(26)**	**(1,569)**	**238**	**(1,331)**
Net deferred tax	**1,040**	**(25)**	**1,015**	**121**	**1,136**

Group

31.3.2011	As previously stated RM Mil	At 1.4.2010 Effect of adopting IC 4 RM Mil	Restated RM Mil	Charged/ (credited) to profit or loss RM Mil	Acquisition of subsidiaries RM Mil	At 31.3.2011 Restated RM Mil
Deferred tax liabilities						
Property, plant and equipment	2,158	3	2,161	15	31	2,207
Intangible assets	–	–	–	(31)	405*	374
Others	3	–	3	–	–	3
	2,161	3	2,164	(16)	436	2,584
Deferred tax assets						
Property, plant and equipment	–	(26)	(26)	–	–	(26)
Unused reinvestment allowances	(11)	–	(11)	1	–	(10)
Unused investment tax allowances	(1,036)	–	(1,036)	(83)	–	(1,119)
Unused tax losses	(85)	–	(85)	3	(3)	(85)
Unabsorbed capital allowance	(339)	–	(339)	60	(36)	(315)
Others	(14)	–	(14)	–	–	(14)
	(1,485)	(26)	(1,511)	(19)	(39)	(1,569)
Net deferred tax	676	(23)	653	(35)	397	1,015

* Included in the above was the recognition of deferred tax liabilities on completion of purchase price allocation arising from acquisition of subsidiaries in prior year amounting to RM264 million.

9. DEFERRED TAX (Continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts determined after appropriate offsetting, are as follows:

Group

	31.12.2011 RM Mil	31.3.2011 Restated RM Mil	1.4.2010 Restated RM Mil
Deferred tax assets			
Deferred tax liabilities	**657**	620	760
Deferred tax assets	**(1,141)**	(1,243)	(1,277)
	(484)	(623)	(517)
Deferred tax liabilities			
Deferred tax liabilities	**1,810**	1,964	1,404
Deferred tax assets	**(190)**	(326)	(234)
	1,620	1,638	1,170

No deferred tax has been recognised for the following items:

	31.12.2011 RM Mil	31.3.2011 RM Mil
Unabsorbed capital allowances	**570**	329
Unused tax losses	**492**	420
	1,062	749

The unabsorbed capital allowances and unused tax losses do not expire under current tax legislation. 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 respective subsidiaries can utilise the benefits.

Company

31.12.2011	At 1.4.2011 RM Mil	Charged to profit or loss RM Mil	At 31.12.2011 RM Mil
Deferred tax liabilities			
Others	–	**3**	**3**
	–	**3**	**3**

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10. TRADE AND OTHER INVENTORIES

	Group	
	31.12.2011 RM Mil	31.3.2011 RM Mil
Petrochemical products:		
– Raw materials	**25**	139
– Finished goods	**634**	457
Store, spares and others	**682**	577
	1,341	1,173

11. TRADE AND OTHER RECEIVABLES

	Group			Company	
	31.12.2011 RM Mil	31.3.2011 Restated RM Mil	1.4.2010 Restated RM Mil	31.12.2011 RM Mil	31.3.2011 RM Mil
Trade receivables*	**1,356**	1,791	1,232	**–**	–
Amount due from subsidiaries					
– Non trade^	**–**	–	–	**333**	2,214
Amount due from PETRONAS					
– Trade	**5**	5	–	**–**	–
– Non trade	**2**	6	213	**1**	–
Amount due from associates					
– Trade	**34**	35	27	**32**	28
– Non trade	**32**	28	–	**–**	–
Amount due from related companies					
– Trade	**143**	358	636	**–**	–
– Non trade	**4**	3	5	**–**	–
Other receivables, deposits and prepayments	**102**	89	141	**21**	12
	1,678	2,315	2,254	**387**	2,254
Less: Impairment losses					
– Trade receivables	**(6)**	(6)	(1)	**–**	–
– Other receivables, deposits and prepayments	**(1)**	(1)	(4)	**–**	–
	1,671	2,308	2,249	**387**	2,254

* Included in trade receivables is an amount due from corporate shareholders of subsidiaries of RM27 million (31.3.2011: RM72 million).

^ Included in amount due from subsidiaries non trade is an amount of loans and advances due from subsidiaries of RM315 million (31.3.2011 : RM235 million).

12. FUND AND OTHER INVESTMENTS

	Group		Company	
	31.12.2011 RM Mil	31.3.2011 RM Mil	31.12.2011 RM Mil	31.3.2011 RM Mil
Current				
Other unquoted securities	–	10	–	–

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2011 RM Mil	31.3.2011 RM Mil	31.12.2011 RM Mil	31.3.2011 RM Mil
Cash and bank balances	**45**	46	**–**	–
Deposits with licensed financial institutions	**8,566**	8,279	**4,758**	4,149
Deposits with other corporations	**769**	579	**–**	–
	9,380	8,904	**4,758**	4,149

Included in the cash and bank balances are interests bearing bank balances amounting to RM44 million (31.3.2011: RM38 million).

Included in deposits with licensed banks is an amount that is required to be maintained by the Group as part of the covenants for the secured USD term loans and Islamic financing facilities as disclosed in Note 17. The amounts maintained in the respective periods are as follows:

	Group	
	31.12.2011 RM Mil	31.3.2011 RM Mil
Restricted deposits	**114**	83

The status of the utilisation of listing proceeds of RM3,640 million raised from previous year's Public Issue as at date of this report is as follows:

	Proposed utilisation RM Mil	Actual utilisation RM Mil	Transfer RM Mil	Balance at 31 December 2011 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic of growth acquisitions	**2,344**	**(12)**	**–**	**2,332**	Within 5 years
Working capital requirement and general corporate purposes	**1,200**	**–**	**22**	**1,222**	Within 2 years
Estimated listing expenses	**96**	**(74)**	**(22)**	**–**	Within 1 year
Total	**3,640**	**(86)**	**–**	**3,554**	

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14. SHARE CAPITAL

Authorised:

	Number of shares		Amount	
	31.12.2011	31.3.2011	31.12.2011 RM Mil	31.3.2011 RM Mil
Ordinary Shares				
At 1 April	**15,000,000,000**	^800,000	**1,500**	800
Adjustment made pursuant to subdivision of shares	–	7,999,200,000	–	–
Created during the period	–	7,000,000,000#	–	700
At 31 December/31 March	**15,000,000,000#**	15,000,000,000#	**1,500**	1,500
Redeemable Preference Shares of RM1,000 each				
At 1 April	–	200,000	–	200
Created during the period	–	–	–	–
Reclassified from special rights redeemable preference share	–	–	–	–
Cancelled during the period	–	(200,000)	–	(200)
At 31 December/31 March	–	–	–	–
	15,000,000,000	15,000,000,000	**1,500**	1,500

^ Ordinary shares of RM1,000 each

Ordinary shares of RM0.10 each

Issued and fully paid:

	Number of shares		Amount	
	31.12.2011	31.3.2011	31.12.2011 RM Mil	31.3.2011 RM Mil
Ordinary Shares				
At 1 April	**8,000,000,000**	1,000^	**800**	1
Adjustment made pursuant to subdivision of shares	–	9,999,000	–	–
Issued during the period pursuant to listing exercise:				
– Acquisition of subsidiaries, associates and jointly controlled entity	–	7,290,000,000#	–	729
– Public issue	–	700,000,000#	–	70
At 31 December/31 March	**8,000,000,000#**	8,000,000,000#	**800**	800

^ Ordinary shares of RM1,000 each

Ordinary shares of RM 0.10 each

15. RESERVES

Merger relief (Group)

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

Merger relief (Company)

Merger relief of the Company is premium arising from issuance of shares for the acquisition of subsidiaries that fulfilled the conditions of Section 60(4) of the Companies Act, 1965.

16. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of equity and reserves in subsidiaries.

17. BORROWINGS

	Group		Company	
	31.12.2011 RM Mil	31.3.2011 RM Mil	31.12.2011 RM Mil	31.3.2011 RM Mil
Current				
Secured				
Term loans (USD)	**169**	162	**–**	–
Islamic financing facilities	**40**	65	**–**	–
	209	227	**–**	–
Unsecured				
Term loans (USD)	**7**	7	**–**	–
Revolving credits (RM)	**–**	132	**–**	–
Revolving credits (USD)	**16**	–	**–**	–
PETRONAS loans and advances	**1,920**	–	**1,920**	–
Others	**–**	41	**–**	–
	1,943	180	**1,920**	–
	2,152	407	**1,920**	–
Non-current				
Secured				
Term loans (USD)	**–**	75	**–**	–
Islamic financing facilities	**233**	273	**–**	–
	233	348	**–**	–

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17. BORROWINGS (Continued)

	Group 31.12.2011 RM Mil	Group 31.3.2011 RM Mil	Company 31.12.2011 RM Mil	Company 31.3.2011 RM Mil
Unsecured				
Term loans (USD)	**8**	14	**–**	–
PETRONAS loans and advances	**–**	2,920	**–**	2,920
	8	2,934	**–**	2,920
	241	3,282	**–**	2,920
	2,393	3,689	**1,920**	2,920

Term loans

Loans (USD) are from a combination of banks which bear interest rates of 0.94% to 1.02% (31.3.2011: 0.92% to 1.69%) per annum.

Islamic financing facilities

Islamic securities bear profit margin of 5.30% to 5.58% (31.3.2011: 5.03% to 6.00%) per annum.

