OPERATIONAL PERFORMANCE

We continue to place utmost priority on Health, Safety & Environment (HSE). Recognising there is always room for us to improve and taking cognisance of our planned growth, we have intensified our HSE efforts and initiatives Group-wide. We remain resolute in our aim to deliver value safely and to institutionalise HSE as part of our DNA, which involves shifting from compliance-based to commitment-based HSE behaviours. All PCG staff and contractors, be it at plants or at the corporate office, are to internalise the right safety values, in line with our "Strive for ZERO" campaign of ZERO incident, ZERO occupational illness and ZERO injury.

The year under review saw us undertaking the highest level of maintenance activities at our plants since listing in 2010. This included turnaround activities at our primary cracker, in line with mandatory requirements by the Department of Occupational Safety & Health. Given the high integration of our petrochemical complex, statutory turnaround activities were also conducted at the related downstream facilities. We also took a heavy stand during the year to bring down our second methanol plant in Labuan to comprehensively address operational issues. Where possible, the maintenance activities were timed to synchronise with maintenance activities by feedstock and utilities suppliers in order to minimise the shutdown window.

The high level of maintenance activities resulted in a lower plant utilisation rate of 78% compared to 83% in the corresponding year, despite a stronger performance in the first half of 2013. Consequently, production and sales were both lower by 12%. Production volume for the year was 7.5 million MT compared to 8.5 million MT in 2012. Total sales volume was 6.0 million MT compared to 6.8 million MT in previous year. Total sales volume to production volume was 80%, similar to last year.

Malaysia continues to contribute 40% of total sales, with China contributing nearly 22%, making it our largest export destination.

Moving forward, we will continue to undertake necessary activities in driving plant integrity and operational excellence. 2014 will see statutory turnaround activities at our second, smaller cracker and related polymer facility as well as at our fertiliser plants and smaller methanol facility. Ultimately, the benefits will translate into higher safety and operational efficiency for our plants in years to come.

Olefins & Derivatives

Operational performance for the Group's Olefins & Derivatives (O&D) segment during the year under review was largely affected by statutory turnaround maintenance activities at its main cracker and related downstream facilities carried out during the third and fourth quarter. The turnaround, the first since listing, was an extensive exercise and was conducted on an integrated basis.

The O&D segment also faced interruption in supply of utilities in the fourth quarter which impacted the main cracker and its related downstream facilities, as well as aromatics plant. Correspondingly, the segment recorded lower plant utilisation and volumes for the year. In particular, volumes were lower for higher margin ethane-based products.

Faced with these challenges, we undertook proactive and continuous molecule management and optimisation efforts throughout the year. This allowed us to prioritise production based on margins and market conditions, and hence cushioned the impact of volume loss. We have also stepped up our supplier management to further enhance the management of feedstock and utilities supply moving forward.

Fertilisers & Methanol

The Group's Fertilisers & Methanol (F&M) segment registered lower plant utilisation, production and sales during the year under review. Its lower operational performance and volumes were the result of the higher level of maintenance activities undertaken during the year, particularly at the methanol facilities.

In particular, we brought down our second methanol plant during the year with the aim of comprehensively addressing operational issues.

The gas supply situation, which was a challenge in recent years, has continued to improve during the year under review. We continuously look for opportunities to increase feedstock supply availability and reliability by proactively working with upstream suppliers in resolving arising issues and in managing maintenance activities both upstream and at the plants. As a result, the maintenance activities at our methanol facilities are timed to synchronise with upstream supplier maintenance activities wherever possible.

FINANCIAL PERFORMANCE

For the Financial Year Ended 31 December 2013, PCG Group revenue decreased by 8% or RM1.4 billion at RM15.2 billion as a result of lower sales volumes by 12%. The lower volumes offset favourable exchange rate movements whilst average product prices were comparable as higher O&D product prices offset lower F&M product prices.

Group profit also declined by RM333 million or 9% to RM3.5 billion, mainly attributable to lower sales volumes. In the corresponding year, the Group recognised once-off expenses amounting to RM490 million relating to the discontinuation of its vinyl business. These include necessary impairments and provisions required for the decommissioning of the vinyl chloride monomer and polyvinyl chloride plants in Kertih as well as other contractual commitments.

The Group also recognised deferred tax assets in one of its subsidiaries in the corresponding year which led to positive tax incentive impact of RM432 million. Excluding these, profit would have declined by RM391 million.

In line with profit, EBITDA decreased by RM702 million or 12% to RM5.1 billion.

VISION AND STRATEGY FOR GROWTH

We have recently refreshed our vision, which is now to become "the preferred chemical company, providing innovative customer solutions." PCG's new vision is very much aligned with our growth agenda and strategies as it ensures focus on the three core areas of marketing & sales excellence, operational excellence and innovation. Specifically, we acknowledge that innovation will be a critical success factor as we enter into the next exciting chapter of the PCG story. Driving innovation will be a pre-requisite, not just to ensure product sustainability and market sustainability, but also to deliver breakthrough performance throughout the Group.

In order to achieve our aspiration in becoming a preferred chemical company, our strategic direction remains two-pronged. Firstly, we aim to strengthen our existing basic petrochemical product portfolio. Secondly, we will move towards manufacturing specialty products and solutions with a view of establishing ourselves as a key player in this high value and high growth area in future. Underpinning both prongs is the need to provide innovative solutions to our customers as we move from an 'inside-out' approach to an 'outside-in' perspective in growing and executing our business and projects.

As far as our key growth projects are concerned, we are doing our utmost to ensure that they come to fruition. Foremost is our Sabah Ammonia Urea (SAMUR) project, which has progressed beyond its halfway mark. I am pleased to report that considerable work has taken place on site during this year, and that the project on site has maintained a clean HSE slate thus far. SAMUR will almost double our urea production capacity and further strengthen our position as a key regional fertiliser player.

On a wider scale, SAMUR will contribute towards the nation's Economic Transformation Programme, which focuses on the agriculture sector as a National Key Economic Areas among others. SAMUR will also act as a catalyst for the oil and gas industry development in Sabah, especially at the Sabah Oil and Gas Industrial Park (SOGIP) in Sipitang where the project is located, providing business and employment opportunities directly related to oil and gas whilst creating spin-offs by spurring the growth of supporting industries.

Another area of growth for PCG is the joint specialty chemicals project with BASF, through our associate BASF PETRONAS Chemicals Sdn Bhd (BPC), to build an integrated citral and aroma ingredients complex in Gebeng, Kuantan. With a total investment of about USD500 million (MYR 1.5 billion), the complex will include a plant for citral and precursor plants, as well as a world-scale plant for L-menthol and a plant for citronellol to produce aroma ingredients, to meet the growing demands in the flavour and fragrance industry.

This will open up a new business frontier for PCG, tapping into the flavour and fragrance markets. It is also our first stepping stone for moving our products portfolio towards specialty products.

Embedding the complex in BPC's site in Kuantan will allow for a comprehensive and cost-optimal system for managing energy efficiency and using existing infrastructure. The complex is expected to come on-stream in 2016.

Whilst we actively seek to expand our production and reach, we also remain conscious of the need to ensure our current product portfolio is optimised. Last year, we announced our decision to discontinue our vinyl business after due consideration of the inherent limitation within the business and its relative performance against other businesses within the Group.

Subsequently, we have ceased operations at our Vinyl Chloride Monomer (VCM) and Polyvinyl Cholirde (PVC) plants in Kertih, Terengganu from January 2013 onwards. The plants are currently being decommissioned and I am pleased to report that the decommissioning activities are progressing well. Also in relation to the decision to discontinue our vinyls business, we have entered into an agreement to divest all our interest in Phu My Plastics and Chemical Company Ltd (PMPC) to Asahi Glass Co Ltd and Mitsubishi Corporation in November 2013. The divestment process is expected to complete sometime in mid-2014, subject to conditions in the agreement being met.

CORPORATE RESPONSIBILITIES

As a responsible corporate citizen, we are committed to conduct our business sustainably, whilst contributing to the wellbeing of communities where we operate. Hence, we remain resolute in ensuring that our business operations benefit not only our shareholders and employees but also the communities and environment where we operate.

During the year, we received recognition for our efforts in good HSE practices across the Group. These include, among others, awards from the Chemical Industries Council of Malaysia (CICM), Malaysian Society for Safety & Health

(MSOSH), National Council of Occupational Safety & Health (under the purview of the Ministry of Human Resources) and Royal Society for the Prevention of Accidents (RoSPA).

We continue to develop and harness the capabilities of the people within our fold, whom we duly recognise as our greatest assets. Our talents undergo regular capability and leadership development programmes and are given every support in building their leadership quotient as well as managing their career progression.

Also, I am pleased to note that our corporate social responsibility (CSR) efforts have further added value and credibility to PCG as an organisation that aligns business activities with initiatives that enrich the communities.

Our signature environmental CSR programme, ecoCare, has been at the forefront of our CSR efforts. During the year, ecoCare achieved a new milestone with the launch of its Environmental Education Centre (EEC) which aims to further promote awareness among the public regarding the significance and uniqueness of the ecosystem along the Kertih River and its surrounding vicinities. Organised in collaboration with the Malaysian Nature Society, ecoCare epitomises our commitment to safeguard the natural resources that exist in the environment where we operate.

We also continued to carry out other CSR activities such as "Back to School" programme (to assist children from underprivileged families) and "Program Sentuhan Kasih" (a community outreach initiative that provides assistance to families in need). Additionally, we conducted several smaller-scale environmental care activities involving the local communities and our staff, such as river care and beach cleaning programmes.

APPRECIATION

The year 2013 has been an eventful year indeed for PCG as we continue to build on our successes and challenges, becoming richer in knowledge and experience along the way.

On behalf of PCG's management and staff, I would like to express our sincerest gratitude to our Chairman, YBhg Datuk Wan Zulkiflee bin Wan Ariffin, for his visionary leadership and support. My appreciation also goes out to our distinguished Board of Directors who have provided invaluable guidance and remarkable stewardship.

To our valued customers, business partners, regulatory bodies and agencies, and our parent PETRONAS, thank you for your unwavering support and confidence in PCG.

To our shareholders, rest assured we remain committed to maximising value and delivering our utmost best.

Last but not least, to the PCG family, a heartfelt thank you for your dedication and hard work. With our aspiration clear, we now stand poised at the next phase of our growth. As challenging as the road ahead may be, I have no doubt that with continued commitment, passion and teamwork, the journey will be an interesting and fruitful one for all. Let us embrace and drive innovation to achieve our vision of becoming "the preferred chemical company providing innovative customer solutions."

DATUK DR ABD HAPIZ ABDULLAH
President/CEO

GROUP FINANCIAL REVIEW

GROUP FINANCIAL PERFORMANCE

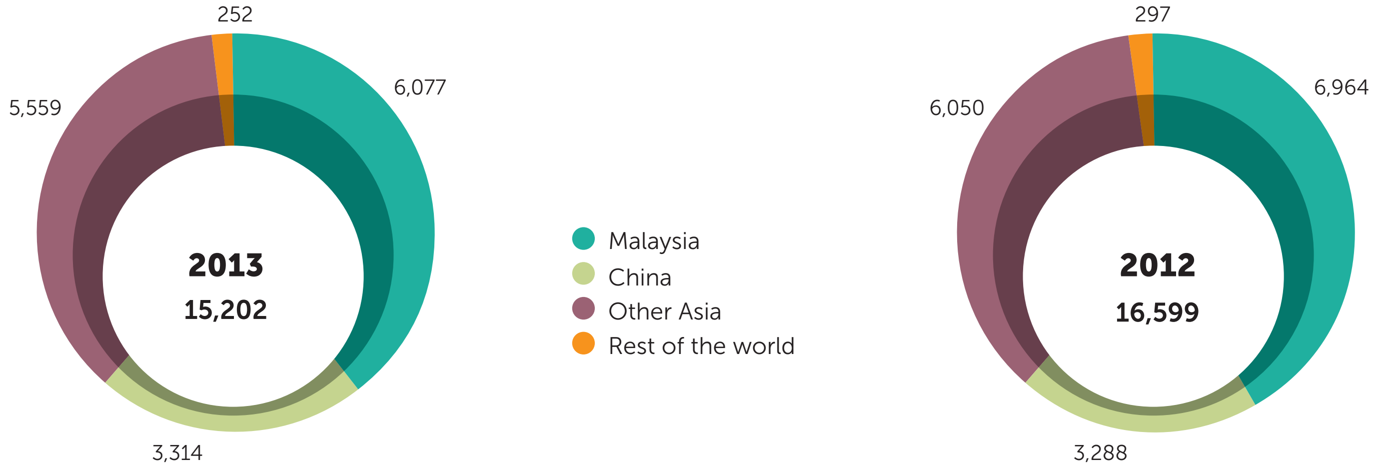
	12 months ended 31.3.2010	12 months ended 31.3.2011	9 months ended 31.12.2011	12 months ended 31.12.2012	12 months ended 31.12.2013	Increase/ (Decrease) 12 months comparison
Revenue	12,203	14,574	11,887	16,599	15,202	(8%)
Cost of Revenue	8,561	10,299	7,454	10,935	10,160	(7%)
Profit Before Tax	3,368	4,256	4,091	4,550	4,547	–
Profit After Tax	2,594	3,458	3,074	3,837	3,504	(9%)

Revenue

PCG registered revenue of RM15.2 billion during the year under review, a decrease of 8% compared to RM16.6 billion in the previous year on the back of lower sales volume following higher level of maintenance activities. This was partially negated by favourable forex movements and slightly higher average product prices realised in line with market.

During the year under review, the Group undertook higher level of plant maintenance activities, including statutory turnaround maintenance activities at its main cracker and related downstream facilities during the third and fourth quarter. The higher level of plant maintenance activities coupled with the discontinuation of its vinyl business resulted in lower production and sales volumes. Consequently, Group plant utilisation was lower at 78% compared to 83% last year.

Revenue by geographical segment
(RM million)



Revenue by Product

Product	2012 RM Mil	2012 %	2013 RM Mil	2013 %
Olefins & Derivatives				
Polymers	3,022	18.20	**2,270**	**14.93**
Other Chemicals & Derivatives	2,059	12.40	**2,078**	**13.67**
Benzene & Paraxylene	2,773	16.71	**3,221**	**21.19**
Glycols	1,136	6.84	**1,125**	**7.40**
Olefins	1,389	8.37	**1,414**	**9.30**
Performance Chemicals	1,579	9.52	**1,114**	**7.33**
Total Olefins & Derivatives	11,958	72.04	**11,222**	**73.82**
Fertilisers & Methanol				
Fertilisers	2,753	16.59	**2,310**	**15.19**
Methanol	1,659	9.99	**1,479**	**9.73**
Carbon monoxide	186	1.12	**152**	**1.00**
Total Fertilisers & Methanol	4,598	27.70	**3,941**	**25.92**
Others*	43	0.26	**39**	**0.26**
Total	16,599		**15,202**	

** Others: Rendering of services, sales of general merchandise and other products*

Cost of Revenue

Group cost of revenue declined RM775 million or 7% to RM10.2 billion from RM10.9 billion in the previous year.

This was attributable to lower feedstock cost by RM279 million or 4% as a result of lower consumption in line with lower production as well as lower prices, particularly naphtha, in tandem with market. Feedstock cost continued to be the biggest component of Group cost of revenue, making up to 60% of the total cost for the year.

The reduction in cost of revenue was further contributed by lower product costs by RM230 million with lower requirement to undertake external product sourcing to mitigate system volume shortfall this year and lower energy and utilities costs by RM52 million in line with lower production.

In addition, the Group incurred RM127 million impairment losses in the previous year as a result of discontinuation of the Group's vinyl business.

GROUP FINANCIAL REVIEW

Operating Expenditure

Group operating expenditure fell by 31% or RM520 million, largely due to lower other expenses as the Group had recognised once-off expenses amounting to RM363 million on the decommissioning of its vinyl business in the previous year.

Administration expenses was also lower by RM81 million or 15% mainly due to lower manpower-related costs and insurance expenses whilst selling and distribution costs fell by RM72 million or 11% on the back of lower volumes.

Profit

Group profit before tax was RM4.5 billion, comparable to the previous year as the adverse impact of lower volumes was offset by lower operating expenses incurred. Last year, the Group recognised exceptional expenses totaling RM490 million relating to the discontinuation of vinyl business.