Revolving credits

Revolving credits are unsecured and as at reporting date bear interest rates ranging from 3.28% to 3.34% (31.3.2011: 2.79% to 3.61%) per annum.

Loans and advances

PETRONAS loans and advances bear interest rates ranging from 3.79% to 4.03% (31.3.2011: 1.18% to 3.95%) per annum.

As at 31 December 2011, PETRONAS' advance amounting RM161 million was interest free. In compliance with FRS 139 reporting requirements, interest was computed using the assumptions of a notional interest rate of 3.89% (31.3.2011 : 3.89%) per annum.

18. OTHER LONG TERM LIABILITIES AND PROVISIONS

Group	Note	31.12.2011 RM Mil	31.3.2011 Restated RM Mil	1.4.2010 Restated RM Mil
Other payables		**17**	30	36
Finance lease liabilities	18.1	**413**	437	480
		430	467	516

18. OTHER LONG TERM LIABILITIES AND PROVISIONS (Continued)

Note 18.1

Finance lease liabilities

	31.12.2011			31.3.2011 Restated			1.4.2010 Restated		
	Minimum Lease Payments RM Mil	Interest RM Mil	Principal RM Mil	Minimum Lease Payments RM Mil	Interest RM Mil	Principal RM Mil	Minimum Lease Payments RM Mil	Interest RM Mil	Principal RM Mil
Less than 1 year	**68**	**23**	**45**	68	15	53	68	16	52
Between 1 to 2 years	**68**	**21**	**47**	68	15	53	68	16	52
Between 2 to 5 years	**204**	**47**	**157**	204	43	161	204	47	157
More than 5 years	**234**	**25**	**209**	285	62	223	344	73	271
	574	**116**	**458**	625	135	490	684	152	532

19. TRADE AND OTHER PAYABLES

	Group 31.12.2011 RM Mil	Group 31.3.2011 Restated RM Mil	Group 1.4.2010 Restated RM Mil	Company 31.12.2011 RM Mil	Company 31.3.2011 RM Mil
Trade payables	**204**	242	530	**–**	–
Other payables*	**149**	354	397	**28**	14
Amount due to PETRONAS					
– Trade	**501**	706	3,786	**–**	–
– Non trade	**217**	69	3	**105**	16
Amount due to related companies					
– Trade	**372**	557	61	**–**	–
– Non trade	**7**	6	2	**12**	–
Amount due to associates	**29**	6	–	**–**	–
Accrued payables	**505**	241	8	**–**	–
Dividend payable to non-controlling interests	**–**	187	–	**–**	–
	1,984	2,368	4,787	**145**	30

* Included in other payables is the current portion of finance lease liabilities arising from the adoption of IC Interpretation 4 amounting to RM45 million (31.3.2011- restated: RM53 million, 1.4.2010- restated: RM52 million).

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20. REVENUE

	Group		Company	
	1.4.2011 to 31.12.2011	1.4.2010 to 31.3.2011 Restated	1.4.2011 to 31.12.2011	1.4.2010 to 31.3.2011
	RM Mil	RM Mil	RM Mil	RM Mil
Sales of chemical products	**11,858**	14,518	**–**	–
Dividend income	**–**	–	**1,801**	2,340
Others	**29**	56	**–**	–
	11,887	14,574	**1,801**	2,340

21. OPERATING PROFIT

	Group		Company	
	1.4.2011 to 31.12.2011	1.4.2010 to 31.3.2011 Restated	1.4.2011 to 31.12.2011	1.4.2010 to 31.3.2011
	RM Mil	RM Mil	RM Mil	RM Mil
Included in operating profit are the following charges:				
Auditors' remuneration				
– statutory audit*	**1**	1	**–**	–
Amortisation of intangible assets	**129**	132	**–**	–
Depreciation of property, plant and equipment	**877**	1,115	**–**	–
Directors' remuneration	**1**	1	**1**	1
Loss on realised foreign exchange	**35**	31	**1**	–
Loss on unrealised foreign exchange	**20**	14	**–**	9
Property, plant and equipment written off	**38**	6	**–**	–
Rental of plants, machineries, equipment and motor vehicles	**17**	31	**–**	–
Rental of land and buildings	**32**	51	**8**	–
Staff costs				
– wages, salaries and others	**518**	493	**66**	8
– contributions to Employee's Provident Fund	**78**	84	**11**	1
Impairment losses on trade receivables	**1**	5	**–**	–
and credits:				
Gain on realised foreign exchange	**64**	14	**–**	1
Gain on unrealised foreign exchange	**21**	22	**13**	–
Dividend income				
– subsidiaries	**–**	–	**1,269**	2,032
– associates	**–**	–	**532**	308
Interest income				
– Others	**220**	188	**126**	42
– Subsidiaries	**–**	–	**28**	24
Management fee	**–**	–	**27**	–

* The auditors' remuneration for the Company is RM106,400 (31.3.2011: RM95,000).

22. FINANCING COST

Interest expense of financial liabilities that are not at fair value through profit or loss:

	Group		Company	
	1.4.2011 to 31.12.2011 RM Mil	1.4.2010 to 31.3.2011 RM Mil	1.4.2011 to 31.12.2011 RM Mil	1.4.2010 to 31.3.2011 RM Mil
Term Loan (USD)	**6**	9	**–**	–
PETRONAS loans and advances	**75**	68	**75**	59
Revolving credits (RM)	**1**	7	**–**	–
Others	**15**	24	**–**	–
	97	108	**75**	59

23. TAX EXPENSE

	Group		Company	
	1.4.2011 to 31.12.2011 RM Mil	1.4.2010 to 31.3.2011 Restated RM Mil	1.4.2011 to 31.12.2011 RM Mil	1.4.2010 to 31.3.2011 RM Mil
Current tax expense				
– Current period tax	**880**	816	**32**	11
– (Over)/under provision in respect of prior periods	**(16)**	17	**(2)**	–
	864	833	**30**	11
Deferred tax expense				
– Origination and reversal of temporary differences	**149**	(39)	**3**	–
– (Over)/under provision in respect of prior periods	**(28)**	4	**–**	–
	121	(35)	**3**	–
	985	798	**33**	11

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23. TAX EXPENSE (Continued)

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

Group

	%	1.4.2011 to 31.12.2011 RM Mil	%	1.4.2010 to 31.3.2011 Restated RM Mil
Profit before taxation	100	**3,897**	100	4,256
Taxation at Malaysian statutory tax rate	25	**974**	25	1,065
Non deductible expenses	2	**77**	1	78
Income not subject to tax	–	**(5)**	–	(5)
Losses not available for set-off /carried forward	1	**30**	–	11
Effects of unabsorbed capital allowance and unabsorbed tax losses unrecognised	–	**20**	1	29
Deferred tax assets recognised on investment tax allowance	–	**–**	(4)	(179)
Tax incentives	–	**(1)**	–	(4)
Others	(2)	**(66)**	(5)	(218)
	26	**1,029**	18	777
(Over)/Under provision in prior periods		**(44)**		21
Tax expense		**985**		798

Company

	%	1.4.2011 to 31.12.2011 RM Mil	%	1.4.2010 to 31.3.2011 RM Mil
Profit before taxation	100	**1,809**	100	2,304
Taxation at Malaysian statutory tax rate	25	**452**	25	576
Non deductible expenses	–	**2**	–	9
Income not subject to tax	(25)	**(450)**	(25)	(585)
Losses not available for set-off /carried forward	2	**31**	–	11
	2	**35**	0	11
(Over)/under provision in prior periods		**(2)**		–
Tax expense		**33**		11

The corporate tax rate for the periods of assessment is 25%. Consequently, deferred tax assets and liabilities are measured using these tax rates.

24. BASIC EARNINGS PER ORDINARY SHARES

Basic earnings per ordinary share

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

	Group 1.4.2011 to 31.12.2011	Group 1.4.2010 to 31.3.2011 Restated
In RM millions		
Profit for the period/year attributable to shareholders of the Company	**2,621**	2,990
In thousands of shares		
Number of shares issued at 1 April	**8,000,000**	1
Adjustment made pursuant to subdivision of shares	–	9,999
Adjustment made pursuant to application of merger method of accounting arising from acquisition of subsidiaries, associates and jointly controlled entity	–	7,290,000
Effect of public issue of shares	–	269,301
Weighted average number of shares issued	**8,000,000**	7,569,301
In RM		
Basic earnings per ordinary share	**0.33**	0.40

Diluted earnings per ordinary share

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

25. DIVIDENDS

Group/Company

31.12.2011	Sen per share	Total amount RM Mil	Date of payment
Interim ordinary for period ended 31.12.2011	8	640	22 December 2011
Final ordinary for year ended 31.3.2011	19	1,520	25 August 2011
		2,160	

After the reporting period the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM Mil
Final ordinary – single tier	8	640

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26. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group includes the following subsidiaries, associates and jointly controlled entities:

Name of Company	Effective ownership interest (%) 31.12.2011	31.3.2011	Principal activities
Subsidiaries			
OPTIMAL Chemicals (Malaysia) Sdn. Bhd. ("OPTIMAL Chemicals")	**100**	100	Manufacturing and marketing of ethylene oxide derivatives, propylene derivative products and related chemical products
PETRONAS Chemicals Glycols Sdn. Bhd. ("PETRONAS Chemicals Glycols", formerly known as OPTIMAL Glycols (Malaysia) Sdn. Bhd.)*	**100**	100	Manufacturing and marketing of ethylene oxide, ethylene glycol and other related by-products
PETRONAS Chemicals MTBE Sdn. Bhd. ("PETRONAS Chemicals MTBE", formerly known as MTBE Malaysia Sdn. Bhd.)	**100**	100	Manufacturing and selling of methyl tertiary butyl ether (MTBE) and its derivatives
PETRONAS Chemicals Marketing Sdn. Bhd. ("PETRONAS Chemicals Marketing", formerly known as Malaysian International Trading Corporation Sdn. Bhd.)	**100**	100	Marketing of petrochemical products
PETRONAS Chemicals Methanol Sdn. Bhd. ("PETRONAS Chemicals Methanol", formerly known as PETRONAS Methanol (Labuan) Sdn. Bhd.)	**100**	100	Processing of natural gas into methanol and sale of methanol
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd. ("PETRONAS Chemicals Fertiliser Kedah", formerly known as PETRONAS Fertilizer (Kedah) Sdn. Bhd.)*	**100**	100	Production and sale of urea, ammonia and methanol
Polypropylene Malaysia Sdn. Bhd. ("Polypropylene Malaysia")	**100**	100	Manufacturing and marketing of polypropylene and its derivatives

26. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Continued)

Name of Company	Effective ownership interest (%) 31.12.2011	Effective ownership interest (%) 31.3.2011	Principal activities
Subsidiaries			
PETRONAS Chemicals Ammonia Sdn. Bhd. ("PETRONAS Chemicals Ammonia", formerly known as PETRONAS Ammonia Sdn. Bhd.)*	**100**	100	Production and sale of ammonia, syngas and carbon monoxide
Vinyl Chloride (Malaysia) Sdn. Bhd. ("Vinyl Chloride (Malaysia)")*	**100**	100	Manufacturing, marketing and distribution of vinyl chloride monomer (VCM) and polyvinyl chloride
Kertih Port Sdn. Bhd. ("Kertih Port")*	**100**	100	Owning, operating and managing the Kertih Marine Facilities
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PETRONAS Chemicals Fertiliser Sabah", formerly known as Styrene Monomer (Malaysia) Sdn. Bhd.)	**100**	–	Producing, manufacturing, buying and selling of petrochemicals products.
PETRONAS Chemicals Trading (Labuan) Ltd ("PETRONAS Chemicals Trading (Labuan)")	**100**	–	Marketing of petrochemical products
Polyethylene Malaysia) Sdn. Bhd. ("Polyethylene Malaysia")	**100**	100	Manufacturing and sale of polyethylene
Phu My Plastics and Chemicals Co. Ltd. ("Phu My")**	**93.11**	93.11	Manufacturing, buying, importing, distributing, selling and exporting of polyvinyl chloride (PVC) resin and other related chemical products.
PETRONAS Chemicals Olefins Sdn. Bhd. ("PETRONAS Chemicals Olefins", formerly known as OPTIMAL Olefins (Malaysia) Sdn. Bhd.) *	**88.00**	88.00	Manufacturing and marketing of ethylene, propylene and other hydrocarbon by-products
PETRONAS Chemical Ethylene Sdn. Bhd. ("PETRONAS Chemical Ethylene", formerly known as Ethylene Malaysia Sdn. Bhd.)	**87.50**	87.50	Manufacturing and sale of ethylene

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26. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Continued)

Name of Company	Effective ownership interest (%) 31.12.2011	Effective ownership interest (%) 31.3.2011	Principal activities
Subsidiaries			
ASEAN Bintulu Fertilizer Sdn. Bhd. (“ASEAN Bintulu Fertilizer”)	**63.47**	63.47	Production and sale of ammonia and urea
Aromatics Malaysia Sdn. Bhd. (“Aromatics Malaysia”)	**70**	70	Production of paraxylene, benzene and other by-products
Petlin (Malaysia) Sdn. Bhd. (“PETLIN”)*	**60**	60	Manufacturing and marketing of low-density polyethylene pellets
Associates			
BASF PETRONAS Chemicals Sdn. Bhd. (“BASF PETRONAS Chemicals”)	**40**	40	Manufacturing and marketing of acrylic, oxo and butanediol products
Kertih Terminals Sdn. Bhd. (“Kertih Terminals”)	**40**	40	Provision of bulk chemical storage and handling services
Idemitsu SM (M) Sdn. Bhd. (“Idemitsu SM”)*	**30**	30	Manufacturing and marketing of ethylbenzene, styrene monomer, toluene and benzene toluene (BT) mixture
Malaysian NPK Fertilizer Sdn. Bhd. (“Malaysian NPK Fertilizer”)*	**20**	20	Manufacturing and sale of NPK fertilizer products
Jointly Controlled Entity			
BP PETRONAS Acetyls Sdn. Bhd. (“BP PETRONAS Acetyls”)*	**30**	30	Manufacturing of acetic acid

* Audited by firms of auditors other than KPMG Desa Megat & Co

** Audited by a member firm of KPMG International

All the companies are incorporated in Malaysia except for Phu My which is incorporated in Vietnam.

27. COMMITMENTS

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

	31.12.2011 RM Mil	31.3.2011 RM Mil
Property, plant and equipment		
Approved and contracted for	**3,583**	274
Approved but not contracted for	**511**	340
	4,094	614

28. RELATED PARTIES DISCLOSURES

(a) Key management personnel compensation

Key management personnel compensation is included in management fee paid to ultimate holding company for the services of certain key management personnel of the Group.

	Company	
	31.12.2011 RM'000	31.3.2011 RM'000
Directors		
– Fees	**444**	306

(b) Significant transactions with related parties

For the purposes of these financial statements, parties are considered to be related to the Group or of the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Significant transactions with other state controlled enterprises that are not subsidiaries, associates or jointly controlled entities of the Group are not disclosed by virtue of the exemption given by FRS 124.

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the financial period:

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28. RELATED PARTIES DISCLOSURES (Continued)

(b) Significant transactions with related parties (continued)

Group

	Note	Transactions amount for the period/year 31.12.2011 RM Mil	31.3.2011 Restated RM Mil
PETRONAS:			
Purchase of processed gas and natural gas		**(2,353)**	(3,601)
Fees for representation in the Board of Directors*	28.1	**–**	–
Management fees**		**(6)**	(7)
Retainer fee		**(19)**	(24)
Interest expense		**(75)**	(68)
Information, communication and technology charges		**(16)**	(23)
Rental of office space		**(9)**	(10)
Insurance expense		**(7)**	(26)
Supply chain and management services		**(3)**	(10)
Subsidiaries of PETRONAS:			
Sales of petrochemical products		**2,326**	1,841
Purchase of heavy naphtha		**(1,428)**	(1,780)
Purchase of petrochemical products		**(44)**	(588)
Purchase of processed gas and natural gas		**(209)**	(108)
Purchase of utilities and materials and supplies		**(229)**	(526)
Upgrading and pipeline works expenses		**–**	–
Training and development related costs		**(6)**	(7)
Purchase of warehouse and transportation services		**(12)**	(41)
Grant for the right of usage of facilities		**–**	1
Provision of operating and maintenance services		**2**	4
Purchase of marine diesel		**(1)**	1
Provision of vessel screening services and other related services	28.2	**–**	–
Associates and jointly controlled entities of the Group:			
Sales of petrochemical products		**1,275**	2,035
Facility charges		**–**	(5)
Purchase of petrochemical products		**–**	(16)
Purchase of warehouse and transportation services		**(49)**	(103)

Note 28.1

Fees for representation in the Board of Directors are RM374,000 (31.3.2011: RM298,000).

Note 28.2

Provision of vessel screening services and other related services is RM150,000 (31.3.2011: RM90,000)

28. RELATED PARTIES DISCLOSURES (Continued)

(b) Significant transactions with related parties (continued)

Group

	Transactions amount for the period/year	
	31.12.2011 RM Mil	31.3.2011 RM Mil
Corporate shareholders of the Group [1]:		
Sales of petrochemical products	**477**	558
Management fee	**(1)**	(1)
Commission paid	**(14)**	(16)

[1] The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash. The balances may also be subjected to interest charge up to 3% per annum (31.3.2011: 3% per annum).

Company

	Transactions amount for the period/year	
	31.12.2011 RM '000	31.3.2011 RM '000
PETRONAS:		
Fees for representation in the Board of Directors*	**374**	298
Management fees**	**970**	994
Interest expense	**74,898**	59,000
Subsidiaries:		
Interest income	**28,167**	24,000
Dividend income	**1,269,210**	2,032,000
Associates:		
Dividend income	**532,000**	308,000

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

** Included in the management fees paid to ultimate holding company is payment for services of certain key management personnel of the Group.

Information regarding outstanding balances arising from related party transactions are disclosed in Note 8, Note 11, Note 17 and Note 19.

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.

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29. OPERATING SEGMENTS

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

- Olefins and Derivatives - activities include the supply and trading, manufacturing, marketing and transportation of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.
- Fertilisers and Methanol - activities include producing and selling methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others - other businesses that supports the petrochemicals' business operations.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

Transfer prices between operating segments are established in a manner similar to transactions with third parties.