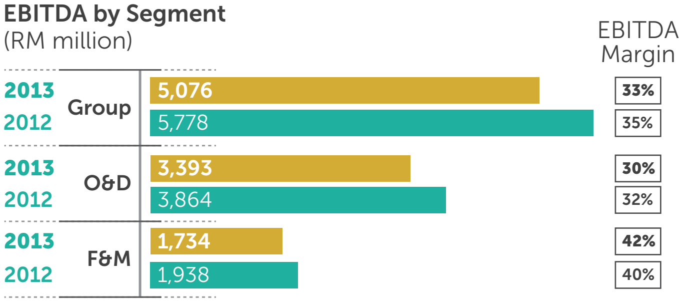
Share of profit from joint ventures and associates decreased by RM65 million or 23% to RM221 million following lower contribution from an associate company amidst continued challenging market conditions.

The Group's effective tax rate (ETR) for the year was 23%, lower than the corporate tax rate of 25% mainly due to tax exempt interest income relating to funds held under PETRONAS Integrated Financial Shared Services Centre. The ETR was higher than last year's rate of 16% as last year included recognition of deferred tax assets on tax incentives granted to a subsidiary company.

Overall, profit for the year was lower by RM333 million or 9% to RM3.5 billion. Correspondingly, EBITDA was also lower by RM702 million or 12% at RM5.1 billion.

Plant Utilisation Rate

EBITDA by Segment
(RM million)



SEGMENTAL ANALYSIS

Olefins and Derivatives Segment

The Olefins and Derivatives segment continued to be the key contributor to the Group, representing 74% of Group revenue.

Market conditions for olefins and derivative products improved during the year under review driven by limited supply availability and cost-push factors with elevated ethylene feedstock prices resulting from turnarounds at major producers. Despite higher prices, revenue for the segment declined by 6% at RM11.2 billion as a result of lower sales volumes by 352 KMT or 11%.

The segment recorded lower production and sales volume due to higher level of statutory turnaround maintenance activities undertaken, including at its main cracker and its related downstream facilities, and due to the discontinuation of its vinyl business. These were offset by higher volumes of aromatics products during the year.

Despite lower revenue, segment profit for the year rose RM241 million or 12% to RM2.3 billion. The segment's profits last year were affected by once-off expenses relating to the discontinuation of the vinyl business. Excluding these exceptional items, segment profit for the year would be lower by RM249 million as a result of lower volumes of higher margin ethane-based products.

EBITDA was lower by RM471 million or 12% to RM3.4 billion compared to the previous year. The Olefins and Derivatives segment continued to be the main contributor to the Group's EBITDA, accounting for 67% of the Group EBITDA.

Fertilisers and Methanol Segment

The Fertilisers and Methanol segment contributed RM3.9 billion or 26% of Group revenue, a decrease of 14% or RM657 million from the previous year with lower volumes and lower average product prices.

Fertiliser prices weakened during the year under review with both urea and ammonia prices softening on the back of additional supply in the market. In contrast, methanol price strengthened due to continued supply constraints within the region.

With higher level plant maintenance activities, particularly at the Group methanol facilities, segment sales volume fell by 449 KMT or 12%.

Profit for the year declined by 37% or RM628 million to RM1.1 billion. In the previous year, the segment benefited from positive tax incentive impact of RM432 million at one of its subsidiaries. Excluding this tax incentive impact, profit would be lower by RM196 million or 16% as a result of lower sales volume and higher maintenance expenses.

In line with profit, EBITDA decreased by 11% or RM204 million to RM1.7 billion, representing 34% of Group EBITDA.

Revenue by Segment
(RM million)

GROUP FINANCIAL REVIEW

GROUP FINANCIAL POSITION

Total Assets

The Group's total assets increased by 7% or RM1.8 billion to RM27.7 billion as at 31 December 2013 from RM25.9 billion as at 31 December 2012.

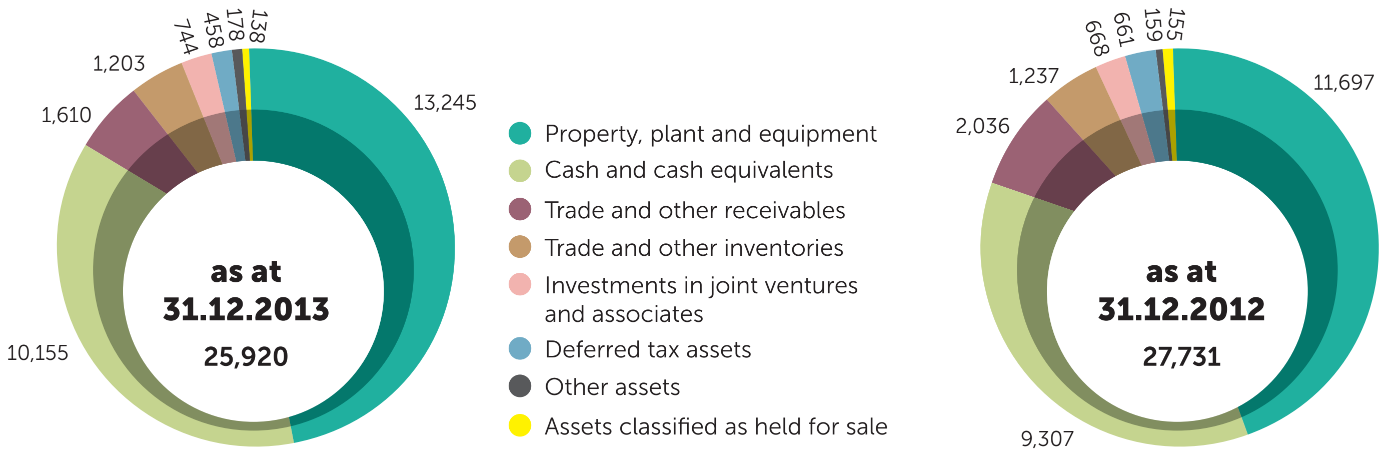
Plant, Property and Equipment balances were higher by RM1.5 billion with additions of RM2.6 billion made during the year under review, relating mainly to SAMUR and other plant operational CAPEX. This was largely negated by depreciation charge of RM1.1 billion.

Trade and other receivables were lower by RM426 million in line with lower revenue recorded, particularly in the last quarter of the year.

Group cash and cash equivalents stood at RM10.2 billion, higher by RM848 million with lower cash outflow from financing activities which offset lower net cash inflow from operating activities and higher cash outflow from investing activities for SAMUR.

Total Assets
(RM million)
As at

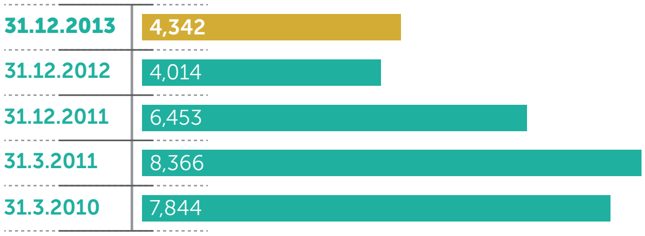
Total Assets
(RM million)



Total Liabilities

The Company's total liabilities increased by 8% or RM328 million to RM4.3 billion as at 31 December 2013, largely attributable to accrued payables for SAMUR. This is offset by lower tax payable following lower profits as well as lower deferred tax liabilities following reversal of timing differences.

Total Liabilities
(RM million)
As at



Total Liabilities
(RM million)

GROUP CASH FLOW

The Group's cash and cash equivalents was higher by RM848 million at RM10.2 billion at the end of the year under review.

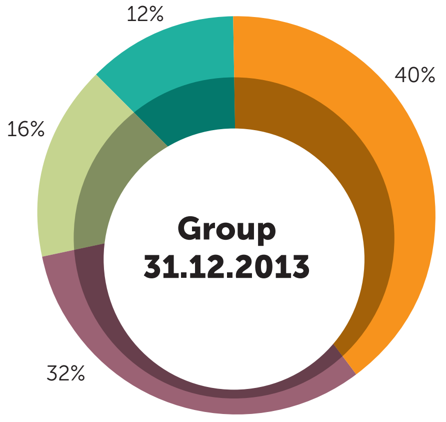
The Group's net cash inflow from operating activities was lower by RM190 million at RM4.4 billion compared to RM4.6 billion last year as a result of lower cash receipts from customers in line with lower revenue. This offset lower cash paid to suppliers during the year as a result of lower feedstock costs as well as discontinuation of vinyl business.

Net cash outflow from investing activities was higher by RM919 million at RM1.5 billion in line with higher purchase of plant, property and equipment in relation to SAMUR and other operational CAPEX.

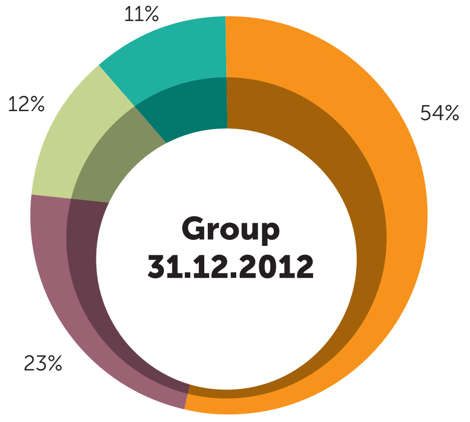
In contrast, net cash outflow from financing activities was lower by RM2.0 billion at RM2.1 billion. The Group had repaid nearly all of its borrowings in the previous year, including shareholder's loan to PETRONAS amounting to RM1.9 billion, Islamic Financing facilities amounting to RM274 million and term loans of RM166 million. The previous year also included payment of interest expense amounting to RM104 million as well as payment to non-controlling interest of RM54 million on the redemption of preference shares in a subsidiary. This was offset by higher dividend paid to shareholders and to non-controlling interests of subsidiaries in the current year by RM480 million and RM81 million respectively.

STATEMENT OF VALUE ADDED

Product	Group 31.12.2013 RM Mil	Group 31.12.2012 RM Mil	Company 31.12.2013 RM Mil	Company 31.12.2012 RM Mil
Revenue	**15,202**	16,599	**3,930**	2,761
Purchase of goods and services	**(9,406)**	(10,317)	**(108)**	(77)
Value added by the companies	**5,796**	6,282	**3,822**	2,684
Other Expenses	**(92)**	(459)	**(485)**	(131)
Other Income	**465**	375	**314**	306
Financing costs	**(8)**	(82)	**–**	(57)
Share of profit after tax of equity accounted joint ventures and associates	**221**	286	**–**	–
Value added available for distribution	**6,382**	6,402	**3,651**	2,802
DISTRIBUTION				
To employees				
Employment costs	**759**	734	**166**	152
To government				
Taxation	**1,043**	713	**19**	27
To shareholders				
Dividends	**1,760**	1,280	**1,760**	1,280
Minority Interest	**301**	220	**–**	–
Retained for reinvestment and future growth				
Depreciation and amortisation	**1,076**	1,118	**–**	–
Retained profit	**1,443**	2,337	**1,706**	1,343
	6,382	6,402	**3,651**	2,802



- Retained for reinvestment and future growth
- To shareholders
- To government
- To employees



INVESTOR RELATIONS

The Malaysian capital market showed improvement in 2013, in line with broader bullish market sentiment worldwide amidst signs of US economic recovery and firmer growth outlook in Europe and China. In particular, the Kuala Lumpur Composite Index (KLCI) rose towards the second half of the year with participation of foreign and local retail investors on improving economic prospects for the country, post the Malaysian general election in May and a positively received budget announcement in October 2013. The KLCI reached an all-time high of 1,882 points in December before settling at 1,867 points on the last trading day of the year.

During the year, PCG share price was affected by internal factors as well as external sentiments. The share price initially trailed the KLCI in January 2013 before outperforming the index from February onwards, climbing to RM6.45 in March. The upward momentum continued into the second quarter in line with the positive KLCI movement post general election and remained on an uptrend going into the second half of the year, further improved by PCG's first and second quarter results and boosted by more positive market sentiments globally and domestically. The share price reached a peak of RM7.15 in October before settling to close at RM6.92 on 31 December 2013.

Average Daily Traded Volume (ADTV) in 2013 stood at 4.02 million units, lower than 4.72 million in the previous year. Total ADTV from IPO in 2010 to 31 December 2013 was 8.82 million.

After ending on a buoyant note in 2013, global stock markets have been bearish early of 2014 following concerns over slower growth in China's economy and outcome of US monetary policy. The global market regained some confidence towards the end of February amidst mixed quarterly corporate earnings and positive prospects on the US economy. Consequently, FBM KLCI also underwent similar correction in the first month of the trading year. PCG share price moved in tandem with the KLCI and has remained within a tight range between RM6.70 and RM6.75 thus far.

As at 28 February 2014, PCG remains as one of KLCI's top 10 counters with a market capitalisation of RM54.0 billion.

Investor Relations

We remain committed to actively engage, communicate and build a professional relationship with the investment community. In this regard, we have a structured Investor Relations programme in line with our Investor Relations Policy which serves to promote transparent sharing of good and important information to the investors in a timely manner, resulting in enhancement in company reputation and investors' confidence.

In 2013, we conducted over 70 engagement sessions with analysts and fund managers which took place in the form of face-to-face meetings and conference calls, held at our corporate office in Kuala Lumpur as well as several other locations within Malaysia and abroad.

Company Visits and Non Deal Roadshows

As part of our Investor Relations programme, we regularly engage with key institutional investors within Malaysia to update on latest development and performance of PCG. These engagements allow us to reach out to the investors in the Malaysian capital market community, to better understand and attend to their concerns and queries.

Similarly, we also hold two-way dialogues and engagements with our international investors to keep them abreast on PCG's performance and latest developments vis-à-vis growth pursuits and industry outlook.

During the year under review, we conducted an international roadshow where we presented the latest updates on PCG and obtained feedback from investors.

INVESTOR RELATIONS

Participation in Corporate Events

During the year, we also participated in a corporate event "Invest Malaysia 2013" hosted in Kuala Lumpur. The event was held in June 2013, where selected public listed companies were showcased to promote Malaysia as an attractive marketplace in ASEAN.

Analysts' Briefing

In conjunction with the company's quarterly financial announcements to Bursa Malaysia, we hosted quarterly analysts' briefings in February, May, August and November 2013. The briefings, which are conducted via webcast and conference call, provided a platform for PCG Management to have a timely discussion with participating institutional shareholders and analysts on our performance results. At the analysts' briefing, participants were able to enquire details on the quarterly financial results as well as seek clarifications on recent corporate developments.

Shareholders' Plant Visit

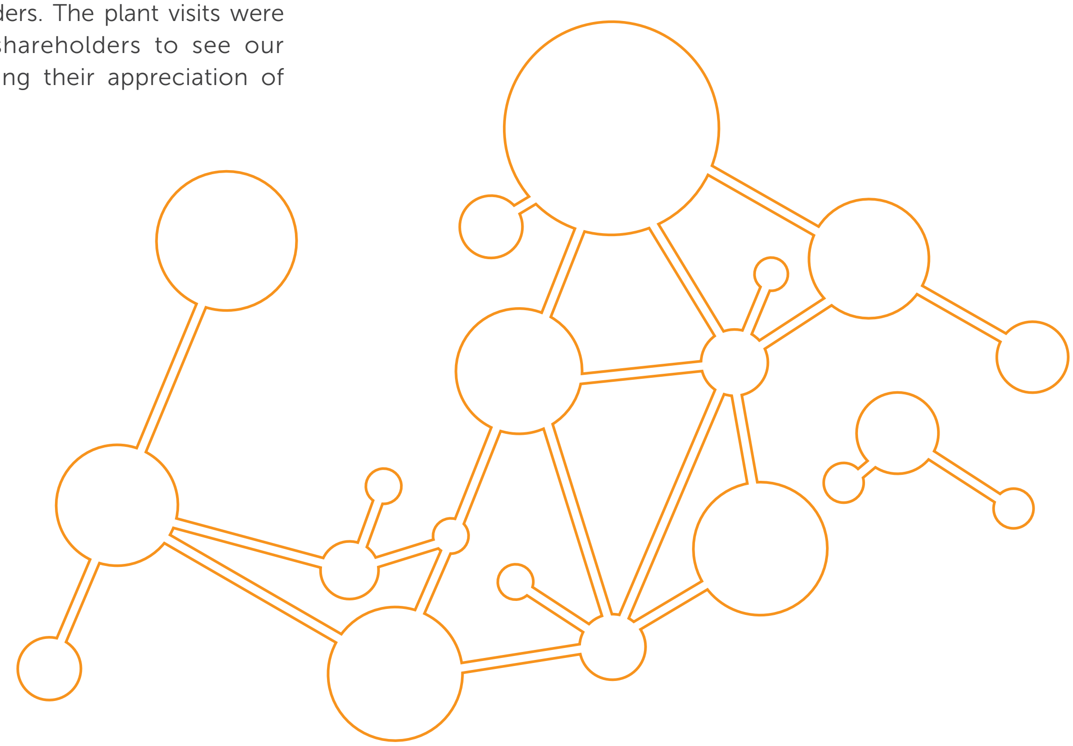
We recognise the need for our investors to appreciate the nature of our business and our products. During the year under review, we hosted a number of visits to our facilities at the integrated petrochemical complex in Kertih, Terengganu for our retail shareholders. The plant visits were well received and enabled our shareholders to see our operations firsthand, thus increasing their appreciation of our business.