Segment assets

The total of segment assets are measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the President/Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

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

29. OPERATING SEGMENTS (Continued)

31.12.2011	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit/(loss)	**2,138**	**824**	**(50)**	**–**	**2,912**
Included in the measure of segment profit are:					
Revenue from external customers	**8,804**	**3,054**	**29**	**–**	**11,887**
Inter-segment revenue	**5**	**70**	**24**	**(99)**	**–**
Depreciation and amortisation	**(728)**	**(269)**	**(9)**	**–**	**(1,006)**
Interest income	**63**	**30**	**127**	**–**	**220**
Financing costs	**(22)**	**–**	**(75)**	**–**	**(97)**
Share of profit of associates and jointly controlled entity	**240**	**–**	**33**	**–**	**273**
Tax expense	**(694)**	**(253)**	**(38)**	**–**	**(985)**
Segment assets	**14,022**	**7,200**	**7,296**	**(82)**	**28,436**
Included in the measure of segment assets are:					
Investment in associates	**521**	**26**	**104**	**–**	**651**
Investment in joint controlled entity	**–**	**71**	**–**	**–**	**71**
Additions to non-current assets other than financial instruments and deferred tax assets	**254**	**291**	**14**	**–**	**559**

31.3.2011 (restated)	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	3,148	315	(5)	–	3,458
Included in the measure of segment profit are:					
Revenue from external customers	11,205	3,314	55	–	14,574
Inter-segment revenue	5	70	37	(112)	–
Depreciation and amortisation	(909)	(325)	(13)	–	(1,247)
Interest income	93	51	44	–	188
Financing costs	(46)	(4)	(58)	–	(108)
Share of profit of associates and jointly controlled entity	673	(2)	43	–	714
Tax expense	(616)	(159)	(23)	–	(798)
Segment assets	16,125	7,063	6,168	(6)	29,350
Included in the measure of segment assets are:					
Investment in associates	750	22	103	–	875
Investment in joint controlled entity	–	70	–	–	70
Additions to non-current assets other than financial instruments and deferred tax assets	1,664	399	1	–	2,064

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29. OPERATING SEGMENTS (Continued)

Geographical information

In presenting information on the basis of geographical information, revenue is based on geographical location of customers. Assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including long term receivables, investment in associates and jointly controlled entities) and deferred tax assets.

	Revenue RM Mil	Non-current assets RM Mil
31.12.2011		
Malaysia	**4,898**	**14,561**
Asia:		
– China	**2,197**	**–**
– Others	**4,463**	**101**
Rest of the world	**329**	**–**
	11,887	**14,662**
31.3.2011 (Restated)		
Malaysia	6,069	15,097
Asia:		
– China	2,609	–
– Others	5,547	102
Rest of the world	349	–
	14,574	15,199

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables (“L&R”);

(ii) Fair value through profit or loss (“FVTPL”);

- Held for trading (“HFT”); or
- Designated upon initial recognition (“DUIR”);

(iii) Loans and borrowings (“L&B”).

30. FINANCIAL INSTRUMENTS (Continued)

Group

	Note	31.12.2011				31.3.2011 (Restated)				1.4.2010 (Restated)			
		L&R/ (L&B) RM Mil	FVTPL - DUIR RM Mil	FVTPL - HFT RM Mil	Total carrying amount RM Mil	L&R/ (L&B) RM Mil	FVTPL - DUIR RM Mil	FVTPL - HFT RM Mil	Total carrying amount RM Mil	L&R/ (L&B) RM Mil	FVTPL - DUIR RM Mil	FVTPL - HFT RM Mil	Total carrying amount RM Mil
Financial assets													
Long term receivables*	8	**39**	–	–	**39**	36	–	–	36	48	–	–	48
Fund and other investments	12	–	–	–	–	–	10	–	10	–	25	–	25
Trade and other receivables*	11	**1,649**	–	**1**	**1,650**	2,275	–	3	2,278	2,197	–	12	2,209
Cash and cash equivalents	13	**9,380**	–	–	**9,380**	8,904	–	–	8,904	7,532	–	–	7,532
		11,068	–	**1**	**11,069**	11,215	10	3	11,228	9,777	25	12	9,814
Financial liabilities													
Borrowings	17	**(2,393)**	–	–	**(2,393)**	(3,689)	–	–	(3,689)	(1,877)	–	–	(1,877)
Other long term liabilities*	18	**(413)**	–	–	**(413)**	(437)	–	–	(437)	(480)	–	(2)	(482)
Trade and other payables*	19	**(1,979)**	–	**(1)**	**(1,980)**	(2,362)	–	(4)	(2,366)	(4,728)	–	(5)	(4,733)
		(4,785)	–	**(1)**	**(4,786)**	(6,488)	–	(4)	(6,492)	(7,085)	–	(7)	(7,092)

* These balances exclude non-financial instruments balances which are not within the scope of FRS 139, Financial Instruments: Recognition and Measurement.

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30. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R");

(ii) Loans and borrowings ("L&B").

Company

	Note	31.12.2011 L&R/ (L&B) RM Mil	31.12.2011 Total carrying amount RM Mil	31.3.2011 L&R/ (L&B) RM Mil	31.3.2011 Total carrying amount RM Mil
Financial assets					
Trade and other receivables	11	**387**	**387**	2,254	2,254
Cash and cash equivalents	13	**4,758**	**4,758**	4,149	4,149
Long term receivables	8	**279**	**279**	895	895
		5,424	**5,424**	7,298	7,298
Financial liabilities					
Borrowings	17	**(1,920)**	**(1,920)**	(2,920)	(2,920)
Trade and other payables*	19	**(145)**	**(145)**	(29)	(29)
		(2,065)	**(2,065)**	(2,949)	(2,949)

* These balances exclude non-financial instruments balances which are not within the scope of FRS 139, Financial Instruments: Recognition and Measurement.

Financial risk management

The Group and the Company are exposed to various financial risks that are particular to its core business of petrochemical. These risks, which arise in the normal course of the Group and the Company's business, comprise credit risk, liquidity risk and market risks relating to interest rates, foreign currency exchange rates and commodity prices.

The Group complies with PETRONAS Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the PETRONAS Group.

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

30. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The Group and the Company's exposures to credit risk arise principally from its receivables from customers and funds and other investments. Credit risks are controlled by individual operating units in line with the PETRONAS Group Risk Management Framework and Guideline. The Company's exposure to credit risk arises principally from amount due from subsidiaries.

Receivables

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

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

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's significant concentration of credit risk for receivables at the end of the reporting date by business is as follows:

	Group	
	31.12.2011 RM Mil	31.3.2011 Restated RM Mil
Olefins and Derivatives	**1,293**	1,786
Fertilisers and Methanol	**302**	440
Others	**54**	49
	1,649	2,275

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The Group and the Company use ageing analysis to monitor the credit quality of the receivables.

The ageing of receivables and amount due from PETRONAS, related companies and associates which are trade in nature at net of impairment amount as at the end of the reporting period is analysed below.

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30. FINANCIAL INSTRUMENTS (Continued)

Credit risk (continued)

Receivables (continued)

	Group		Company	
At net	**31.12.2011 RM Mil**	**31.3.2011 RM Mil**	**31.12.2011 RM Mil**	**31.3.2011 RM Mil**
Current	**1,474**	2,160	**32**	28
Past due 1 to 30 days	**45**	20	**–**	–
Past due 31 to 60 days	**13**	1	**–**	–
Past due 61 to 90 days	**–**	1	**–**	–
Past due more than 90 days	**–**	1	**–**	–
	1,532	2,183	**32**	28

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

Fund and other investment

The Group has a Group Treasury Investment Guideline that defines the parameters within which the investment activities shall be undertaken in order to achieve the Group and the Company's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters. In accordance with the guideline, investments are only allowed with highly credit rated counterparties.

The treasury function undertakes a credit risk management activity similar to the credit management and monitoring procedures for receivables.

As at the reporting date, all the Group and the Company investments are in domestic market.

The fund and other investments are unsecured. However, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for the Group and the Company's business activities may not be available. In managing its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group and the Company's operations and to mitigate the effects of fluctuations in cash flows.

The Group and the Company's financial liabilities comprise trade and other payables and borrowings.

30. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (continued)

Maturity analysis

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

Group

	Carrying amount RM Mil	Contractual interest rates per annum %	Contractual cash flows RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-5 years RM Mil	More than 5 years RM Mil
31.12.2011							
Financial liabilities							
Secured term loans – USD floating rate loan	**169**	**1.29**	**174**	**174**	**–**	**–**	**–**
Unsecured term loans – USD floating rate loan	**15**	**1.81**	**15**	**7**	**8**	**–**	**–**
Unsecured revolving credits – USD	**16**	**3.40**	**16**	**16**	**–**	**–**	**–**
Secured Islamic financing facilities – RM	**273**	**5.58**	**312**	**56**	**116**	**140**	**–**
PETRONAS loans and advances	**1,920**	**3.98**	**1,998**	**1,998**	**–**	**–**	**–**
Finance lease liabilities	**458**	**5.00**	**574**	**68**	**68**	**204**	**234**
Trade and other payables	**1,934**	**–**	**1,934**	**1,934**	**–**	**–**	**–**
Fair value through profit/loss – held for trading							
Derivatives liabilities	**1**	**–**	**1**	**1**	**–**	**–**	**–**
	4,786		**5,024**	**4,254**	**192**	**344**	**234**
31.3.2011 (Restated)							
Financial liabilities							
Secured term loans – USD floating rate loan	237	1.29	241	165	76	–	–
Unsecured term loans – USD floating rate loan	21	1.81	22	7	15	–	–
Unsecured revolving credits – RM	132	3.12	133	133	–	–	–
Unsecured bankers acceptance – RM	41	3.10	41	41	–	–	–
Secured Islamic financing facilities – RM	338	5.58	388	84	55	249	–
PETRONAS loans and advances	2,920	3.98	3,086	55	3,031	–	–
Finance lease liabilities	490	5.00	625	68	68	204	285
Trade and other payables	2,122	–	2,122	2,122	–	–	–
Dividend payables	187	–	187	187	–	–	–
Fair value through profit/loss – held for trading							
Derivatives liabilities	4	–	4	4	–	–	–
	6,492		6,849	2,866	3,245	453	285

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

30. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (continued)

Maturity analysis (continued)

Company

	Carrying amount RM Mil	Contractual interest rates per annum %	Contractual cash flows RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-5 years RM Mil	More than 5 years RM Mil
31.12.2011							
Financial liabilities							
PETRONAS loans and advances	**1,920**	**3.98**	**1,998**	**1,998**	**–**	**–**	**–**
Trade and other payables	**145**	**–**	**145**	**145**	**–**	**–**	**–**
	2,065		**2,143**	**2,143**	**–**	**–**	**–**
31.3.2011							
Financial liabilities							
PETRONAS loans and advances	2,920	3.98	3,086	55	3,031	–	–
Trade and other payables	29	–	29	29	–	–	–
	2,949		3,115	84	3,031	–	–

Market risk

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

Interest rate risk

The Group and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

In managing interest rate risk, the Group maintains a balanced portfolio of fixed and floating rate instruments. All interest rate exposures are monitored and managed proactively by PETRONAS Group Treasury based on Group Risk Management Framework and Guideline.