Capital Market Feedback

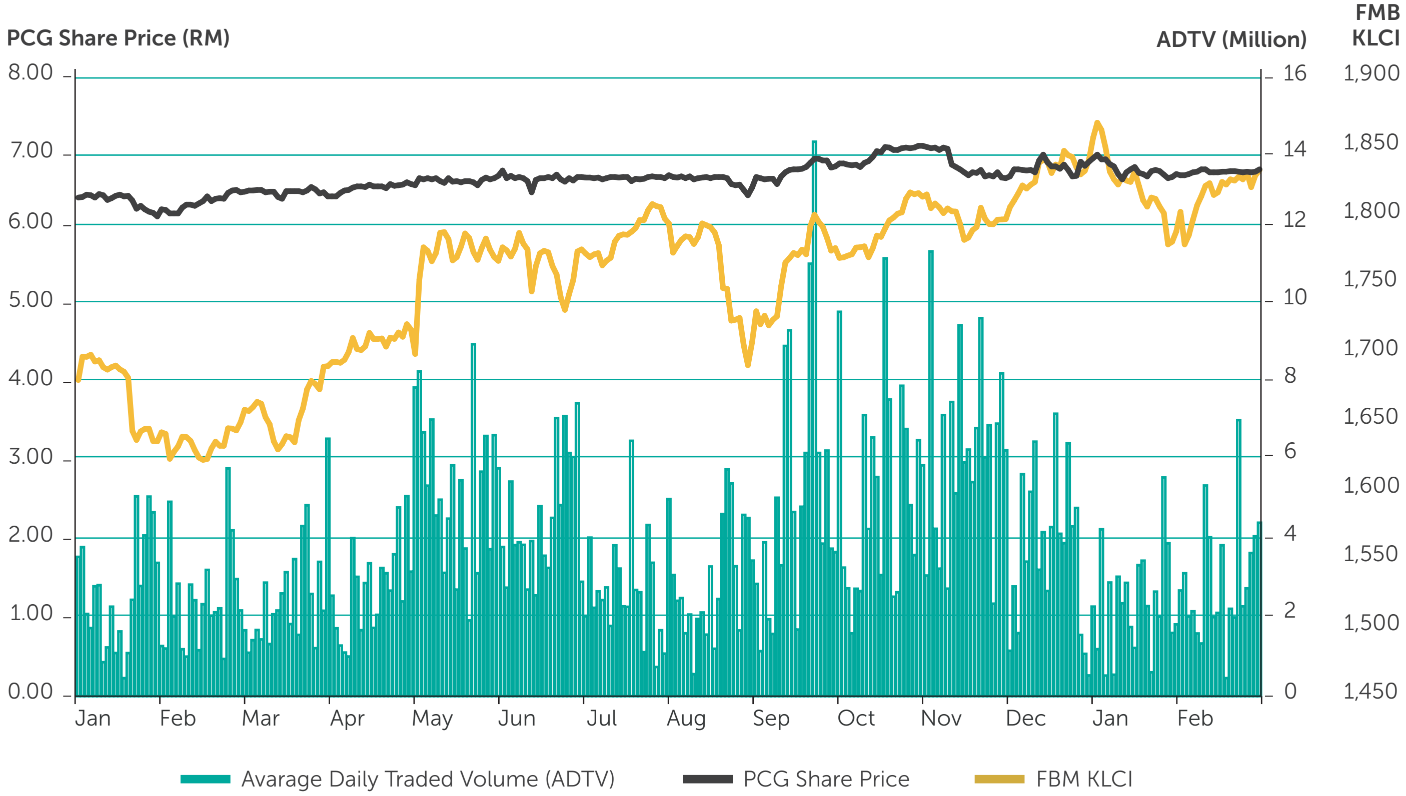
PCG is well covered with regular issuance of reports from about 20 research houses. Our website continues to serve as an important link with our investors. We continue to improve and enhance the experience by providing user-friendly touch points for the investment community with easy access to our archive of analysts' briefings, corporate presentation, annual reports, releases to Bursa Malaysia and other relevant corporate information. Our website was nominated as Best IR Website (Large Capital) Award 2013 by the Malaysian Investor Relations Association (MIRA).

Investor Relations can be contacted at

- Email: petronaschemicals_ir@petronas.com.my
- Website: www.petronaschemicals.com



SHARE PERFORMANCE



Closing Prices	RM	on:
High	7.15	28 October 2013
Low	5.95	31 January 2013

Average Daily Traded Volume (ADTV)
4,020,875 units

FINANCIAL CALENDAR

2013

27 May 2013
Announcement of the unaudited quarterly report of consolidated results for the 1st Quarter Ended 31 March 2013

22 August 2013
Announcement of the unaudited quarterly report of consolidated results for the 2nd Quarter Ended 30 June 2013

10 September 2013
Date of entitlement of the 1st interim dividend for Financial Year Ended 31 December 2013

25 September 2013
Date of payment of the 1st interim dividend for Financial Year Ended 31 December 2013

7 November 2013
Announcement of the unaudited quarterly report of consolidated results for the 3rd Quarter Ended 30 September 2013

31 December 2013
Date of Financial Year End

2014

10 February 2014
Announcement of the unaudited quarterly report of consolidated results for the 4th Quarter Ended 31 December 2013

25 February 2014
Date of entitlement of the 2nd interim dividend for Financial Year Ended 31 December 2013

18 March 2014
Date of payment of the 2nd interim dividend for Financial Year Ended 31 December 2013

1 April 2014
Date of Notice of Annual General Meeting and date of issuance of Annual Report 2013

24 April 2014
Date of 16th Annual General Meeting

OUR ACHIEVEMENTS

As a responsible corporate citizen and player in a chemicals industry, PCG strives to nurture, promote and sustain a thriving Health, Safety and Environment (HSE) culture. Also, with our new vision in place, we are sparing no effort to achieve excellence in all other aspects of our operations, so as to deliver breakthrough performance, benefitting all our stakeholders.

In terms of HSE, our efforts have received recognition in the form of various prestigious awards, including the Chemicals Industries Council of Malaysia (CICM) Responsible Care Awards, Malaysian Society for Occupational Safety and Health (MSOSH) Awards, National Occupational Safety and Health (NOSH) Excellence Awards and Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Awards.

In recognition of our efforts to achieve excellence in corporate reporting, greater transparency and accountability, we were presented with an Industry Excellence Award at the National Annual Corporate Reporting Awards (NACRA) 2013 for Industrial Products & Technology category.

PCG IN THE NEWS


PETRONAS catat keuntungan
» RM1.39 bilion pada suku kedua berakhir 30 Jun 2013
Oleh Ahmad Fiesal Othman
PETRONAS Chemicals Group Bhd (PCG) mencatatkan keuntungan sebelum cukai RM1.39 bilion pada suku kedua berakhir 30 Jun 2013, meningkat 12 peratus berbanding RM1.24 bilion pada tempoh sama tahun lalu.
Pencapaian itu diraih meskipun pendapatan dalam tempoh kajian iaitu RM3.87 bilion rendah sedikit berbanding RM3.90 bilion yang dicatat pada tempoh sama tahun sebelumnya.
PCG dalam kenyataannya berkata, penurunan sedikit pendapatannya itu adalah berikutan jumlah jualan dan harga produknya yang lebih rendah serta kos aktiviti penyelenggaraan loji yang tinggi.
Namun, katanya, keadaan pasaran bagi industri petrokimia secara relatifnya adalah lebih baik pada suku pertama tahun ini berbanding tempoh sama tahun lalu.
Harga pasaran produk juga katanya, kekal kukuh, disokong oleh ketersediaan bekalan yang terhad dan faktor penolakan harga selain kepelbagaian produk yang meningkat disebabkan kos bahan mentah yang rendah.
"Keadaan pasaran lebih baik pada suku pertama itu berterusan ke suku kedua walaupun berkurangan sedikit dan ia masih lebih baik berbanding suku kedua tahun lalu," katanya.
Prestasi kewangan
Mengulas prestasi kewangan itu, Presiden dan Ketua Eksekutif PCG, Abdul Hapiz Abdullah, berkata kumpulan itu berjaya mencatat keputusan kewangan yang memberangsangkan
Petronas Chemicals 1Q profit up 9% to RM1.1b
Revenue for the same quarter grew 1.5% to RM4.45b from RM4.39b in 1QFY12
Kilang SAMUR 50 peratus siap
Maiden Petronas motor hunt to promote environmental upkeep
"Kecemerlangan operasi kami amat diperlukan bagi bersaing dalam keadaan pasaran yang mencabar"
Abdul Hapiz Abdullah
Presiden dan Ketua Eksekutif PCG
PETRONAS Chemicals terima anugerah
Petronas Chemicals buka Pusat Pendidikan Persekitaran di Kerteh
KUALA LUMPUR: Petronas Chemicals Group Bhd (PCG) akan membuka Pusat Pendidikan Persekitaran eco-Care di Kerteh, Terengganu bulan ini yang dibiayai sepenuhnya oleh PCG dan diurus Persatuan Alam Malaysia.
Dalam satu kenyataan semalam, syarikat itu berkata pusat ulung seumpama itu merancang menawarkan pendidikan persekitaran bersepadu mengenai pemuliharaan kawasan pokok bakau di sepanjang Sungai Kerteh.
Untuk menimbulkan kesedaran terhadap inisiatif itu, PCG menganjurkan acara sulung Kembara Kenderaan Petronas Chemicals & Media 2013 yang akan dilepaskan di Bangunan Berkembar Petronas pada pagi 16 Nov.
Ia akan mendedahkan peruga media kepada pelbagai portfolio PCG menerusi penyelesaian teka silang kata sambil bergerak dari Kuala Lumpur ke Kerteh. — Bernama
ecoCare
Sukarelawan ecoCare – Mencetus kesedaran, menggerak komuniti
Terapeutik

Our Responsibilities

PARAXYLENE is a key feedstock in the polyester value chain and is primarily used in the production of fibres for textiles.

SUSTAINABILITY REPORT

We believe in structuring our business in accordance with sustainable practices that add long-term value to the Group. Our aim is to ensure that **we continue to operate in an economically, environmentally and socially responsible way**.

As demand grows for sustainable products, our commitment to contribute to the wellbeing of the community and environment where we operate increases in tandem. The safety of our stakeholders is of utmost importance and our code of conduct is designed with their best interests at heart. It enables us to share with them the benefits of our activities, such as creating new opportunities that will boost local economies.

As part of the PETRONAS Group, we have adopted PETRONAS' Corporate Sustainability Framework with key result areas as follows:

SHAREHOLDER VALUE

Sustaining the company's profitability through value creation, and efficient extraction and manufacturing processes.

NATURAL RESOURCE USE

Making oil and gas products available at reasonable market prices, promoting efficient use of energy and water, and supporting the use of renewable energy.

CLIMATE CHANGE

Limiting emissions of greenhouse gases into the atmosphere.

BIODIVERSITY

Ensuring projects and operations do not have significant impact on the diversity of humans, animals and plants.

HEALTH, SAFETY & ENVIRONMENT (HSE)

Preventing and eliminating injuries, health hazards and damage to property and conserving the environment.

PRODUCT STEWARDSHIP

Ensuring that products conform to quality and HSE standards, and meet the needs of society.

SOCIETAL NEEDS

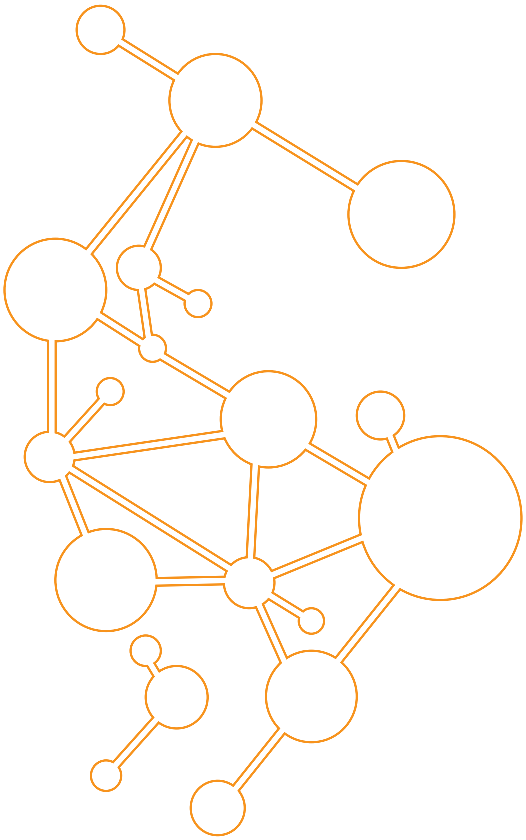
Safeguarding human rights within our sphere of influence, contributing to community needs, investing in training and education, promoting arts and sports, and conducting our business in a transparent manner.

For the year under review, we have continued to uphold our strong belief in sustainable chemistry through practices that reflect environmental responsibility. This is achieved through a comprehensive set of HSE management policies and the use of innovative and environmentally sound technologies.

The essential fibre of our future success also rests largely with our people, and by investing in the enhancement of their skills and capabilities, we nurture their growth. In addition to safety, our goal is to contribute positively towards the health and environment of various communities where we operate and this is reflected in our numerous CSR initiatives that we organise with the aid of staff volunteers, as well as partnerships with local businesses and community.

CONSERVING THE ENVIRONMENT

Meeting the world's growing energy needs and protecting the environment **drives PCG to utilise natural resources efficiently and responsibly in all operations**.



Environmental conservation continues to be among key sustainable development issues for the petrochemical industry. In light of this, the petrochemical industry is committed to reducing the impact of its operations on the environment. This is achieved through the responsible use of natural resources and producing sustainable products that improve the lives of the community.

PCG strives to continue using energy and water responsibly in all our operations and we aim to reduce our greenhouse gas emissions through our continuous drive for energy efficiency.

In developing more and better products to meet society's needs, we shall continue to balance socio-economic and environmental requirements.

AWARDS

For the period under review, our efforts in observing HSE standards and continuously striving for best practices in HSE have been rewarded with prestigious awards. The following are the organisations that have presented PETRONAS Chemicals Group of Companies with their 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 year under review:

1. **PETRONAS Chemicals LDPE Sdn Bhd**
   - Distribution Code – GOLD
   - Community Awareness and Emergency Response Code – GOLD
   - Pollution Prevention Code – GOLD
   - Process Safety Code – SILVER

2. **PETRONAS Chemicals Fertiliser Kedah Sdn Bhd**
   - Process Safety Code – GOLD
   - Community Awareness and Emergency Response Code – MERIT
   - Pollution Prevention Code – MERIT
   - Employee Health and Safety Code – MERIT

3. **PETRONAS Chemicals Polyethylene Sdn Bhd/ PETRONAS Chemicals Ethylene Sdn Bhd**
   - Community Awareness & Emergency Response Code – SILVER
   - Pollution Prevention Code – MERIT

4. **ASEAN Bintulu Fertilizer Sdn Bhd**
   - Distribution Code – MERIT
   - Process Safety Code – MERIT
   - Employee Health and Safety Code – MERIT

5. **PETRONAS Chemicals Aromatics Sdn Bhd**
   - Pollution Prevention Code – MERIT
   - Process Safety Code – MERIT
   - Employee Health and Safety Code – MERIT

6. **PETRONAS Chemicals Derivatives Sdn Bhd**
   - Employee Health and Safety Code – MERIT

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 (BCSDM), 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.

CONSERVING THE ENVIRONMENT

The following are PCG subsidiaries that have received the Prime Minister's Hibiscus Award for the year under review:

1. **PETRONAS Chemicals LDPE Sdn Bhd**
   - Notable Achievement in Environmental Performance

2. **PETRONAS Chemicals MTBE Sdn Bhd**
   - Notable Achievement in Environmental Performance

3. **PETRONAS Chemicals Olefins Sdn Bhd**
   PETRONAS Chemicals Glycols Sdn Bhd
   PETRONAS Chemicals Derivatives Sdn Bhd
   - Notable Achievement in Environmental Performance

4. **ASEAN Bintulu Fertilizer Sdn Bhd**
   - Special Project Award – Silver

Malaysian Society for Occupational Safety and Health (MSOSH) Awards

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 LDPE Sdn Bhd**
   - Grand Award

2. **ASEAN Bintulu Fertilizer Sdn Bhd**
   - Gold Class I Award

3. **PETRONAS Chemicals MTBE Sdn Bhd**
   - Gold Class I Award

4. **PETRONAS Chemicals Polypropylene Malaysia Sdn Bhd**
   - Gold Class I Award

5. **PETRONAS Chemicals Ammonia Sdn Bhd**
   - Gold Merit Award

Royal Society for the Prevention of Accidents (RoSPA) Industry Sector 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.

RoSPA's Industry Sector Awards are presented annually to a company within a particular industry or sector with the most outstanding performance in occupational health and safety. Entrants must be able to demonstrate a robust and high quality safety management system together with a minimum of four years' consistently excellent or continuously improving health and safety performance.

For the year under review, RoSPA awarded PETRONAS Chemicals Ammonia Sdn Bhd with the "RoSPA Highly Commended in the Chemical Industry Sector Award for Occupational Health and Safety".

Malaysian National Occupational Safety and Health Excellence Awards

The National Occupational Safety and Health (NOSH) Excellence Awards are organised by the Malaysian National Council for Occupational Safety and Health (NCOSH). NCOSH is the highest forum in the Ministry of Human Resources where discussions are held regarding the direction, national policy and the implementation of occupational safety and health in Malaysia. The council is comprised of representatives from the government, employers, workers as well as non-government organisations.

The council presents the National OSH Excellence Awards annually to organisations which have demonstrated strong commitment and outstanding performance in implementing OSH management systems at their workplace.

For the year under review, PETRONAS Chemicals Ammonia Sdn Bhd won the NCOSH Excellence Award for the Petroleum/Gas/Chemicals Industry Category.

GOING THE DISTANCE WITH SUSTAINABLE DEVELOPMENT

In our bid to uphold the efficient use of natural resources, we are constantly seeking better ways to reduce water usage and promote the recycling of waste. Through the improvement of our plants' level of efficiency, we take serious care in minimising energy loss and greenhouse gas (GHG) emission.

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

PCG Group strives to excel where environmental sustainability is concerned. Our role as a responsible corporate citizen drives us to share best practices and inspire the community to protect Mother Nature. It has always been in our best interests to strengthen the environmental conservation DNA that is richly embedded within the culture of our organisation. In providing products and services that fulfil customers' expectations, we commit our hearts to minimising all possible impacts that can potentially cause detriment to the environment. This is done by hosting, funding and pioneering environmental preservation initiatives that promote a more sustainable way of life. In the year under review, we have reached the second phase in PCG's signature environmental CSR programme ecoCare, with the launch of the ecoCare Environmental Education Centre. This marks a new milestone in our efforts to uphold the limitless virtues of a clean and safe environment.

ecoCare Programme

The mangrove forests and river vegetation along Kertih River are sensitive habitats for aquatic and terrestrial wildlife. The mangroves act as fertile breeding grounds for freshwater and marine life, which also support the local fishing industry located at the river mouth.

Acknowledging the importance of this ecosystem, PCG through PETRONAS Chemicals Olefins, PETRONAS Chemicals Glycols and PETRONAS Chemicals Derivatives have implemented the ecoCare programme. ecoCare is a joint programme of PCG and the Malaysian Nature Society (MNS) that involves the reforestation and rehabilitation of ecologically sensitive mangrove habitat along Kertih River, concurrently promoting community-based involvement and management of the ecosystem.

The main objective is to restore the mangrove and surrounding coastal vegetation to their natural state through proper zone segmentation of the mangrove forests. As of 2013, more than 11,000 square metres of the mangrove forest along Kertih River have been replanted with more than 7,000 mangrove seedlings. Environmental education programmes for local villagers were also established to promote long-term awareness and sustained conservation of the ecosystem.

PCG's signature corporate responsibility programme, ecoCare, received a further boost with the launch of ecoCare Environmental Education Centre (EEC) in Kertih, Terengganu in November 2013. Established by PCG and MNS, the centre is the first of its kind on the east coast of Peninsular Malaysia that educates the public on mangrove protection and conservation.

The unique appeal of EEC rests in its capacity to cater to the local community, tourists and students as an integrated environmental education avenue that showcases the Kertih River ecosystem. In addition to programmes for staff and the community, on-going training and educational activities such as nature trails, forest ecology studies, canopy walk, bird-watching, camping and stream ecology studies will also be conducted. The setting up of Nature and Science Clubs linked to the EEC in schools around Terengganu also serves as an important means of making environmental learning a continuous commitment. From promoting mangrove conservation methods to the area's distinctive coastal terrain and biodiversity, the EEC is an important hallmark in PCG's commitment to protecting the environment. It is seen as a stepping stone that encourages stakeholders from across all platforms to get involved in mangrove rehabilitation.

EEC marks the significance of conservation efforts that uphold mangrove forests as part of a unique ecosystem that is the habitat of flora and fauna as well as marine life. It carves a strong identity for ecoCare as well as PCG in Kertih, and seeks to influence and improve the future of the community in which it operates. This long-term signature corporate social responsibility project supports the country's agenda in making environmental awareness a top priority.

Program Cintai Sungai (River Care Programme)

As an aspiring leader in environmental sustainability, PCG strives to become stewards of our good earth, share our best practices and lead others to excel in doing more for the environment we are blessed with. Apart from PCG's signature environmental CSR programme of ecoCare, we have also invested in a wide range of environmental conservation activities, including River Care.

After its maiden debut in 2011, PETRONAS Chemicals MTBE once again held its Program Cintai Sungai 2013 (River Care Programme) to promote river care at Jeti Nelayan Kampung Balok Pantai, Kuantan. It is PCG's effort to instil a deeper sense of awareness among the people about the value of clean water and the threats affecting biodiversity. It is also in line with the chemical industries' "Responsible Care" voluntary initiative adopted by chemical companies to continuously improve environmental health and safety performance of our operations and products in a responsible manner.

With strong participation from the local community, the programme promotes river care through a wide range of "gotong-royong" (mutual cooperation) activities that benefit the environment, such as the releasing of *siakap* fish, waste collecting and recycling. There were also fun-filled activities that advocate the health, safety and environment concept such as the 3R Invention for the Family Competition (Refuse, Reduce, Reuse/Recycle), aerobics as well as drawing and colouring contest to cultivate the love for the environment among children. These activities are instrumental in driving better understanding among the local community of the need to reduce their ecological footprint in helping to conserve dwindling resources.

For the year under review, apart from the River Care Programme, Dataran Wawasan was also officiated to provide the local community with a safe and comfortable place to hold gatherings and activities. The event brought together 500 participants including representatives from the Pahang State Government EXCO, Majlis Perbandaran Kuantan, Jabatan Perikanan Negeri Pahang, other government agencies, local community, schoolchildren and the general public as well as some 200 PCG staff. The variety of stakeholders present reflects PCG's goal to nurture a healthy and beneficial relationship with all parties that contribute to the success of its operations.

River Care Programme aims to enhance the river ecosystem with a thriving fish population resulting in an increase in the source of income for locals. It also aims for a healthier environment and cleaner river while upgrading the relevant infrastructures for the wellbeing of the local community such as construction of surau and dyke along the jetty area.

CONSERVING THE ENVIRONMENT

Refuse, Reduce and Reuse (3R) Programme

PCG believes that sustainability is integral to the long-term success of the Group. Environmental conservation continues to be among the key sustainable developments for us. As such, we are focused on using natural resources efficiently and producing sustainable products.

In the light of this, PCG's subsidiary, ASEAN Bintulu Fertilizer Sdn Bhd (ABF) is committed to improving the wellbeing of the local communities and the environment where it operates through its 3R Programme. It involves schools in Bintulu and activities that revolve around the inculcation of 3R practices such as a community collection centre for recyclable waste and entrepreneurial training for school teachers.

For the year under review, ABF organised 'Innovation and Music with Nature Contest" at Sri Kenyalang Hall, Universiti Putra Malaysia, Bintulu Campus in collaboration with Bintulu Development Authority, Natural Resources Environment Board, Pejabat Pelajaran Daerah Bintulu and Universiti Putra Malaysia (Bintulu Campus). The contest, which was part of ABF's 3R Programme, was divided into two categories: "Inspiring Innovation" and "Music with Nature". The objective of "Inspiring Innovation" was to encourage the culture of creativity and innovation among students besides further enhancing their awareness of 3R, with a view to promoting eco-friendly activities in their daily lives. It encouraged participation from students of both primary and secondary schools as well as from institutions of higher learning in Sarawak.

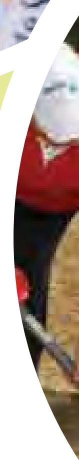
"Music with Nature" is an exciting new item that was introduced in the 3R programme for the year under review. Themed *"Suara Alam"* (Voice of Nature), it was the first-of-its-kind event in the district, where all musical instruments that were created and played during the contest were invented from recycled materials. The contest received tremendous response from government agencies and private sector companies in Bintulu.

The "Innovation and Music with Nature Contest" drew about 750 participants, and has contributed to shifting their paradigm in viewing waste as a resource rather than an item for disposal. Through activities as such, PCG reinforces the importance of 3R activities, which are essential for environmental conservation and rehabilitation to ensure that our area of operations, such as Bintulu, achieves its goal of becoming a clean, green, beautiful and safe place to live for current and future generations.

Beach Cleaning

It has always been in PCG's CSR mission statement and culture to achieve our business objectives while carrying out our responsibilities towards good environmental practices and sustainable socioeconomic development. Beach cleaning is integral to our efforts in protecting the essential frontier of our natural resources.

Annually, PCG's subsidiaries, PETRONAS Chemicals Ethylene Sdn Bhd and PETRONAS Chemicals Polyethylene Sdn Bhd, organise their CSR programme, carried out as a means to contribute to the wellbeing of the community in a sustainable manner. The event, *'Program Cakna Pantai'* helps to cultivate the spirit of *'gotong royong'* (mutual cooperation) in environmental conservation among the local communities, while cleaning the beach and recycling waste.



For the year under review, Pantai Cakar Hutan was the beach of choice to be cleaned up. Being close to the plant's operations and well-known for the nesting activities of sea turtles, the beach is the fifth most active turtle hatching places in Terengganu.

Held in collaboration with Terengganu State Department of Fishery, Kemaman Municipal Council (MPK), Universiti Malaysia Terengganu and schools in Terengganu which have been adopted by PETRONAS such as SK Kampung Chabang, SK Payoh and SK Paka 2, as well as local residents, the programme garnered the participation of some 1000 community members mainly from Kampung Telaga Papan, Kampung Tengah, Kampung Gelugor, Kampung Labohan and Kampung Cacar, Paka. The joint effort resulted in about 1.3 tonnes of waste along the beach stretch being collected and later recycled by MPK.

Among other activities held included turtle-watching, hut refurbishment initiative, tree planting and other fun-filled activities such as innovation and colouring contests.

In conjunction with the event, an exhibition area taken up by the Malaysian Nature Society and government authorities were also put up to provide information and knowledge to the participants about environmental conservation. The event ended with a poem recitation by one of the country's finest poet, Mr Masli Nor with the poem called "Pantai Kita".

Green Programme

ASEAN Bintulu Fertilizer Sdn Bhd organised a *gotong royong* (mutual cooperation) to beautify the Millennium Recreational Park Phase 1 and 2 at Tanjung Kidurong. The ongoing green initiative drew about 200 people, including the local community as well as ASEAN Bintulu Fertilizer Sdn Bhd staff and their families. Besides cleaning the surrounding areas and repairing the park's facilities, the concept of 3R (Refuse, Reduce and Reuse/Recycle) was also advocated to the public through the installation of new garbage bins in the park. This is meant to encourage the public to adopt good waste management practices that can help save the environment.

GROWING IN THE MARKETPLACE

PCG strives to create value for our stakeholders through a business model that is aligned with our shared values of professionalism, integrity, loyalty and cohesiveness. To this end, **we are committed to strengthening our sales channels and presence of our products and solutions in the market** in the most efficient, effective and sustainable manner, in line with our aspiration to deliver innovative customer solutions.

SUSTAINABLE PRODUCTS AND SOLUTIONS

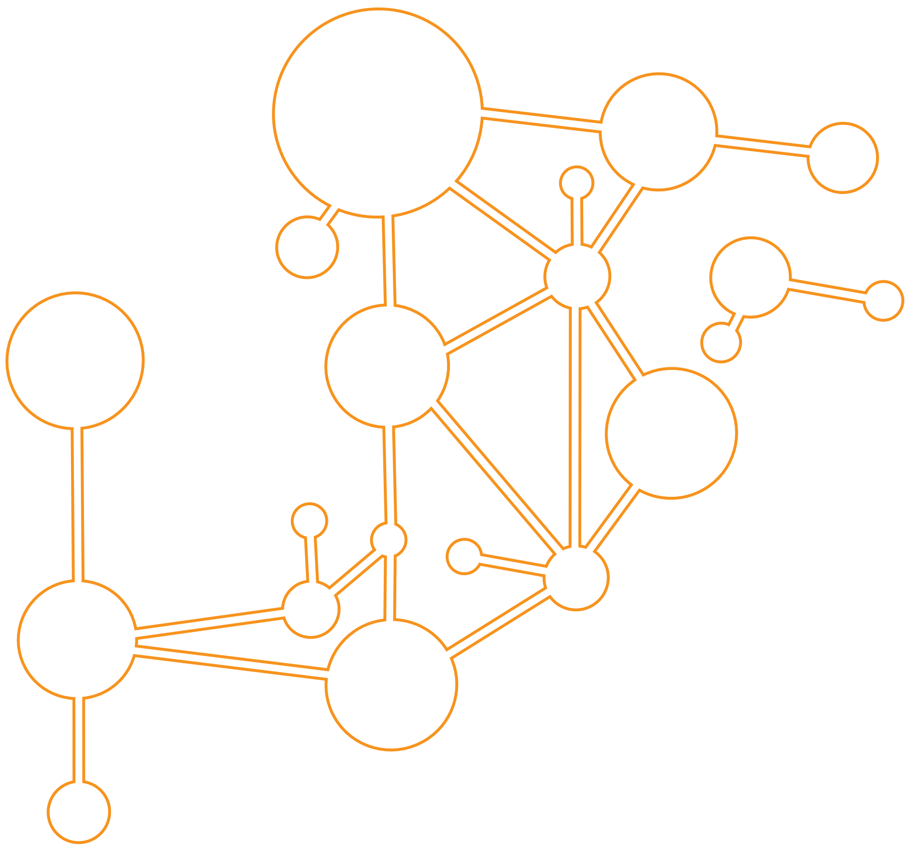
In order to deliver sustainable products and solutions, we manufacture a broad range of midstream to downstream end-products reliably and cost-effectively through the various integrated world-class production sites that we operate in Malaysia. Core to this is our ability to build and maintain strong and close working relationships with our customers that are based on trust and mutual respect.

This enables us to better understand our customers' business needs, and together, we are able to jointly identify the right solutions and grow our respective businesses to our mutual benefit. These includes improving delivery, enhancing product quality, working on new business models and strategic collaborations for new applications, processes and products. Our regional offices play a critical role in building closer customer relations as well as gathering crucial customer insights to support customer-oriented innovation capability.

Additionally, in order to provide innovative customer solutions, we continue to bring in new ideas and solutions through our 'innovation network' with selected strategic partners.

To further strengthen our presence in key strategic markets, we are expanding our production capacity for granular urea through the Sabah Ammonia Urea (SAMUR) project, in Sipitang. SAMUR epitomises our continuous efforts to meet increasing customer and market demands for urea, especially in the South East Asia region.

Similarly, together with BASF, we are also constructing Asia Pacific's first integrated aroma ingredients complex in Gebeng, Kuantan. The complex will include a facility to produce citral and its precursors, as well as associated downstream plants to manufacture, for example, citronellol and L-menthol. Targeted for completion in 2016, the complex would help meet growing customer demand especially in Asia Pacific, as it opens for us a completely new field of highly attractive specialty products that are not susceptible to the economic cyclicality typically exhibited by the commodity chemicals market.