30. FINANCIAL INSTRUMENTS (Continued)

Market risk (continued)

Interest rate risk (continued)

The interest rate profile of the Group and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	Group		Company	
	31.12.2011	31.3.2011 Restated	31.12.2011	31.3.2011
	RM Mil	RM Mil	RM Mil	RM Mil
Fixed rate instruments				
Financial assets	**9,378**	8,906	**4,958**	4,349
Financial liabilities	**(746)**	(1,005)	**–**	–
	8,632	7,901	**4,958**	4,349
Floating rate instruments				
Financial assets	**–**	–	**284**	820
Financial liabilities	**(2,105)**	(3,178)	**(1,920)**	(2,920)
	(2,105)	(3,178)	**(1,636)**	(2,100)

Since most of the Group and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, any reasonable possible change in interest rate is not expected to have material impact on the Group and the Company's profit or loss.

Foreign exchange risk

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

The Group and the Company's foreign exchange management policies are to minimise economic and significant transactional exposures arising from currency movements. The Group mainly relies on the natural hedge generated by the fact that some of their revenue and expenses are denominated in US Dollar. In addition, the Group, where applicable, hedge using derivative instruments in respect of current and forecasted transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

30. FINANCIAL INSTRUMENTS (Continued)

Market risk (continued)

Foreign exchange risk (continued)

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

Group

	31.12.2011 Denominated in		31.3.2011 Denominated in	
	USD RM Mil	EURO RM Mil	USD RM Mil	EURO RM Mil
Financial assets				
Cash and cash equivalents	**181**	**–**	404	–
Trade and other receivables*	**1,194**	**2**	1,336	16
Other financial assets	**80**	**–**	4	–
	1,455	**2**	1,744	16
Financial liabilities				
Borrowings*	**(338)**	**–**	(451)	–
Trade and other payables*	**(292)**	**(7)**	(200)	(4)
	(630)	**(7)**	(651)	(4)
Net exposure	**825**	**(5)**	1,093	12

* This amount includes foreign currency risk exposure arising from intra-group balances.

Company

	31.12.2011 Denominated in		31.3.2011 Denominated in	
	USD RM Mil	EURO RM Mil	USD RM Mil	EURO RM Mil
Financial assets				
Cash and cash equivalents	**–**	**–**	–	–
Trade and other receivables	**174**	**–**	1	–
Other financial assets	**–**	**–**	–	–
Long term receivables	**78**	**–**	290	–
	252	**–**	291	–
Financial liabilities				
Borrowings	**–**	**–**	–	–
Trade and other payables	**(1)**	**–**	–	–
	(1)	**–**	–	–
Net exposure	**251**	**–**	291	–

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

30. FINANCIAL INSTRUMENTS (Continued)

Fair value

The carrying amounts in respect of cash and cash equivalents, fund and other investments, trade and other receivables and trade and other payables approximate fair values due to the short nature of these financial instruments.

The aggregate fair values of the other financial assets and financial liabilities measured at amortised cost, together with the carrying amounts are as follows:

		Group				Company			
		31.12.2011		31.3.2011		31.12.2011		31.3.2011	
		Carrying amount	Fair value	Carrying amount Restated	Fair value Restated	Carrying amount	Fair value	Carrying amount	Fair value
	Note	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Receivables									
Long term receivables	8	**39**	**39**	36	36	**279**	**279**	895	895
Loans and borrowings									
Term loans	17	**184**	**184**	258	258	**–**	**–**	–	–
Islamic financing facilities	17	**273**	**285**	338	354	**–**	**–**	–	–
Revolving credit	17	**16**	**16**	132	132	**–**	**–**	–	–
Bankers' acceptance	17	**–**	**–**	41	41	**–**	**–**	–	–
PETRONAS loans and advances	17	**1,920**	**1,920**	2,920	2,920	**1,920**	**1,920**	2,920	2,920
Other Long Term Liabilities									
Finance lease liabilities	18	**413**	**413**	437	437	**–**	**–**	–	–

The carrying amounts of other financial assets and liabilities are not materially different to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

30. FINANCIAL INSTRUMENTS (Continued)

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

Group	31.12.2011				31.3.2011 (Restated)			
	Interest income RM Mil	Interest expense RM Mil	Others RM Mil	Total RM Mil	Interest income RM Mil	Interest expense RM Mil	Others RM Mil	Total RM Mil
Financial instruments at fair value through profit or loss								
– Held for trading	–	–	(3)	(3)	–	–	(14)	(14)
– Designated upon initial recognition	–	–	–	–	–	–	–	–
Loans and receivables	220	–	56	276	188	–	(44)	144
Financial liabilities at amortised cost	–	(97)	(22)	(119)	–	(108)	31	(77)
	220	(97)	31	154	188	(108)	(27)	53

Company	31.12.2011				31.3.2011			
	Interest income RM Mil	Interest expense RM Mil	Others RM Mil	Total RM Mil	Interest income RM Mil	Interest expense RM Mil	Others RM Mil	Total RM Mil
Loans and receivables	154	–	11	165	66	–	(9)	57
Financial liabilities at amortised cost	–	(75)	–	(75)	–	(59)	–	(59)
	154	(75)	11	90	66	(59)	(9)	(2)

Others relates 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 and fair value gains or losses.

31. CAPITAL MANAGEMENT

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

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

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

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

32. NEW AND REVISED PRONOUNCEMENTS NOT YET IN EFFECT

The following are new and revised FRSs, amendments and IC Interpretations that have been issued by Malaysian Accounting Standards Board but have not been adopted by the Group and the Company:

Effective for annual periods beginning on of after 1 July 2011

IC Interpretation 19	*Extinguishing Financial Liabilities with Equity Instruments*
Amendments to IC Interpretation 14	*Prepayments of a Minimum Funding Requirement*

Effective for annual periods beginning on of after 1 January 2012

FRS 124	*Related Party Disclosures (revised)*
Amendments to FRS 1	*First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
Amendments to FRS 7	*Financial Instruments: Disclosures – Transfers of Financial Assets*
Amendments to FRS 112	*Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Effective for annual periods beginning on of after 1 July 2012

Amendments to FRS 101	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

32. NEW AND REVISED PRONOUNCEMENTS NOT YET IN EFFECT (Continued)

Effective for annual periods beginning on of after 1 January 2013

FRS 9	*Financial Instruments (2009)*
FRS 9	*Financial Instruments (2010)*
FRS 10	*Consolidated Financial Statements*
FRS 11	*Joint Arrangements*
FRS 12	*Disclosure of Interests in Other Entities*
FRS 13	*Fair Value Measurement*
FRS 119	*Employee Benefits (2011)*
FRS 127	*Separate Financial Statements (2011)*
FRS 128	*Investments in Associates and Joint Ventures (2011)*

The Group and Company's financial statements will be prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") for annual periods beginning 1 January 2012. As a result, the Group and Company will not be adopting the above FRSs, amendments and IC interpretations that are effective for annual periods after 1 January 2012.

The MFRS framework is effective from 1 January 2012, and is to facilitate convergence with the International Financial Reporting Standards ("IFRS"). MFRS is fully compliant with IFRS.

The first reported results under MFRS, including restated comparatives, will be in the Group's interim financial report for the period ending 31 March 2012.

33. PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

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

Effective for annual periods beginning on of after 1 January 2013

IC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*

34. ACQUISITION OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

31.12.2011

There was no material acquisition during the year.

31.3.2011

The net effect of acquisitions of the various subsidiaries, associates and jointly controlled entity in the previous year for the purpose of listing on the cash flows and values of assets and liabilities acquired were as follows:

	Pre-acquisition carrying amount RM Mil	Fair value adjustment RM Mil	Recognised value on acquisitions RM Mil
Property, plant and equipment	207	-	207
Intangible assets	-	564	564
Receivables	115	-	115
Other assets	65	-	65
Cash and cash equivalents	56	-	56
Deferred taxation	6	(139)	(133)
Borrowings	(291)	-	(291)
Other liabilities	(52)	(37)	(89)
	106	388	494
Add: Share of fair value of net identifiable			273
Less: Interests previously held as jointly controlled entity			(32)
			735
Add: Goodwill on acquisition			232
Purchase consideration			967
Less: Cash and cash equivalents of subsidiaries			(56)
Cash flow on acquisition, net of cash acquired			**911**

The Group identified an intangible asset arising from the contractual right from supply arrangement with the ultimate holding company which would expire in 2016. The fair value of the intangible asset was determined by discounting the cash flows arising from the advantaged feedstock prices. The Group applied a discount rate of 9 percent.