GROWING IN THE MARKETPLACE

QUALITY PRODUCTS

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

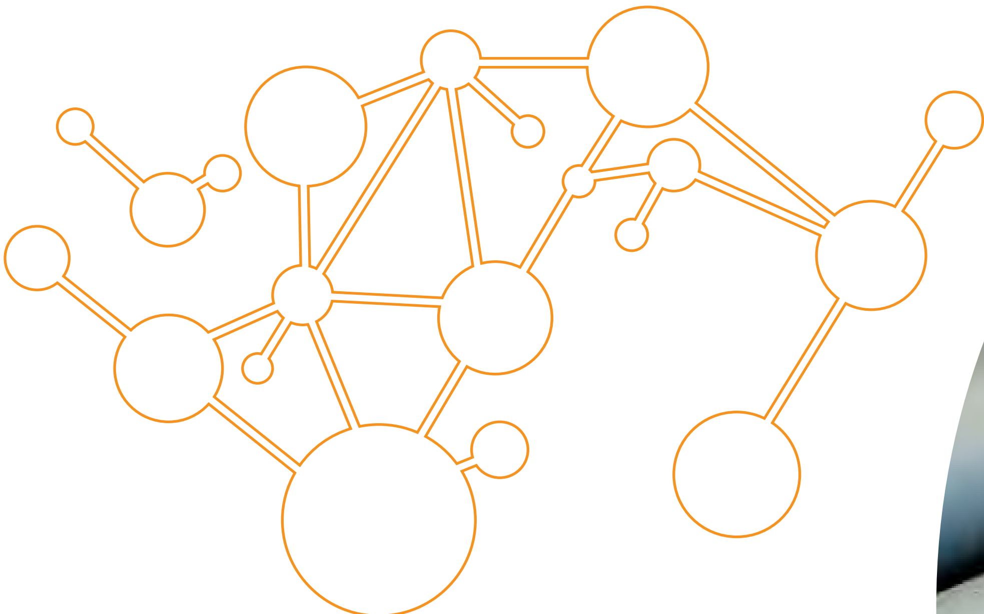
Our methanol plants, for example, are tested not only on production processes, but also undergo tests relating to gases, water treatment and boiler systems, as well as intermediate and final products via scheduled daily testing, in order to produce chemical grade methanol. These processes are subject 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.

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 Environment as well as Department of Occupational Safety and Health. 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.

In line with the implementation of Globally Harmonised System on Chemical Classification and Labelling (GHS), a new regulation on chemical management has been gazetted in Malaysia on 11 October 2013. Occupational Safety and Health (Chemicals Classification, Labelling and Safety Data Sheet) Regulations 2013 or better known as CLASS 2013 supersedes the earlier Classification, Packaging and Labelling (CPL) Act in 1997.

As a market leader, PCG has taken appropriate steps to comply fully with CLASS 2013 in line with our position as a world-class chemical manufacturer and our aspiration to become a preferred chemical company.



CREATING A GREAT WORKPLACE

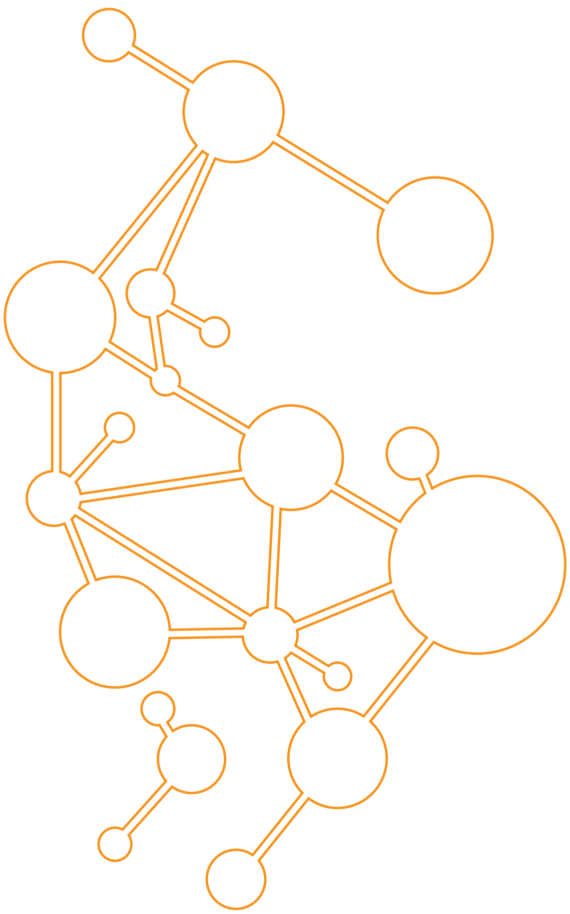
We are a company that **adapts quickly and continually to changing chemical industry needs**, using our talent for innovation to create products that help improve the industry's and people's needs throughout the world.

Making sustainable change

The people of PCG come to work each day with energy, enthusiasm and commitment to enhancing our contribution to the chemical industry. Our vision, "The preferred chemical company providing innovative customer solutions" embodies this commitment. It is a promise we make to all those who are connected to our company and our products.

We are a company that adapts quickly and continually to changing chemical industry needs, using our talent for innovation to create products that help improve the needs of people around the world. As PCG employees, we are ready to meet change and challenges head-on, and we know that speed is vital to the fulfilment of our strategic goals and objectives.

We remain passionate about advancing chemical products output, along with supporting diversity within the region, focusing on exceptional performance and earning the trust of those we serve.



As at 31 December 2013, PCG had 4,564 talents, of which 77% and 23% were technical and non-technical staff respectively.

Job Function	Category	No. of staff
Executive	Non-Technical	654
	Technical	1,110
Non-Executive	Non-Technical	395
	Technical	2,405
Total		**4,564**

In 2013, we continued to focus on the development of leaders and staff motivation as part of our on-going efforts to sustain operational excellence and grow through increased marketing and sales excellence and innovative customer solutions. In this regard, numerous leadership, talent management and capability initiatives for all levels were organised.

CREATING A GREAT WORKPLACE

OCCUPATIONAL HEALTH AND SAFETY

PCG places utmost importance on occupational health and safety in accordance with the industry's best practices. This includes implementing "Safety Pauses" after the occurrence of any significant occupational incidences. During each Safety Pause, all PCG staff will be briefed on the details of the incident, its likely causes and the preventive actions to be taken to prevent similar incidences from reoccurring. As part of the Safety Pause's requirements, this message must be conveyed by each superior to their subordinates within 48 hours of the announcement of the Safety Pause.

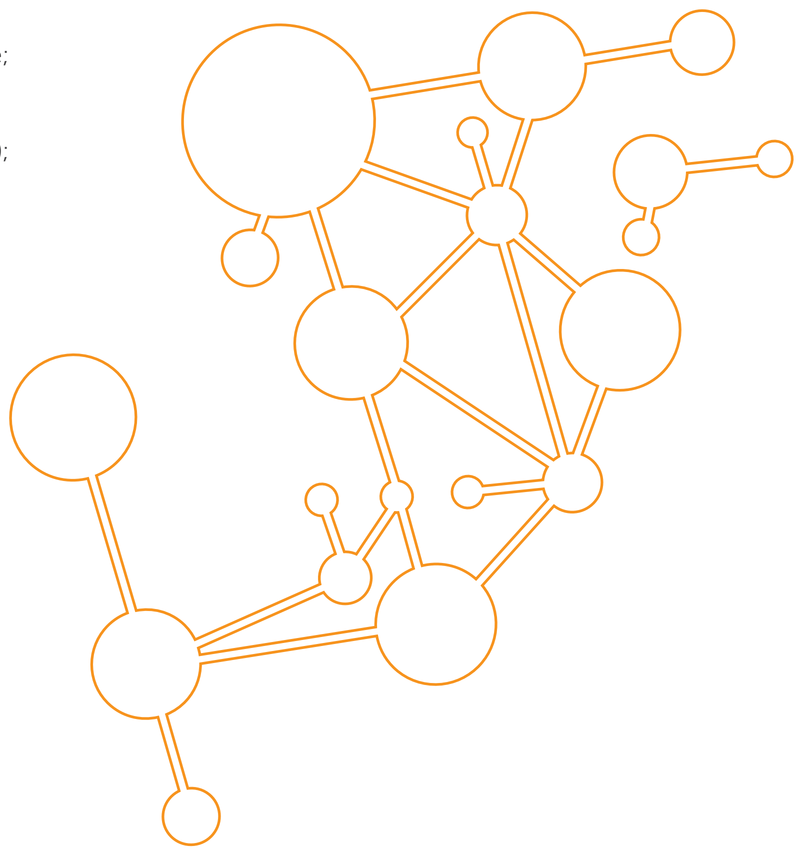
Additional safety programmes were also rolled out to PCG staff to enhance their awareness of the most common hazards which results in workplace injuries. This includes programmes that focused on hand injuries, working at height, management of change and road safety. These programmes include training on the use of safety systems which are designed to mitigate the risks associated with these hazards, such as Permit to Work (PTW) system, Job Hazard Analysis (JHA) and various PETRONAS Technical Standards (PTS).

For example, PCG's ethylene and polyethylene manufacturing facilities introduced a Health, Safety & Environment (HSE) Intervention Programme to enhance their HSE performance. This programme focuses on five key focus areas:

1. Reinforcing Personal Safety and Behaviour Compliance;
2. Enhancing Safe System of Work;
3. Enhancing HSE communication (e.g. via visual management);
4. Improving Emergency Preparedness;
5. Enhancing Housekeeping.

To ensure these safety systems are systematically implemented, structured "safety walkabouts" are conducted at all facilities. These walkabouts are led by the top management of each facility and are conducted systematically using established checklists. In addition to PCG's staff, these walkabouts are also conducted jointly with our contractors to ensure everyone working within our facilities buys into PCG's safety culture. Besides ensuring critical safety procedures are always carried out, these walkabouts also demonstrate Management's commitment to ensuring a safe working environment at PCG.

Maintaining safety performance during 2013 was a key priority given the high level of maintenance activities conducted, including statutory turnarounds. In this regard, enhanced focus was placed to ensure safe implementation of all turnaround and maintenance related activities. This was achieved by closer engagements between PCG and contractors, daily mass toolbox meetings with contractors, more frequent safety inspections, and the engagement of third party safety specialists.



CREATING A GREAT WORKPLACE

TRANSPORTATION SAFETY

In addition to ensuring the safety of our facilities' operations, PCG strives to ensure our products are delivered safely to our customers while ensuring the safety of road users. This is done by working closely with our third-party transportation service providers to minimise road accidents involving vehicles that transport our products.

PCG's Road Transport Operations was enhanced through three step-change processes described below:

#1 – Driver Performance and Vehicle Integrity Intervention. PCG engaged third-party road safety specialists to engage our third-party transporters' drivers on a one-to-one basis on-the-road or at loading points. The specialists also intervene and performed detailed random but systematic safety checks on vehicles.

#2 – Introduction of Driver Safety Passports. The passport serves to record the journey taken and milestones achieved by the driver, as well as the mandatory safety trainings received. Only those drivers having an approved Safety Passport are allowed to carry the products.

#3 – Direct Engagement with Third-Party Transportation Service Providers. PCG engaged directly with the transporters, especially with their management, in the manifestation and visibility of driver and driving safety. This includes:

- Participating and raising the standards of our transporters' Drivers Meeting and Drivers Counselling Session.
- Facilitating Haulier and Sub-Contractor's performance review and audits.
- Assisting in the development and visible publication of driver and driving safety material (videos and posters).

PCG also conducted Road Hazard Mapping exercises, which maps out hazards found on our land transportation routes in the Malaysian states of Selangor, Negeri Sembilan and Malacca. The results of the mapping exercise was then used to develop appropriate hazard mitigation plans. These maps and plans allows our transporters to better plan their journeys to mitigate potential road hazards, thus ensuring the safety of the driver and other road users.

EMERGENCY PREPAREDNESS

While PCG commits considerable efforts to prevent the occurrence of safety incidences, we prepared ourselves to manage all significant emergency/crisis situations at our facilities. This is done by conducting regular emergency exercises based on various potential emergency situations. Larger scale exercises were also conducted with neighbouring facilities and relevant government agencies to ensure good coordination of joint emergency responses.

One such exercise was conducted on 27 June 2013 at PCG urea manufacturing facility in Gurun, Kedah. This exercise tested our in-house emergency management team's (EMT) proficiency in managing a large fire and ammonia leak at the facility. The exercise also involved coordinating the response and evacuation efforts with the Fire & Rescue Department, Police, local medical facilities, neighbouring industries and the local community. A similar exercise was also carried out at PCG's urea manufacturing facility in Bintulu, Sarawak on 17 January 2013.

The other major exercise that was conducted during the year under review was conducted in Kertih, Terengganu. On 12 November 2013, several of PCG's facilities in the Kertih Integrated Petrochemical Complex (KIPC) carried out an emergency exercise involving multiple concurrent emergency situations. This exercise tested our facilities' ability to cope with chemical leaks, fires/explosions, mass casualties and emergency evacuations. The exercise also served to test the communication links between PCG and government agencies, such as the Fire & Rescue Department, National Security Council and the police.

The performance of each aspect of the emergency response during the exercises are assessed by third-party observers. The feedback from these assessments are used by PCG to further improve its emergency response capabilities and procedures. This will ensure that each facility will be able to manage any potential crisis situation that may occur.


E-3004A

CARING FOR THE COMMUNITY

Empowering communities is an integral part of our culture and the way we do business. **We leverage on our extensive reach to implement innovative initiatives that will bring long-term sustainable benefits to the people**. Driven by the aim to improve lives, we have made great strides on many social responsibility fronts throughout the year.

The cornerstone of our corporate philosophy lies in creating value to all our stakeholders, namely the communities whom we serve. The diverse business portfolio of PCG and the numerous locations in which it operates has enabled us to champion sustainable, focused and impactful business practices. We believe that as a responsible corporate citizen, our duty extends beyond meaningful relationships and strategic community partnerships.

As such, all our initiatives are designed to spur our beneficiaries towards greater achievements and success. We are committed to championing sustainable improvements that will accelerate shareholder value and brand affinity in our social responsibility journey.

Our focus is to actively engage communities via sustainable CSR initiatives that add value to stakeholders and build goodwill for PCG.

Program Sentuhan Ilmu PETRONAS

PCG plays an active role in Program Sentuhan Ilmu PETRONAS (PSIP), an adopt-a-school programme that is part of PETRONAS' continuous efforts to promote human capital development in the communities where the group operates. It also supports the Government's efforts to improve the overall academic performance of rural school children. Since its inception in 2002, 56 schools has been adopted under PSIP, benefiting more than 3,000 students nationwide annually.

PETRONAS organised two events in Sipitang and Labuan to mark the entry of Sekolah Kebangsaan Lubok Darat, Sekolah Kebangsaan Padang Berampah, Sekolah Kebangsaan Kg Imbak and Sekolah Kebangsaan Patau Patau into the programme. Some 52 students from underprivileged families received certificates of participation and Back-To-School items such as school bags, school uniforms, shoes, stationeries and activity books.

CARING FOR THE COMMUNITY

The selected students are provided with Back-To-School assistance annually, on top of regular development programmes such as academic tuition for English, Science and Mathematics, fun learning programmes conducted by PETRONAS volunteers, motivational talks and special camps for examination year students.

To date, PETRONAS has adopted five primary schools and seven secondary schools in Sabah and two primary schools in Labuan. More than 400 students in both states benefitted annually through PSIP.

In line with being a responsible corporate citizen, PCG contributed to the success of the programme by handing over schoolbags complete with school paraphernalia to some 500 school children in the district of Sipitang, Sabah to help them prepare for the upcoming academic year.