35. HOLDING COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

36. COMPARATIVE FIGURES

(i) Adoption of IC Interpretation 4

During the period, the Group adopted IC Interpretation 4, Determining whether an Arrangement contains a Lease. The adoption of IC Interpretation 4 has resulted in certain arrangements within the Group being accounted for as finance leases on the date when the arrangements were entered into. Consequently, certain property, plant and equipment have been recognised or de-recognised, and the corresponding finance lease obligations or finance lease receivable have been included in the Group's statement of financial position. Deferred tax has been provided for accordingly. The related income and expenses have also been adjusted and reclassified within the statement of comprehensive income.

As the adoption of IC Interpretation 4 is retrospective, the following comparative figures of the Group have been restated:

In RM Mil	31 March 2011	
	As restated	As previously stated
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Property, plant and equipment	13,057	12,706
Long term receivables	64	28
Deferred tax assets	623	597
Trade and other receivables	2,308	2,296
EQUITY		
Reserves	18,778	18,847
Non-controlling interests	1,406	1,409
LIABILITIES		
Deferred tax liabilities	1,638	1,637
Other long term liabilities and provisions	467	24
Trade and other payables	2,368	2,315

In RM Mil	Year ended 31 March 2011	
	As restated	As previously stated
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	14,574	14,586
Cost of goods sold	(10,299)	(10,267)
Selling and distribution expenses	(358)	(394)
Other income	321	317
STATEMENT OF CASH FLOWS		
Cash receipts from customers	14,599	14,619
Cash paid to suppliers and employees	(12,577)	(12,641)
Proceeds from other receivables	27	3
Repayment of finance lease liabilities	(68)	–

37. DISCLOSURE OF REALISED AND UNREALISED PROFIT

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	31.12.2011		31.3.2011	
	Group	Company	Group Restated	Company
	RM Mil	RM Mil	RM Mil	RM Mil
Total retained profits of the Company and its subsidiaries:				
– realised	**13,710**	**1,900**	12,620	2,303
– unrealised	**(799)**	**10**	(665)	(9)
	12,911	**1,910**	11,955	2,294
Total retained profits from associated companies:				
– realised	**312**	**–**	539	–
– unrealised	**(53)**	**–**	(26)	–
	259	**–**	513	–
Total retained profits from jointly controlled entity:				
– realised	**95**	**–**	98	–
– unrealised	**(21)**	**–**	(21)	–
	74	**–**	77	–
Total realised and unrealised	**13,244**	**1,910**	12,545	2,294
Less: Consolidation adjustments	**(1,941)**	**–**	(1,692)	–
Total group retained profits as per consolidation account	**11,303**	**1,910**	10,853	2,294

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

INDEPENDENT AUDITORS' REPORT

to the members of PETRONAS Chemicals Group Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PETRONAS Chemicals Group Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flow of the Group and of the Company for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 131 to 196.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the period then ended.

INDEPENDENT AUDITORS' REPORT

to the members of PETRONAS Chemicals Group Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 26 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 37 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat & Co.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Thong Foo Vung
Approval Number: 2867/08/12(J)
Chartered Accountant

Petaling Jaya, Selangor
27 February 2012

LIST OF PROPERTIES

No.	Name of Registered owner/Beneficial owner: Lot. no./Leasehold period	Acquisition Date	Existing Use	Land Area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2011 (RM '000)
1	**PETRONAS Chemicals Derivatives Sdn Bhd (formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd) and PETRONAS Chemicals Olefins Sdn Bhd (formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd)**					3,080,738
	H.S.(D) 3385, PT No. 10535, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 29 August 2060	30.08.2000	Industrial land - TNB sub-station	3,886	10	
	H.S.(D) 3316, PT No. 9015, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 29 August 2060	30.08.2000	Industrial land - Waste water and treatment substation	260,469	10	
	Pajakan Negeri No. Hakmilik 7594, No. Lot 8068, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 29 August 2060	30.08.2000	Industrial land - Plant for production of ethylene derivatives	611,075	10	
2	**PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd)** (2) Country Lease No. 205350607, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring on 31 December 2082	31.08.2004	Industrial land - Plant for production of methanol	18 hectares (14 hectares owned by PETRONAS Methanol)	3	1,826,438
3	**PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd)** (1) H.S.(D) 9688 P.T. No. 4538, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Leasehold for 66 years, expiring 14 July 2058	17.11.1992	Industrial land - Plant for production of MTBE	36 hectares	18	358,198

LIST OF PROPERTIES

No.	Name of Registered owner/Beneficial owner: Lot. no./Leasehold period	Acquisition Date	Existing Use	Land Area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2011 (RM '000)
4	**PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd)** (1) H.S.(D) 34911, No. P.T. 15128, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Leasehold for 99 years, expiring 8 January 2100	09.01.2001	Industrial land – Propane dehydrogenation plant	34 acres	11	618,768
5	**PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd)** (1) H.S.(D) 34912, No.P.T. 15129, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Leasehold for 99 years, expiring 8 January 2100	09.01.2001	Emergency response building	15 acres	6	11,192
6	**Polypropylene Malaysia Sdn Bhd** (1) H.S. (D) 9686, No. Lot P.T. 4536, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Leasehold of 66 years, expiring on 14 July 2058	15.07.1992	Industrial land - Plant for production of polypropylene	20 hectares	14	92,046
7	**PETRONAS Chemicals Fertiliser Kedah Sdn Bhd (formerly known as PETRONAS Fertilizer Kedah Sdn Bhd)** (1) Pajakan Negeri No. Hakmilik 1010, No. Lot 10750 Bandar Gurun, Daerah Kuala Muda, Kedah Leasehold for 99 years expiring on 22 April 2102	01.11.1999	Commercial/industrial land - Plant for production of urea and ammonia	699,100	13	808,193
8	**ASEAN Bintulu Fertilizer Sdn Bhd** No.323, Lot 35, Block 20, Kemena land District, Bintulu, Sarawak Leasehold for 99 years, expiring on 19 February 2083	01.04.1983	Mixed zone/town land - Plant for production of urea and ammonia	38 hectares	27	746,604

LIST OF PROPERTIES

No.	Name of Registered owner/Beneficial owner: Lot. no./Leasehold period	Acquisition Date	Existing Use	Land Area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2011 (RM '000)
9	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2233, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	1,141	7	233
10	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2234, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	1,188	7	238
11	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2235, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	1,082	7	225
12	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2236, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	993	7	216
13	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2237, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	1,482	7	269
14	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2238, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	1,221	7	242

LIST OF PROPERTIES

No.	Name of Registered owner/Beneficial owner: Lot. no./Leasehold period	Acquisition Date	Existing Use	Land Area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2011 (RM '000)
15	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2239, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - Dwelling house	1,191	7	238
16	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2266, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land – vacant land	1,074	N/A	208
17	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2275, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - vacant land	1,115	N/A	212
18	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2276, Block 26, Kemena land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land - vacant land	926	N/A	190
19	**PETRONAS Chemicals Ethylene Sdn Bhd (formerly known as Ethylene Malaysia Sdn Bhd)** Pajakan Negeri No. Hakmilik 6282, No. Lot 8075, Daerah Kemaman, Mukim Kertih, Negeri Terengganu Leasehold of 51 years, expiring on 16 June 2052	02.04.1993	Industrial land - Plant for production of ethylene/ polyethylene	567,800	17	632,590

LIST OF PROPERTIES

No.	Name of Registered owner/Beneficial owner: Lot. no./Leasehold period	Acquisition Date	Existing Use	Land Area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2011 (RM '000)
20	**PETRONAS Chemicals Ethylene Sdn Bhd (formerly known as Ethylene Malaysia Sdn Bhd)** Pajakan Negeri No. Hakmilik 3939, No. Lot 5217, Daerah Kemaman, Mukim Kertih, Negeri Terengganu Leasehold of 60 years, expiring on 23 October 2054	31.05.1995	Industrial land - Storage facility for water	191,200	17	13,996
21	**PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd)** [1] Pajakan Negeri No. Hakmilik 7588, No. Lot 8066, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 19 August 2060	19.08.2000	Industrial land- Plant for production of ammonia and any other related gas	98,490	12	584,546
22	**PETRONAS Chemicals Ammonia Sdn Bhd (formerly known as PETRONAS Ammonia Sdn Bhd)** PN 3331*, Lot 5276, Mukim Kerteh Daerah Kemaman, Negeri Terengganu (*Please note that the State Authority will provide the new lot number upon the finalization of the subdivision of land) Leasehold of 60 years, expiring on 08 January 2055	01.12.2011	Industrial land- KIPC Shared Facilities which includes the Administrative, Laboratory and Workshop buildings	96,208	1 month	1,369
23	**PETLIN (Malaysia) Sdn Bhd** Pajakan Negeri No. Hakmilik 7593, No. Lot 8073, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 19 August 2060	20.08.2000	Industrial land - Plant for production of LDPE	184,700	10	441,350
24	**Kertih Port Sdn Bhd** Pajakan Negeri No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 5 March 2060	02.08.2000	Industrial land - Operations of Kertih Port (Jetty and marine related facilities)	43,100	12	406,538