Program Sentuhan Harmoni

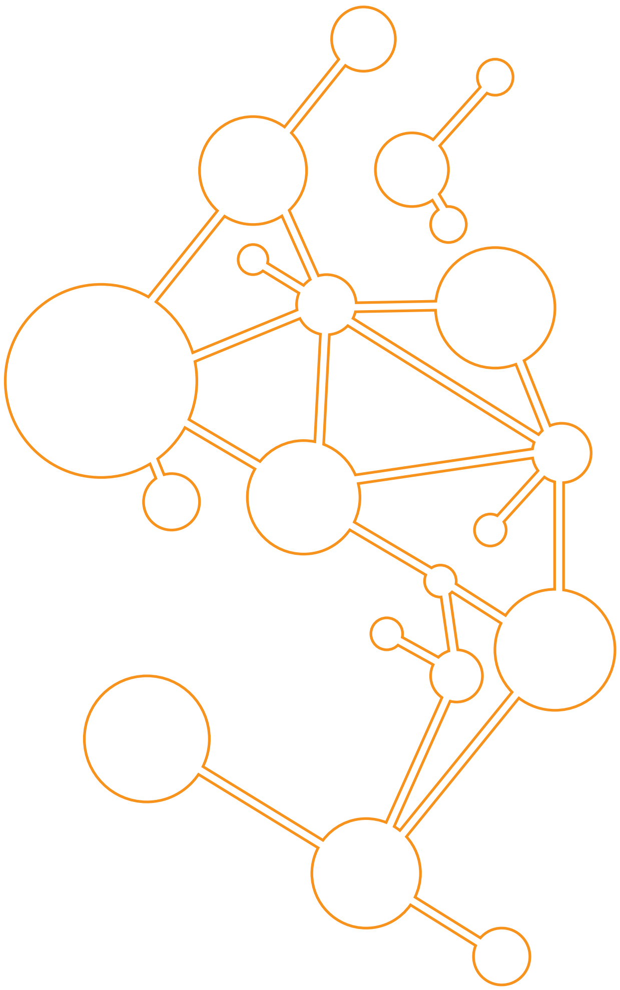
Program Sentuhan Harmoni is an annual effort that supports PCG's long-term signature corporate social responsibility programmes that emphasise on environmental protection and human capability building. It serves to engage through initiatives that bring positive contributions to key stakeholders in various locations.

PETRONAS Chemicals Methanol Labuan organised its own Program Sentuhan Harmoni at Kampung Rancha-Rancha Laut, Labuan. The *gotong royong* (mutual cooperation) activity saw some 300 volunteers cleaning the village with an aim to enhance residents' well-being. The collaborative endeavour signifies the importance of a cleaner environment besides fostering better relations with the community.

Program Sentuhan Kasih

Program Sentuhan Kasih is a community outreach initiative that provides assistance to the poor families in the country during major festive seasons. It is designed to instil a sense of giving among staff besides reaching out to the less fortunate. The activities included shopping for Hari Raya goodies with orphans and underprivileged children, visiting the poor and breaking fast at various locations where we operate across the country.

PCG organised an exclusive Hari Raya Aidilfitri open house event that saw participation of 40 orphans from selected orphanages across the Klang Valley. They also received donations derived from an exclusive charity bazaar and personal contributions of PCG staff in the spirit of giving. Similarly, PETRONAS Chemicals Fertiliser Kedah organised its annual Program Sentuhan Kasih by celebrating Hari Raya Aidil Fitri with special children in Bedong, Kedah.



Other Community Engagements

In a bid to strengthen our rapport with the local communities where we operate, various engagement activities were organised throughout the year under review. From festive celebrations to health campaigns and clean-up efforts, these initiatives are meant to draw staff and the surrounding community closer to one another, apart from instilling a sense of giving among our staff.

PCG organised a special Hari Raya Aidilfitri celebration in collaboration with PETRONAS Sabah and Labuan Regional Office for local leaders and the community of Sipitang in Sabah. About 6,000 guests were in attendance, including Sabah Chief Minister Datuk Seri Panglima Musa Hj Aman and his deputy, Datuk Raymond Tan Shu Kiah. The event did well to strengthen the rapport between PCG, the media and the local community.

Another significant engagement session came in the form of ABF's Career and Motivational Talk for students from across secondary schools in Bintulu, Sarawak. They participated in a session helmed by renowned motivational speaker and TV host, Datuk Dr Fadzillah Kamsah who spoke on the topic "Becoming an Excellent Student". The event aimed at inspiring students to expand their intellectual and professional horizons.

CALENDAR OF EVENTS

2 March 2013

Community Outreach Programme

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd organised a community outreach programme (*Program Bersama Komuniti*) for residents of Kampung Sungai Badak 1, Kampung Sungai Badak 2, Kampung Sungai Badak 3, Kampung Sungai Kunyit and Kampung Rancangan Teratur. Some 500 residents and PETRONAS Chemicals Fertiliser Kedah Sdn Bhd staff came together in several activities, including *gotong-royong* (mutual cooperation). The programme served to foster better relations between PETRONAS Chemicals Fertiliser Kedah Sdn Bhd and its stakeholders besides contributing to the improvement of the surrounding environment.

22-24 March 2013

PETRONAS Chemicals' F1 Race Experience

PCG held an F1 Race Experience for more than 40 customers and external stakeholders to experience the memorable event. The gesture of appreciation served as a platform to strengthen relations with the stakeholders and acknowledge their support towards the business.

16-18 April 2013

Hazards Asia Pacific Symposium

PCG participated in the 2nd Hazards Asia Pacific Symposium at Shangri-La Hotel Kuala Lumpur as a conference partner. The major process safety conference was jointly hosted and organised by Institute of Chemical Engineers (IChemE) and the Chemical Industries Council of Malaysia (CICM) with participation of more than 400 delegates from various countries. The event was organised following the success of 1st Hazards Asia Pacific Symposium in 2011 and the long-running Hazards Symposium series, which is now firmly established as Europe's premier chemical process safety conference.

18 May 2013

Green Programme: Millennium Park Refurbishment

A Health, Safety, Environment and Quality (HSEQ) Week 2013 was organised by ASEAN Bintulu Fertilizer Sdn Bhd (ABF) as a community engagement programme that reinforces the importance of safety consciousness. As part of the programme, ABF organised a *gotong royong* (mutual cooperation) initiative to refurbish the Millennium Recreational Park Phase 1 and 2 at Tanjung Kidurong. Activities carried out included bench repainting and table repair at all gazebos, as well as adding the number of amenities at the park to improve its quality and use. Some 200 people comprising ABF staff and family members, as well as others living within the vicinity of the park participated in the activity.

In addition to the refurbishment of Millennium Recreational Park, there were also improvement initiatives that focused on park areas which were underdeveloped, especially during its Phase 2 period. These included landscaping and tree-planting work done along the roadside. New bins were also placed strategically at the park as a means to promote the 3R habit of "Refuse, Reduce and Reuse/Recycle" among park visitors.

22 May 2013

15th Annual General Meeting

PCG held its 15th Annual General Meeting (AGM) at the Tamingsari Ballroom, Royale Chulan Hotel, Kuala Lumpur. More than 1,000 shareholders attended the meeting. PCG's AGM serves as a platform for the Board of Directors to communicate with shareholders and to table the audited financial statements to them, apart from being an avenue for its various stakeholders to understand more about PCG's business.

CALENDAR OF EVENTS

8 June 2013

Sabah Chief Minister Visits SAMUR Project Site in Sipitang, Sabah

Sabah Chief Minister YAB Datuk Seri Panglima Musa Hj Aman visited PCG's Sabah Ammonia Urea (SAMUR) project site, accompanied by Sabah state ministers and Board members of the Sipitang Oil and Gas Development Corporation Sdn Bhd (SOGDC). They were briefed on the progress of the project and given a guided tour of the project site.

11-13 June 2013

17th Regional Olefins Producers Technical Committee Conference (ROPTC) 2013

PETRONAS Chemicals Ethylene Sdn Bhd hosted the 17th Regional Olefins Technical Producer Committee (ROPTC) Conference which saw the participation of eight main olefins producers in South East Asia. The previous conference was held in Chiang Mai, Thailand. The annual ROPTC provides a platform for continuous technical knowledge sharing as well as exchanges of experience in the area of production in conjunction with environmental conservation and operation safety. There is also plant performance benchmarking among ROPTC members and updates on the latest technology applications.

14-15 June 2013

PCG at Invest Malaysia 2013

PCG joined the Invest Malaysia 2013 conference as part of its Investor Relations series of engagements with the investing community. The annual event was hosted by Bursa Malaysia and co-organised by Maybank Kim Eng, the investment banking arm of Maybank Group, at Shangri-La Hotel, Kuala Lumpur. The conference aims to promote Malaysia as a prime marketplace for buying into growth opportunities in the ASEAN region. PCG hosted a corporate presentation during the event where President/CEO Datuk Dr Abd Hapiz Abdullah, former Chief Financial Officer Cik Wan Shamilah Wan Muhammad Saidi and Encik Yusa' Hassan, former Head of Olefins & Derivatives, shared the Group's overall business activities, growth strategies, and latest developments.

26 June 2013

3R Programme: Inspiring Innovation and Music with Nature Programme

ASEAN Bintulu Fertilizer Sdn Bhd (ABF), a subsidiary of PCG, organised a "3R – Inspiring Innovation and Music with Nature Programme" at Sri Kenyalang Hall, University Putra Malaysia, Bintulu Campus. It was held in collaboration with Bintulu Development Authority, Natural Resources Environment Board, Pejabat Pelajaran Daerah Bintulu and University Putra Malaysia.

29 June 2013

Beach Cleaning Event at Pantai Cakar Hutan, Terengganu

PETRONAS Chemicals Ethylene Sdn Bhd and PETRONAS Chemicals Polyethylene Sdn Bhd, subsidiaries of PCG, held their annual beach cleaning event, *Program Cakna Pantai* at Pantai Cakar Hutan. It was a joint effort between Terengganu State Department of Fishery, Kemaman Municipal Council (MPK), Universiti Malaysia Terengganu and schools in Terengganu.

4 July 2013

Sentuhan Kasih in Bedong, Kedah

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd celebrated special children from Pusat Pemulihan Dalam Komuniti in Bedong, Kedah, in its annual programme *Sentuhan Kasih*. The event took place in Cinta Sayang Golf & Country Resort, Sungai Petani, with the theme "1 Hati, 1 Rasa, 1 Jiwa".

CALENDAR OF EVENTS

6 July 2013

Customer Appreciation Golf Tournament

PCG hosted a golf tournament for its customers on 6 July 2013 at the Sungai Long Golf and Country Club in Selangor. It was a gesture of appreciation to the company's customers for their continuous support, reflecting PCG's commitment to strengthen its partnerships with those who support the business.

22 August 2013

PCG Hari Raya Open House in Sipitang, Sabah

PCG organised an open house in Sipitang in conjunction with Hari Raya Aidilfitri. The event was graced by Sabah Chief Minister, Datuk Seri Panglima Musa Haji Aman. It helped to cultivate friendly relations and a sense of goodwill between PCG, the people of Sipitang and the contractors for SAMUR project. It also provided a platform for PCG to brief the community on the progress of the project. During the open house, PCG handed over contributions to selected organisations, including Pusat Pemulihan Dalam Komuniti Daerah Sipitang, Badan Tabung Anak-Anak Yatim Pekan Sipitang, Masjid Baru Kg Banting, Masjid Kuala Mengalong, Surau Bt 7 Pantai dan Surau Kg Siputol. Selected high school students from schools that participate in the *Program Sentuhan Ilmu PETRONAS* also received brand new school bags.

2 September 2013

PCG Hari Raya Open House in Kuala Lumpur

PCG celebrated its guests and staff at a special Hari Raya Aidilfitri open house held at the Kuala Lumpur Convention Centre. It was meant to boost togetherness within the PCG family besides appreciating customers and other stakeholders.

10 September 2013

Career and Motivational Talk

ASEAN Bintulu Fertilizer Sdn Bhd organised a career and motivational talk for some 430 excellent Form 5 students from 10 secondary schools in Bintulu, Sarawak. Held at the Grand Millennium Ballroom, Parkcity Everly Hotel, the event's aim was to expand the personal, intellectual and professional horizons of students.

10-11 September 2013

PCG Shareholders Visit to Kertih, Terengganu

PCG hosted a group of individual shareholders at its facilities in Kertih, Terengganu. The annual event was organised by Investor Relations and co-organised by PETRONAS' East Coast Regional Office and PETRONAS Chemicals Ethylene Sdn Bhd/PETRONAS Chemicals Polyethylene Sdn Bhd. The programme aims to provide PCG shareholders with the opportunity to familiarise themselves with PCG's business fundamentals and plant operations. The shareholders were given a plant tour and briefing at the plant control room, ending with a tour of the Kertih Integrated Petrochemical Complex (KIPC).

CALENDAR OF EVENTS

12 September 2013

Networking Dinner with Editors-in-Chief of Media

A maiden networking dinner was organised for the senior management and editors-in-chief of various media to create solid rapport and establish a lasting relationship between both parties.

28 September 2013

First Aider in Every Home Programme, Sipitang

As part of an effort to create safety awareness among the communities in its key project areas, PCG together with PETRONAS organised its first aid skills training for the community in the surrounding area of its SAMUR project in Sipitang. The programme, called "First Aider in Every Home", is held in collaboration with the Malaysian Red Crescent (MRC) with the aim to educate and produce at least one qualified first aider per family in the area. Some 50 members of the community in the vicinity of the SAMUR project attended the programme. They underwent training to perform basic safety care for wounds, bleeding, fractures, burns and poisoning cases. They were also trained to perform cardio pulmonary resuscitation (CPR).

29 September 2013

Standard Chartered KL Marathon 2013

PCG recorded the biggest participation to date in the Standard Chartered KL Marathon (SCKLM) 2013. About 131 staff from across PCG joined more than 30,000 runners at Dataran Merdeka on 29 September 2013. Themed "Run for a Reason", the event aimed to raise funds for two charities, namely the National Autism Society of Malaysia and Eco Knights.

5 October 2013

Program Sentuhan Harmoni, Labuan

PETRONAS Chemicals Methanol Labuan held its *"Program Sentuhan Harmoni"*, a community outreach program at Kampung Rancha-Rancha Laut. It is part of the company's long-term corporate social responsibility programmes that focus on the well-being of all key stakeholders.

6 October 2013

***Program Cintai Sungai* (River Care Programme)**

PETRONAS Chemicals MTBE organised its River Care Programme at Jeti Nelayan Kampung Balok Pantai, Kuantan, as part of PCG's long-term signature corporate social responsibility programmes that focus on environmental protection and awareness.

CALENDAR OF EVENTS

23 October 2013

Clique with ABF

ASEAN Bintulu Fertilizer Sdn Bhd hosted a networking event called "Clique with ABF" for its external stakeholders with the intention to foster and further enhance the business relationship with alliances and contacts from various government agencies, neighbouring plants and the media. The event involved a friendly mixed netball game at Stadium Muhibbah in the afternoon and ended with a gala dinner themed "Legend of the Star" at Parkcity Everly Hotel. "Clique with ABF" served as an important platform for all guests to interact, engage and network with one another to promote better understanding of the business, enhance collaboration opportunities and explore possible business partnerships.

26 October 2013

Futsal Tournament and Cooking Competition in Sipitang

In conjunction with the PETRONAS Cup Football Tournament 2013 in Sipitang, Sabah, PETRONAS Sabah Labuan Regional Office in collaboration with PCG and the PUSPANITA branch of Sipitang organised a futsal tournament and a cooking competition for the women community in Sipitang. The activities are designed to engage the community in the project area besides promoting a healthy lifestyle and the spirit of cooperation.

8 November 2013

Back to School Programme in Sipitang

PCG presented school bags to some 500 school children in the district of Sipitang to help them prepare for the new academic year. The event was part of PCG's annual Back to School Programme that contributes to the daily needs of underprivileged students. It is an initiative derived from Program Sentuhan Ilmu PETRONAS (PSIP) which is conducted with the cooperation of the Ministry of Education.

13 November 2013

Back to School Programme in Labuan

PETRONAS adopted Sekolah Kebangsaan Patau-Patau in Labuan to help the less fortunate students from the school to improve their overall academic performance under the company's corporate social responsibility initiative.

16 November 2013

PETRONAS Chemicals & Media Motor Hunt 2013

PCG organised its inaugural PETRONAS Chemicals & Media Motor Hunt 2013 that brought together 24 teams from various print and broadcast media organisations. The teams, comprising nearly 100 media representatives, were flagged off from the PETRONAS Twin Towers on 16 November 2013. The participants travelled to the ecoCare Environmental Education Centre (EEC) in Kertih, Terengganu answering questions, finding treasures and testing their physical strength along the way.

The hunt was held in conjunction with the opening ceremony of EEC and served as a platform for members of the media to become better acquainted with ecoCare, PCG's signature CSR programme which focuses on environment conservation and protection.