LIST OF PROPERTIES

No.	Name of Registered owner/Beneficial owner: Lot. no./Leasehold period	Acquisition Date	Existing Use	Land Area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2011 (RM '000)
25	**Kertih Port Sdn Bhd** Pajakan Negeri No. Hakmilik 4696, No. Lot 7121, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 5 March 2060	02.08.2000	Industrial land – Gas and oil pipelines (Washroom & Waste Disposal Facilities)	41,400	12	478
26	**Kertih Port Sdn Bhd** Pajakan Negeri No. Hakmilik 6280, No. Lot 8077 Mukim Kertih, Daerah Kemaman, Negeri Terengganu Leasehold of 51 years, expiring on 16 June 2052	31.03.1993	Industrial land - administration complex and other related facilities.	58,570	17	19,943
27	**Vinyl Chloride (Malaysia) Sdn Bhd**					129,717
	Pajakan Negeri No. Hakmilik 3331, No. Lot 5276, Daerah Kemaman, Mukim Kertih, Negeri Terengganu Leasehold of 60 years, expiring on 8 January 2055	01.09.199	Industrial land - Integrated PVC manufacturing plant	187,958	11	
	Pajakan Negeri No. Hakmilik 7394, No. Lot 6058, Daerah Kemaman, Mukim Kertih, Negeri Terengganu Leasehold of 60 years, expiring on 18 December 2056	01.09.1998	Industrial land - Integrated PVC manufacturing plant	121,400	11	

NOTES:

(1) A sukuk issue by PETRONAS Global Sukuk Ltd. in August 2009 involved a notional sale of a beneficial interest in specific fixed assets (the "**fixed assets**") by Petronas Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd), Polypropylene Malaysia Sdn Bhd, Petronas Chemicals Ammonia Sdn Bhd (formerly known as Petronas Ammonia Sdn Bhd) and Pertonas Chemicals Fertiliser Kedah Sdn Bhd (formerly known as Petronas Fertilizer (Kedah) Sdn Bhd) (the "**Relevant Subsidiaries**") to PETRONAS Global Sukuk Ltd. pursuant to 4 purchase agreements between each Relevant Subsidiary and PETRONAS Global Sukuk Ltd. PETRONAS Global Sukuk Ltd. leased the beneficial interest in the fixed assets to PETRONAS pursuant to a lease agreement, and such beneficial interest in the fixed assets was subsequently sub-leased by PETRONAS to the Relevant Subsidiaries pursuant to 4 sub-lease agreements between each Relevant Subsidiary and PETRONAS. This structure did not represent a collaterialisation and there is no transfer of registered title of the fixed assets. The sukuk investors have no recourse to the fixed assets except to exercise the purchase undertaking and oblige PETRONAS to purchase the beneficial interest in the fixed assets at a specified price at the redemption date or upon a dissolution event. The Relevant Subsidiaries may then exercise their rights under the sale undertaking granted by PETRONAS to oblige PETRONAS to sell the beneficial interest in the fixed assets to the Relevant Subsidiaries at the price of RM1.00. The scheduled redemption date for the sukuk is 12 August 2014.

(2) PETRONAS Chemicals Methanol and Sabah Energy are currently the joint registered owners of the said land, PETRONAS Chemicals Methanol Sdn Bhd (formerly known as PETRONAS Methanol (Labuan) Sdn Bhd) owns 14.403 hectares and Sabah Energy owns 4.051 hectares of the said land. In a sale and purchase agreement dated 15 March 2007, PETRONAS Chemicals Methanol purchased from Sabah Energy, an area measuring approximately 35.6 acres which is equivalent to 32/41 portion of the said land (45.6 acres or equivalent to 18.454 hectares in area). The transfer of PETRONAS Chemicals Methanol's undivided portion of the said land has been registered. The said land is currently pending subdivision into separate and divisional plots (including PETRONAS Chemicals Methanol's undivided portion).

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2012

Authorised Share Capital	:	RM1,500,000,000
Issued and Paid-up Share Capital	:	RM800,000,000 comprising 8,000,000,000 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	82	0.23	826	0.00
100 - 1,000	11,075	30.75	10,121,730	0.13
1,001 - 10,000	20,190	56.06	85,980,509	1.07
10,001 -100,000	3,854	10.70	107,793,945	1.35
100,001 to less than 5% of issued shares	815	2.26	1,662,347,890	20.78
5% and above of issued shares	2	0.00	6,133,755,100	76.67
Total	**36,018**	**100.00**	**8,000,000,000**	**100.00**

CLASSIFICATION OF SHAREHOLDERS

Category of Shareholders	No. of Shareholders		% of Shareholders		No. of Total Shareholdings		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL	28,075	255	77.95	0.71	162,511,072	3,413,603	2.03	0.04
BODY CORPORATE								
Banks/Finance companies	112	2	0.31	0.01	623,013,100	60,009	7.79	0.00
Investment trusts/ foundation/charities	4	0	0.01	0.00	484,000	0	0.01	0.00
Other types of companies	512	11	1.42	0.03	39,190,600	6,401,500	0.49	0.08
GOVERNMENT AGENCIES/ INSTITUTIONS	8	0	0.02	0.00	24,616,400	0	0.31	0.00
NOMINEES	6,402	637	17.77	1.77	6,504,574,963	635,734,753	81.30	7.95
OTHERS	0	0	0.00	0.00	0	0	0.00	0.00
Total	**35,113**	**905**	**97.48**	**2.52**	**7,354,390,135**	**645,609,865**	**91.93**	**8.07**

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2012

LIST OF DIRECTORS' SHAREHOLDINGS IN THE COMPANY AND RELATED COMPANIES

No.	Name	No. of Shares	% of Total Shareholdings
1.	Datuk Wan Zulkiflee bin Wan Ariffin (shares held under own name)	20,000	0.00
2.	Dr Abd Hapiz bin Abdullah (shares held under Mayban Nominees (Tempatan) Sdn Bhd)	20,000	0.00
3.	Ir Kamarudin bin Zakaria (shares held under own name)	35,000	0.00
4.	Md Arif bin Mahmood (shares held under own name)	20,000	0.00
5.	Vimala a/p V.R. Menon (shares held under own name)	20,000	0.00
6.	Ching Yew Chye (shares held under own name)	20,000	0.00
7.	Dong Soo Kim (shares held under own name)	20,000	0.00
8.	Rashidah bt. Alias @ Ahmad (shares held under own name)	6,000	0.00
9.	Pramod Kumar Karunakaran (shares held under own name)	6,000	0.00

		Direct Interests		Indirect Interests	
No.	Name	No. of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad	%	No. of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad	%
1.	Datuk Wan Zulkiflee bin Wan Ariffin	10,000	*a	–	–

*a Less than 0.01%

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1.	Petroliam Nasional Berhad (Shares Held Under Cartaban Nominees (Tempatan) Sdn Bhd)	5,148,000,000	64.35
2.	Employees Provident Fund Board (Shares Held Under Citigroup Nominees (Tempatan) Sdn Bhd)	985,755,100	12.32

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2012

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PETROLIAM NASIONAL BERHAD (STRATEGIC INV)	5,148,000,000	64.35
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	985,755,100	12.32
3.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	230,496,900	2.88
4.	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	100,700,000	1.26
5.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	61,736,900	0.77
6.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	56,912,300	0.71
7.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	44,581,700	0.56
8.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	44,310,743	0.55
9.	VALUECAP SDN BHD	41,525,300	0.52
10.	LEMBAGA TABUNG HAJI	40,736,500	0.51
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	27,978,900	0.35
12.	CARTABAN NOMINEES (ASING) SDN BHD GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD FOR GOVERNMENT OF SINGAPORE (C)	26,852,300	0.34
13.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (SAUDI ARABIA)	25,930,635	0.32
14.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	25,115,200	0.31
15.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	24,421,100	0.31

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2012

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
16.	LEMBAGA TABUNG ANGKATAN TENTERA	23,101,400	0.29
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	22,865,700	0.29
18.	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	21,649,000	0.27
19.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	20,922,400	0.26
20.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)	17,913,600	0.22
21.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	17,248,400	0.22
22.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	13,011,010	0.16
23.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	12,571,135	0.16
24.	CARTABAN NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY FUNDS SOUTH EAST ASIA	12,444,200	0.16
25.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A.	12,120,000	0.15
26.	PERMODALAN NASIONAL BERHAD	11,907,500	0.15
27.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	11,528,000	0.14
28.	CITIGROUP NOMINEES (ASING) SDN BHD LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)	11,463,900	0.14
29.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	10,080,100	0.13
30.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR UNITED NATIONS JOINT STAFF PENSION FUND	9,600,000	0.12

CORPORATE DIRECTORY

Wholly-owned Subsidiaries

PETRONAS CHEMICALS MTBE SDN BHD

(formerly known as MTBE Malaysia Sdn Bhd)

Lot 111/112,
Kawasan Perindustrian Gebeng,
26080, Kuantan.
Tel : 609 585 6700
Fax : 609 583 4090/4743

POLYPROPYLENE MALAYSIA SDN BHD

Lot 111/112,
Kawasan Perindustrian Gebeng,
26080, Kuantan.
Tel : 609 585 6700
Fax : 609 583 4090/4743