20 November 2013

Environmental Education Centre (EEC) ecoCare Launch

The Environmental Education Centre (EEC) ecoCare was launched in Kampung Labohan Kerteh, Terengganu as a joint effort between PCG and the Malaysian Nature Society (MNS). The centre is the first of its kind on the east coast of Peninsula Malaysia that educates the public on mangrove protection and conservation. The event was officiated by the Sultan of Terengganu, KDYMM Sultan Mizan Zainal Abidin and attended by the Chief Minister of Terengganu Datuk Seri Ahmad Said. The EEC is a new and significant milestone in PCG's signature corporate responsibility programme ecoCare which contributes to protecting the ecosystem and promoting community-based development. It provides an integrated environmental education avenue to promote awareness of mangrove conservation and rehabilitation among the local community.

1 December 2013

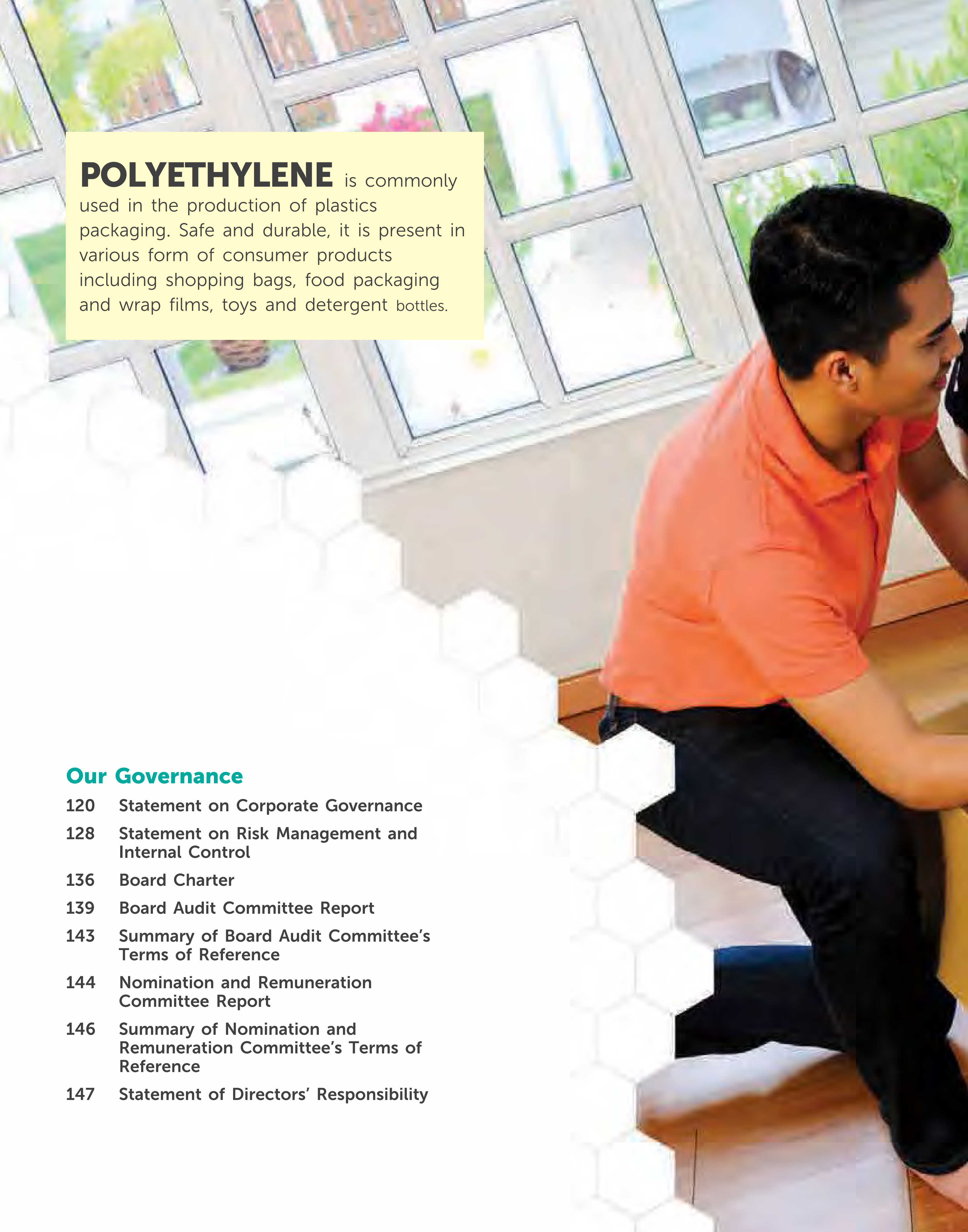
CICM Responsible Care Run

A team of 85 PCG runners took part in the CICM Responsible Care Run, an annual race that is geared towards promoting greater awareness among stakeholders about the chemicals industry's continuous commitment to improving safety, health and environmental performance. In supporting this Responsible Care initiative, PCG was the silver sponsor of the CICM Responsible Care Run for the third consecutive year.

19 December 2013

Special Townhall Session on PCG Organisational Transformation

A special townhall session was held at the KL Convention Centre to introduce PCG's new organisation setup for 2014. It drew some 350 PCG staff. The townhall session was meant to empower staff with knowledge on the company's strategic direction and the importance of the organisational transformation in supporting the delivery of key targets. It also gave a chance for staff across all ranks to pose questions to the senior management about the way forward for PCG.



POLYETHYLENE is commonly used in the production of plastics packaging. Safe and durable, it is present in various form of consumer products including shopping bags, food packaging and wrap films, toys and detergent bottles.

Our Governance

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 raise 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 2012 (MCCG 2012) 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, operational plan, marketing plan, human resources plan, financial plan and budget, risk management plan and information technology plan;

ii) Oversee and review the performance of the business, and to evaluate whether business is being properly managed;

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

iv) Ensure that there is an appropriate succession plan for members of the Board and senior management;

v) Review and approve investor relation 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 seven (7) members, comprising one Executive Director and six (6) Non-Executive Directors. Three (3) of the Non-Executive Directors fulfill the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proportion of more than 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 38 to page 43 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 except for Mr Dong Soo Kim who has been engaged by PETRONAS, the holding company, to provide coaching to selected plant personnel. Accordingly, the Company believes that the engagement does not compromise the independence of Mr Dong Soo Kim's judgement. The Independent Non-Executive Directors 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 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, operational and financial performance reviews, major investments and financial decisions, management performance assessment, changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits. The Board Audit Committee's reports and the Nomination and Remuneration Committee's 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.

During the financial year ended 31 December 2013, the Board met a total of eight (8) 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	7 out of 8
2	Datuk Dr Abd Hapiz bin Abdullah	8 out of 8
3	Vimala a/p V.R. Menon	8 out of 8
4	Ching Yew Chye	8 out of 8
5	Dong Soo Kim	8 out of 8
6	Ir Kamarudin bin Zakaria	6 out of 8
7	Md Arif bin Mahmood[1]	6 out of 6
8	Ir Pramod Kumar Karunakaran[1]	6 out of 6
9	Rashidah binti Alias @ Ahmad	8 out of 8

1 *Resigned as director on 28 October 2013*

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 to ensure preparedness for the meeting. Any Director may request matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under supplemental agenda. Board papers prepared are comprehensive and includes objectives, background, critical issues, implications, risks, recommendations and other pertinent information to enable informed decision making by the Board.

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

Access to Board papers and other relevant information are carried out on-line through a collaborative software which allows the Directors to securely access board documents and collaborate with other board members and the company secretary electronically. The online accessibility facilitates the Directors to read and review documents or communicate with other members during the board meetings or at any other time.

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 MCCG 2012. 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**

Made up of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. In line with good corporate governance, the 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 audit reports 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 ensures 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 139 to page 142 and the summary of the Terms of References of the Board Audit Committee are included therein.

b) **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is comprised entirely of Independent Non-Executive Directors as per requirement of the MCCG 2012.

The Nomination and Remuneration Committee is tasked by the Board to periodically assess the performance of the Board, its members and sub-committees. The Nomination and Remuneration Committee recommends qualified candidates to fill vacancies on the Board as the need arises. Annually, the Nomination and Remuneration Committee endorses the annual Key Performance Indicators of the President/CEO and his direct reports and reviews their performance against them and their succession plan.

During the financial year ended 31 December 2013, the Nomination and Remuneration Committee met four (4) 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	4 out of 4
Dong Soo Kim	4 out of 4

Summary Activities of the Nomination and Remuneration Committee

For the year ended 31 December 2013, the Nomination and Remuneration Committee conducted a self-assessment survey to assess the performance of the Board, its members and the sub-committees. The survey results were summarised for analysis by the Human Resource Department and the external Company Secretary. As directed by the Chairman, the Nomination and Remuneration Committee prepared the selection criteria to commence its search for an Independent Non-Executive Director to join the Board. At the beginning of the year, the Nomination and Remuneration Committee endorsed the Key Performance Indicators (KPIs) of the President/CEO and Senior Management, and subsequently reviewed their performance against these KPIs, the succession plan for Senior Management, as well as updating the Terms of Reference of the NRC incorporating recommendations from the MCCG 2012.

Arising from the strategy approved by the Board, the Nomination and Remuneration Committee also endorsed the new organisation chart and recruiting of Senior Management personnel into key positions. Finally, the Nomination and Remuneration Committee identified programmes/events for the continuous education of the Board members to ensure that they are conversant with industry trends and developments.

Continuing Development Programme for Directors

All the Directors have attended the Mandatory Accreditation Programme as required under the Main Market Listing Requirements. 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 comprehensive briefings on the Group's operations and financial performance as well as 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 year 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 and Re-appointment of Directors

In accordance with Article 93 of the Articles of Association of the Company, at every Annual General Meeting (AGM), one-third of the Directors 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 (3) years and shall be eligible for re-election. Directors who are appointed by the Board during the financial year 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.

For the year 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 Director:-					
Datuk Dr Abd Hapiz Bin Abdullah	Nil	Nil	Nil	Nil	Nil
Non-Executive Directors:-					
Datuk Wan Zulkiflee bin Wan Ariffin	108,000	32,000	–	–	140,000^
Vimala a/p V.R. Menon	72,000	31,500	14,000	14,000	131,500
Ching Yew Chye	72,000	31,500	14,000	14,000	131,500
Dong Soo Kim	216,000	31,500	14,000	14,000	275,500
Ir Kamarudin bin Zakaria	72,000	21,000	–	–	93,000^
Md Arif bin Mahmood[1]	59,226	21,000	6,000	–	86,226^
Ir Pramod Kumar Karunakaran[1]	59,226	21,000	–	–	80,226^
Rashidah binti Alias @ Ahmad	72,000	27,000	2,000	–	101,000
Total	**730,452**	**216,500**	**50,000**	**42,000**	**1,038,952**

1 Resigned as directors on 28 October 2013
** Meeting allowances are based on the number of meetings attended by the Directors.*
^ Fees paid and payable to PETRONAS

The remuneration package for Executive Director is balanced between fixed and performance-linked elements. A portion of the Executive Director's compensation package is variable in nature and is KPI based, which includes the Group's performance. As an Executive Director, he is not entitled to receive directors' fees as well as meeting allowance. During the year, Datuk Dr Abd Hapiz bin Abdullah, the President/CEO and an Executive Director of the Company, received total remuneration paid by the Company amounting to RM2,297,482.

The Directors' fees and meeting allowances for certain Non-Independent Non-Executive Directors who are also employees of PETRONAS and holding positions of Vice President and above are paid directly to PETRONAS. The presence and participation of the Non-Independent Non-Executive Directors who are employees of PETRONAS give the Board a deeper insight into PETRONAS' operations with greater accountability for the Group's performance, both financial and operational.

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

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

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 Malaysia, postings on the 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 the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, 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)

The AGM is the principal forum of open dialogue 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 twenty one (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 147 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.

The Statement on Risk Management & 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 132 of this Annual Report.

Risk Management and Internal Control

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

The Statement on Risk Management & Internal Control which provides an overview of the state of risk management and internal controls within the Group is set out on page 128 to page 135 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. The Board Audit Committee regularly meets the external auditors without the presence of the Management. As the need arises, the external auditors will highlight to both the Board Audit Committee and the Board on matters that warrant their attention.

The auditors have communicated their intention to retire at the AGM scheduled to be held on 24 April 2013. Petroliam Nasional Berhad being the majority shareholders have nominated Messrs KPMG as the auditors for the financial year ending 31 December 2014. Messrs KPMG has indicated its willingness to accept appointment in place of the retiring auditors, Messrs KPMG Desa Megat & Co.

Messrs KPMG Desa Megat & Co and Messrs KPMG are partnerships established under Malaysian law and affiliated with KPMG International Cooperative, a Swiss entity which is currently streamlining their clients' portfolio into one single entity as Messrs KPMG. The current partners of Messrs KPMG Desa Megat & Co are also the partners of Messrs KPMG in Malaysia.

The role of the Board Audit Committee in relation to the external auditors is described in the Board Audit Committee Report on page 139 to page 142 of this Annual Report.

The Malaysian Code on Corporate Governance 2012

The Board is committed and strives to observe the principles and recommendations of the new MCCG 2012, of which observance is on voluntary basis.

The Company has fully adopted all recommendations of the MCCG 2012 except for the following:

1. Recommendation 2.1 – The Board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent. The chair of the Nominating Committee should be the senior independent director.

   The Nomination and Remuneration Committee is chaired by an Independent Director Mr Ching Yew Chye who is not the senior independent director identified by the Board. The senior independent director, Ms Vimala a/p V.R. Menon is currently the Chairman of the Board Audit Committee. The Company elects to have different chairmanships in Board Audit Committee and Nomination and Remuneration Committee so as to leverage on the different perspectives and dynamics which emanates from such arrangements, as well as to ensure that each independent director has equitable roles and responsibilities respectively. The Company intends to maintain the current arrangement.

2. Recommendation 2.2 – The gender diversity policies and targets and the measures taken to meet the targets.

   The Company does not have a written gender policy. Nonetheless, currently, there are two female directors on the Board of the Company representing 29% of the Board composition.

3. Recommendation 2.3 – The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors.

   The remuneration of the directors is competitive and attractive as it has been benchmarked against the industry. A formal written policy and procedures for directors' remuneration is currently being developed.

4. Recommendation 3.5 – The Board must comprise a majority of independent directors where the Chairman of the Board is not an independent board member.

   The Chairman of the Company is currently a Non-Independent Non-Executive Director. This is premised on the high level of integration with PETRONAS' business. The Company has revised the composition of the Non-Independent Non-Executive Directors from 6 to 4 and will increase the number of Independent Directors once a suitable talent is identified.

5. Recommendation 5.2 – The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.

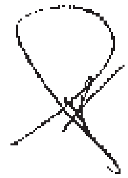
   The Company continuously reviews and monitors the suitability and independence of external auditors. As part of the annual audit exercise, the Company also obtains assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Statement by the Board on Compliance

The Board has deliberated, reviewed and approved this Statement. The Board considers and is satisfied that the Group has fulfilled its obligations under the MCCG 2012, the relevant chapters of the Main Market Listing Requirements of Bursa Malaysia on corporate governance and applicable laws and regulations throughout the financial year ended 31 December 2013.

This statement is made in accordance with the resolution of the Board of Directors dated 10 February 2014.

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman



Datuk 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 year ended 31 December 2013 was RM651,000.

2. Sanction/Penalties

During the financial year, there were no sanctions or material 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 year ended 31 December 2013 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal control is an integral part of PETRONAS Chemicals 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 which is in compliance with Bursa Malaysia Securities Berhad Listing Requirements and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. 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 risk management and internal control framework 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 risk management and internal control system which ensures compliance with applicable laws, regulations 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 enhance it as relevant to ensure sustainability.

Risk Management

Risk management is regarded by the Board to be an integral part of the Group's organisational processes, with the objective of maintaining a sound internal control system and ensuring its continuing adequacy and integrity. A Risk Governance Framework, Risk Management Policy and Risk Agenda are in place to guide the implementation of Risk Management strategies and initiatives to institutionalise risk management as a business culture throughout the Group.

The Risk Management Department is entrusted with the responsibility of ensuring effective risk governance and strategic risk plan implementation in the Group. Risk Management Oversight comprising Risk Management Committee, Plant and Facilities Risk Management Committee and Commercial Risk Management Committee are in place to actively oversee and to ensure seamless integration of risk management into the Group's business processes. These committees, which consists of senior management staff, convene regularly and are committed to uphold risk management culture as part of key business activities. Management committees of the Group's subsidiaries are responsible for risk management and internal controls implementation at the respective companies.