VINYL CHLORIDE MALAYSIA SDN BHD

Kompleks Pentadbiran
Petrokimia PETRONAS
KM 105, Jalan Kuantan - Kuala Terengganu
24300, Kertih, Kemaman.
Tel : 609 830 5000
Fax : 609 583 4090/4743

PETRONAS CHEMICALS DERIVATIVES SDN BHD

(formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd)

Administration Building,
PETRONAS Petroleum Industry Complex
KM 106,Jalan Kuala Terengganu - Kuantan,
24300, Kerteh, Terengganu.
Tel : 609 830 7031
Fax : 609 830 7797

PETRONAS CHEMICALS GLYCOLS SDN BHD

(formerly known as OPTIMAL Glycols (Malaysia) Sdn Bhd)

Administration Building
Petronas Petroleum Industry Complex
KM 106,Jalan Kuala Terengganu - Kuantan,
24300, Kerteh, Terengganu.
Tel : 609 830 7031
Fax : 609 830 7797

POLYETHYLENE MALAYSIA SDN BHD

Lot 3834,
Kawasan Bukit Tengah, KM 105,
Jalan Kuantan - Kuala Terengganu,
24300, Kertih,Kemaman
Tel : 609 830 2000
Fax : 609 827 3940

PETRONAS CHEMICALS METHANOL SDN BHD

(formerly known as PETRONAS Methanol (Labuan) Sdn Bhd)

Kawasan Perindustrian Rancha - Rancha,
P.O.Box 80079,
87010, Federal Territory Labuan
Tel : 6087 451 688
Fax : 6087 453 688

PETRONAS CHEMICALS AMMONIA SDN BHD

(formerly known as PETRONAS Ammonia Sdn Bhd)

Kompleks Pentadbiran
Petrokimia PETRONAS
KM 105, Jalan Kuantan - Kuala Terengganu
24300, Kertih, Kemaman.
Tel : 609 830 5000
Fax : 609 830 5222

PETRONAS CHEMICALS FERTILISER KEDAH SDN BHD

(formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd)

KM 3, Jalan Jeniang,
P.O.Box 22,
08300, Gurun, Kedah.
Tel : 604 466 6666
Fax : 604 468 5200

PETRONAS CHEMICALS FERTILISER SABAH SDN BHD

(formerly known as Styrene Monomer (Malaysia) Sdn Bhd)

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : 603 2331 9574
Fax : 603 2051 1501

PETRONAS CHEMICALS MARKETING SDN BHD

(formerly known Malaysian International Trading Corporation Sdn Bhd)

Level 15, Tower 1,
PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088, Kuala Lumpur.
Tel : 603 2051 4224
Fax : 603 2051 4943

KERTIH PORT SDN BHD

Lot 3633, Kawasan Bukit Tengah,
KM 105 Jalan Kuantan - Kuala Terengganu,
24300 Kertih, Kemaman, Terengganu
Tel : 609 830 5600
Fax : 609 830 5639

PETRONAS CHEMICALS TRADING (LABUAN) LTD

Level 15, Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : 603 2331 9102
Fax : 603 2331 1501

CORPORATE DIRECTORY

Partly-owned Subsidiaries

PETLIN (MALAYSIA) SDN BHD

Lot 9719, PETRONAS Petroleum Industry Complex,
KM 105, Jalan Kuantan - Kuala Terengganu,
24300, Kertih, Kemaman.
Tel : 609 830 5490
Fax : 609 830 5990

PETRONAS CHEMICALS ETHYLENE SDN BHD

(formerly known as Ethylene Malaysia Sdn Bhd)

Lot 3834, Kawasan Bukit Tengah,
KM 105, Jalan Kuantan - Kuala Terengganu
24300, Kertih, Kemaman
Tel : 609 830 2000
Fax : 609 827 3940

AROMATICS MALAYSIA SDN BHD

c/o PETRONAS Penapisan (T) Sdn Bhd
KM 105 Jalan Kuantan- Kuala Terengganu
24300 Kertih, Kemaman
Terengganu
Tel : 609 830 3000
Fax : 609 827 1306

PHU MY PLASTICS & CHEMICALS CO LTD

PETRONAS Tower B (Tower B)
Royal Centre, 235 Nguyen Van Cu Street
Nguyen Cu Trinh Ward
District 1, Ho Chi Minh City
Tel : 848 3830 9966/9977 (ext 2000)
Fax : 848 3833 5858

PETRONAS CHEMICALS OLEFINS SDN BHD

(formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd)

Administration Building,
PETRONAS Petroleum Industry Complex
KM 106, Jalan Kuala Terengganu - Kuantan,
24300, Kerteh, Terengganu.
Tel : 609 830 7031
Fax : 609 830 7797

ASEAN BINTULU FERTILIZER SDN BHD

KM 18, Jalan Tanjung Kidurong,
P.O. Box 482,
97008 Bintulu
Tel : 6086 231 000/232 000
Fax : 6086 251 043

Associates

MALAYSIAN NPK FERTILISER SDN BHD

P.O. Box 24, 08300, Gurun, Kedah
Tel : 604 468 4075
Fax : 604 468 4079

KERTIH TERMINALS SDN BHD

Tingkat 1, Kompleks Pentadbiran KPSB,
Lot 3633 Kawasan Bukit Tengah
KM 105, Jalan Kuantan - Kuala Terengganu
24300, Kertih, Kemaman
Tel : 609 830 5788
Fax : 609 830 5665

BASF PETRONAS CHEMICALS SDN BHD

Jalan Gebeng 2/1,
Kawasan Perindustrian Gebeng,
26080, Kuantan.
Tel : 609 585 5000
Fax : 609 583 4623

IDEMITSU STYRENE MONOMER SDN BHD

PLO 408, Off Jalan Pekeliling,
Pasir Gudang Industrial Estate,
81700, Pasir Gudang
Tel : 607 252 5350
Fax : 607 252 8281

Jointly Controlled Entity

BP PETRONAS ACETYLS SDN BHD

Kompleks Pentadbiran
Petrokimia PETRONAS
24300 Kertih, Kemaman
Tel : 609 830 5300
Fax : 609 830 5321

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Tamingsari Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Wednesday, 23rd May 2012 at 10.30 a.m. to consider the following matters:-

AGENDA

1. To receive the Audited Financial Statements for the financial period ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of final dividend of 8 sen per ordinary share, tax exempt under the single tier tax system in respect of the financial period ended 31 December 2011. **(Resolution 2)**
3. To re-elect the following Directors who retire by rotation pursuant to Article 93 of the Company's Articles of Association:
   (a) Vimala a/p V.R. Menon **(Resolution 3)**
   (b) Ching Yew Chye **(Resolution 4)**
   (c) Dong Soo Kim **(Resolution 5)**
4. To re-elect the following Directors who retire pursuant to Article 99 of the Company's Articles of Association:
   (a) Pramod Kumar Karunakaran **(Resolution 6)**
   (b) Rashidah Alias @ Ahmad **(Resolution 7)**
5. To re-appoint Messrs. KPMG Desa Megat & Co. as Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 8)**
6. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the members at the Fourteenth Annual General Meeting of the Company to be held on Wednesday, 23 May 2012 at 10.30 a.m , a final dividend of 8 sen per ordinary share, tax exempt under the single tier tax system in respect of the financial period ended 31 December 2011, will be paid on 26 June 2012 to shareholders whose names appear in the Register of Depositors on 8 June 2012.

A depositor shall qualify for entitlement only in respect of:-
(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 8 June 2012 in respect of ordinary transfers.
(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Muhammad Isa Othman
Kang Shew Meng
Company Secretaries

Kuala Lumpur
26 April 2012

Notes:-

1. Only depositors whose names appear in the Record of Depositors as at 15 May 2012 shall be regarded as members and entitles to attend, speak and vote at the Meeting.

2. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, an advocate, an approved company auditor, or a person approved by the Registrar.

   Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal, or under the hand of its officer or its duly authorised attorney.

5. If the instrument appointing a proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the instrument appointing a proxy is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the instrument appointing a proxy.

6. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia at least 48 hours before the meeting, or if the meeting is adjourned at least 48 hours before the time fixed for the adjourned meeting.

Proxy Form

No. of Shares Held	

I/We ____
(Full Name In Capital Letters)

of ____
(Full Address)

being a *Member/Members of PETRONAS CHEMICALS GROUP BERHAD, do hereby appoint ______________________
(Full Name In Capital Letters)

______________________ of ____
(Full Address)

______________________ or failing him ____
(Full Name In Capital Letters)

of ____
(Full Address)

or failing him, the CHAIRMAN OF MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Tamingsari Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Wednesday, 23rd May 2012 at 10.30 a.m. and at any adjournment thereof and to vote as indicated below:-

No.	Resolutions	For	Against
1.	Receipt of Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon		
2.	Approval of payment of final dividend		
3.	Re-election of Vimala a/p V.R. Menon as Director		
4.	Re-election of Ching Yew Chye as Director		
5.	Re-election of Dong Soo Kim as Director		
6.	Re-election of Pramod Kumar Karunakaran as Director		
7.	Re-election of Rashidah Alias @ Ahmad as Director		
8.	Re-appointment of Messrs KPMG Desa Megat & Co. as Auditors and authority to the Directors to fix their remuneration.		

Please indicate with an "X" in the space provided above on how you wish your votes to be casted. If no specific direction as to voting is given, your proxy will vote or abstain from voting at his discretion.

Signed this ____________ day of ____________________ 2012.

____
Signature of Member/Common Seal

*Strike out whichever not applicable.

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fold here

Affix
Stamp

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

fold here

www.petronaschemicals.com