The risk profile of the Group has been established based on Enterprise Risk Management concept. The principal risks identified are regularly reviewed whereby the status of key risk indicators and risk mitigations progress are deliberated at the Risk Management Committee and informed to the Board Audit Committee on a quarterly basis. Each principal risk have dedicated owners who are responsible for the effective implementation of control measures, monitoring and tracking of key risk indicators performance, identifying additional risk mitigations and implementing these mitigations. The risks and mitigations are communicated to the line on a timely basis to ensure awareness at all levels.

The Group also establishes its risk appetite and corresponding operational risk tolerance limits for plant operations and marketing activities. Business performance is consistently assessed against the set risk appetite and tolerance limits to ensure necessary interventions are conducted in a timely manner. All critical business decisions across the Group are subjected to comprehensive risk assessments, thus ensuring decisions by the Board and management are made with due consideration of risk-return trade-offs.

The Risk Management Department also collaborated with PETRONAS Finance Risk Management Department to enhance credit risk mitigation through integrated management of customers' master data. Credit exposure is closely tracked as a monitoring and control tool to guide credit risk decisions.

Pursuant to the implementation of the Malaysia's Competition Act 2010 (the Act) effective 1 January 2012, all marketing agreements have been reviewed, in close collaboration with PETRONAS Corporate Legal Department, to ensure compliance to the Act. Continuous awareness programmes were conducted throughout the year to ensure full compliance to the Act.

The Group has in place a Business Continuity Management (BCM) programme to ensure business resilience and capability to recover and continue its business within a tolerable timeframe following an incident or crisis. The Group has conducted a business impact assessment to identify critical business functions and minimum resource requirements for key worksites and specific scenarios.

The Group also took part in the Enterprise Risk Management Compliance Assessment exercise which was conducted across PETRONAS Group of Companies this year. The exercise assessed the adequacy of Enterprise Risk Management framework design and compliance whilst providing assurance on overall Risk Management of the Group. Based on this assessment, the Group's Enterprise Risk Management was found to be adequate.

In addition, the Group subscribes to the following risk mitigation processes as laid out by PETRONAS:

- PETRONAS Health Safety Environment Management System (HSEMS) to manage HSE risk and ensure that operations are in tandem with HSE regulatory requirements and industry best practices. In ensuring effective implementation of HSEMS, a Mandatory Control Framework was deployed to measure compliance against PETRONAS mandatory HSE requirements. Arising gap closure plans have been duly incorporated within the HSEMS implementation plan.

- PETRONAS Downstream Business Operational Governance framework which specifies governance structure in managing operational risks with emphasis on risk based operations, clear ownership assignment, structured decision making and visible leadership at all levels.

- Contractor Risk Assessment (CoRA) to ensure systematic identification, assessment and mitigation of contractors' related risks which are critical to their performance. CoRA is undertaken as part of the procurement process prior to selection of contractor.

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

Internal Audit

Internal audits are undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control. The Group has its own dedicated internal audit function that provides a systematic and disciplined approach to evaluate and improve the effectiveness of control and governance processes within the Group. It maintains its impartiality, proficiency and due professional care by reporting directly to 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 joint ventures are primarily served through representation on the board of directors of the respective companies. Internal controls of associated companies and joint ventures may be reviewed through 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/CEO leads the management in presentation of board papers and ensures management provides detailed explanation of pertinent issues. In arriving at any decision requiring Board's approval as set out in the Limits of Authority manual on recommendation by the Management, 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/CEO 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 through reviews of internal control issues identified by internal auditors and Management. Throughout the year, the Board Audit Committee was updated on developments in Main Market Listing Requirement of Bursa Malaysia, Malaysian Financial Reporting Standards, as well as new legal and regulatory requirements.

  The Board Audit Committee meets at least quarterly 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 on page 139 to page 142 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 Company has a Management Committee which serves in an advisory capacity to the President/CEO in accomplishing the vision, mission, strategies and objectives set for the Group.

  Various functional committees have also been established across the Group to ensure the Group's activities and operations are properly aligned towards achieving the organisation goals and objectives.

- **Limits of Authority**

  The Group has established Limits of Authority which define the appropriate approving authority to govern and manage business decision process. The Limits of Authority 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 a 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 assessment process to identify control gaps and the required mitigation action. Annually, each key process owner at various management levels is required to provide formal confirmation on level of compliance to key controls for their respective business areas. The Financial Control Framework thus provides further assurance on the quality of the Group's financial reports.

- **Corporate Financial Policy**

  The Group has adopted PETRONAS Corporate Financial Policy which sets forth the policy 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 undertakes an annual budgeting and forecasting exercise which includes 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. Detailed operating and capital expenditure requirements are 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 to the Management Committee. The Group's quarterly performances are also presented to the Board with comparison to approved plans as well as against 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.

- **Code of Conduct and Business Ethics**

  The Group practices PETRONAS Code of Conduct and Business Ethics (CoBE) which emphasises and advances the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group. The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual of the Group. The Group also expects that contractor, sub-contractors, consultants, agents and representatives and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services.

  Included as part of the CoBE is the Anti-Bribery and Corruption Policy which explicitly prohibits the giving and acceptance of bribes, in whatever form, by employees including giving and receiving of facilitation payments in all business dealings.

- **Whistleblowing Policy**

  The Group has adopted the PETRONAS Whistleblowing Policy which provides an avenue for the Group employees and member of the public to disclose any improper conduct in accordance with the procedures as provided under the policy.

  Under the Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistleblows internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved.

- **Tender Committee**

  Tender Committee structure which comprises cross functional representatives has been established to review all major purchases and contracts. The tender committees provide the oversight function on tendering matters prior to approval by the relevant Approving Authorities as set out by the Limits of Authority.

- **Employees Performance Management**

  The Group selects talents for employment through a structured recruitment process. The professionalism and competency of staff are continuously enhanced through a structured training and development programme. A performance management system is in place which measures staff performance against agreed key performance indicators on a 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 management, information system and health, safety and environment. These define the policies and procedures for day-to-day operations and act as guidelines to the proper measures to be undertaken in a given set of circumstances. The policies and procedures are also reviewed on a regular basis to ensure continuing relevance and effectiveness.

- **Information and Communications Technology**

  Information and Communications Technology is extensively deployed in the Group to automate work processes, where possible and to efficiently collect key business information. The Group continues to enhance its information and communication systems in ensuring that it can act as an enabler to improve business processes, work productivity and decision making throughout the Group. System reviews are conducted periodically to confirm adequate controls are in place to ensure adherence 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 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) All sourcing and sales of PETRONAS Chemicals Group's products, general merchandise and/or shared facilities/ services shall be based on 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 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/Recurring RPTs (RRPT) are within normal commercial terms and not detrimental to the company's minority shareholders;

(iv) RPTs/RRPTs will be reviewed by the Board Audit Committee prior to the approval 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 subsequently approved by the subsidiary company's Board. 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) The Board Audit Committee is responsible to ensure that the policies and procedures relating to RPTs/RRPTs and COI situations are sufficient to ensure that RPTs/ RRPTs are carried out on normal commercial terms and not to the detriment of the Company's minority shareholders. The Board has the overall responsibility to ensure compliance to the established guidelines and procedures to approve and monitor RPTs/RRPTs and COI situations. The Board and/or Board Audit Committee may also appoint individuals and Committees to examine the RPTs/RRPTs, as deemed 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's Legal and Corporate Secretariat Division performs reviews on all commercial contracts. System based records are maintained to capture 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 Malaysia Securities Berhad 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 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.

The details of the RRPTs incurred during the financial year that were waived by Bursa Malaysia Securities Berhad are presented on page 135 of this annual report.

Management's Accountability

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control as prescribed above. The President/CEO and the Chief Financial Officer have provided the Board with assurance that the Group risk management and internal control system is operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

Conclusion

Based on the above, the Board is of the view that the system of internal control instituted throughout the Group is sound and provides a level of confidence on which the Board relies for assurance. In the year under review, there was no significant control failure or weakness that would result in material losses, contingencies or uncertainties requiring separate disclosure in this Annual Report.

The Board and Management will continue to review and strengthen the Group's risk management and internal control system to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging operating environment.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information as adopted by the Malaysian Institute of Accountants and Recommended Practice Guide (RPG) 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report issued by Malaysian Institute of Accountants (MIA) for inclusion in the annual report of the Group for the Financial Year Ended 31 December 2013 and reported to the Board that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

ISAE3000 and RPG 5 (Revised) does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. External auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report of the Company will, in fact, remedy the problems and not required to perform any procedures by way of audit, review or verification of the underlying records or other sources from which the Statement on Risk Management and Internal Control was extracted.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 10 February 2014

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Datuk 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 Year Ended 31/12/2013 RM'000
PCG Group and PETRONAS and its subsidiaries (PETRONAS Group)	(i)	Supply of fuel and feedstock (such as ethane, propane, butane, dry gas, naphtha and natural gas) by PETRONAS Group	**6,353,877**
	(ii)	Supply of utilities, electricity and water by PETRONAS Group	**553,465**
	(iii)	Upgrading and pipeline works on the Labuan Gas Terminal by 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	**539**
	(v)	Provision of operating and maintenance services by PETRONAS Group	**3,424**
	(vi)	Purchase of marine diesel oil from PETRONAS Group	**1,128**
		Services Rendered within the PETRONAS Group	
	(vii)	Provision of vessel screening services by PETRONAS Maritime Sdn Bhd	**123**
	(viii)	Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries (MISC Group)	**43,789**
		Others	
	(ix)	Sales of petrochemical products and other related products to PETRONAS Group	**1,177,383**

BOARD CHARTER

1. Introduction

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 raise the performance of the Group.

2. Objective

The Board Charter demonstrates that the Board remains fully resolved and committed to employing the principles of integrity, transparency and professionalism to ensure the practice of good corporate governance will safeguard and enhance shareholders' value, and at the same time protect the interests of its stakeholders.

3. Roles of Board

The Board shall actively strive and be collectively responsible to promote the success of the Group by directing and supervising its business.

In addition to fulfilling its commitment for increased shareholders' value, the Board endeavours to uphold the interests of the Group's customers, employees, suppliers and to the communities where it operates, bearing in mind the circumstances and requirements for successful business. The Board reviews and decides matters related to the overall Group strategy and financial matters.

The duties, powers and functions of the Board are governed by the Articles of Association of the Company, the Companies Act 1965, and other regulatory guidelines and requirements that are in force.

(a) Board of Directors

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 roles and responsibilities:-

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

ii) Oversee and review the performance of the business, and to evaluate whether the business is being properly managed;

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

iv) Ensure that there is an appropriate succession plan for members of the Board and 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.

(b) Chairman

The Chairman of the Board is a Non-Independent Non-Executive Member of the Board who is primarily responsible for the orderly conduct and function of the Board.

There is a clear division of roles and responsibilities between the Chairman and the President/CEO.

(c) President/Chief Executive Officer

The President/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. He is assisted by the Management Committee in managing the business on day-to-day basis, which he consults regularly.

(d) Board Committees

As part of efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees with its own Terms of Reference. The Chairman of the Committees will report to the Board on the decision or outcome of the committee meetings.

The Board shall establish the following Board Committees with its own specific terms of reference:-

i) Audit Committee

ii) Nomination and Remuneration Committee

No Alternate Director can be appointed as a member of these Committees. All Board Committees shall be established in accordance with the Main Market Listing Requirements of Bursa Malaysia.

4. Board Functions

(a) Ethics & Compliance

The Board has adopted the PETRONAS Code of Conduct and Business Ethics (PETRONAS CoBE) that seeks to ensure that the Company's/or Group's Directors, employees and third parties which perform work or services for the Company and/or Group will act ethically and remain above board at all times, and that their individual behaviour is in line with PETRONAS Shared Values i.e. Loyalty, Professionalism, Integrity and Cohesiveness. PETRONAS CoBE also includes appropriate communication and feedback channels which facilitate whistleblowing.

(b) Risk Management

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. For this purpose, the Board has adopted a Risk Governance Framework, Risk Management Policy and Risk Agenda.

(c) Environment

The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the Company's objectives. The Board's agenda reflects the commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

(d) Stakeholder Communication

The Board acknowledges the need for effective Investor Relations and Communication with shareholders and to provide them with all relevant information affecting the Company. Hence, the Board adopts an open and transparent policy.

5. Processes of Boards

(a) Board Meetings

The Board shall meet at least quarterly with additional meetings convened as and when necessary. 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 distributed to all Directors on a timely basis.

In convening the Board Meetings, all procedures shall meet the requirements of a valid Board Meeting and shall follow the Company's Articles of Association. All proceedings in Board Meetings are recorded as minutes and signed by the Chairman in accordance with the provisions of the Companies Act 1965.

(b) **Financial Reporting/Non-Financial Reporting**

The Board is committed to provide a fair and objective assessment of the Group's financial positions and prospects of the Group and ensures that the financial statements are a reliable source of information for shareholders and other stakeholders.

(c) **Board Decision**

Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board Meetings to advise the Board. Relevant information and clarification are furnished to the Board in order for the Board to arrive at a considered decision.

6. Ensuring Efficiency

(a) **Access of Information**

The Company shall provide all Directors with timely and quality information and in the form and manner appropriate for them to discharge their duties effectively. Where necessary, the Directors whether as a full board or in their independent capacity may seek independent professional advice at the company's expense in furtherance of their duties.

The Directors have direct access to the key 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.

(b) **Succession Planning**

The Board strives to ensure that all key management positions within the Company are filled with candidates with sufficient calibre.

(c) **Directors' Evaluation**

Performance assessment of the directors is being undertaken on yearly basis.

(d) **Directors' Compensation**

The remuneration packages are aligned with the business strategy and long term objectives of the Company.

(e) **Training and Development**

The Board shall ensure compliance with Bursa Malaysia's mandatory accredited programme for newly-appointed Directors. The Directors shall also keep abreast with the development and changes in the industries in which the Group operates, as well as corporate governance and financial updates. The Directors are able to assess further training programme needs on an on-going basis.

The Board shall undertake a continuous educational and training programme to update Board Members on new developments in risks control, laws, regulations and other business and management related subjects which may affect the Company's business and compliance requirements.

Approved by the Board on 25 February 2013

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee is pleased to present its report for the financial year ended 31 December 2013 in compliance with paragraph 15.15 of Main Market Listing Requirements of Bursa Malaysia.

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**[1]
(Non-Independent Non-Executive Director)

5) **Rashidah binti Alias @ Ahmad**[2]
(Non-Independent Non-Executive Director)

1 Resigned as Board Audit Committee member on 1 November 2013
2 Appointed as Board Audit Committee member on 1 November 2013

In compliance with the Malaysian Code on Corporate Governance 2012 and paragraph 15.09 (1)(b) of the Main Market Listing Requirements of Bursa Malaysia, all four (4) Board Audit Committee members are Non-Executive Directors including three (3) Independent Directors who fulfill the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia.

The Chairman of the Board Audit Committee, Ms Vimala a/p V.R. Menon and Pn Rashidah Binti Alias @ Ahmad are both qualified accountants. Ms Vimala a/p V.R. Menon is a member of the Malaysian Institute of Accountants and also a Fellow of the Institute of Chartered Accountants in England and Wales whilst Pn Rashidah binti Alias @ Ahmad is a Fellow of the Institute of Chartered Accountants in Australia. In this regard, the Company is in compliance with paragraph 15.09(c)(i) under the Main Market Listing Requirements of Bursa Malaysia which requires at least one (1) member of the Board Audit Committee to be a qualified accountant.

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

Terms of Reference

The summary terms of reference of the Board Audit Committee as set out on page 143 of this Annual Report are consistent with the Main Market Listing Requirements of Bursa Malaysia and the MCCG 2012. All the requirements under the terms of reference are fully complied with.

Meetings

The Board Audit Committee met four (4) times during the financial year ended 31 December 2013 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[1]	3 out of 3
Rashidah Alias @ Ahmad[2]	1 out of 1

1 Resigned as Board Audit Committee member on 1 November 2013
2 Appointed as Board Audit Committee member on 1 November 2013

By invitation, the President/CEO, Chief Financial Officer, Head of Risk Management, internal auditors and external auditors are invited to attend Board Audit Committee meetings to appropriately brief and furnish the members of Board Audit Committee with relevant information and clarification to relevant items on the agenda.

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.

BOARD AUDIT COMMITTEE REPORT

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

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

Summary of Activities of the Board Audit Committee

During the year ended 31 December 2013, 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 year under review.

c) Reviewed the external audit report.

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

Internal Audit

a) Reviewed annual internal audit plan to ensure adequacy of resources, competencies and coverage of entities based on risk 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 significant and secondary issues raised.

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

e) Reviewed quarterly the status of agreed corrective actions for internal audit issues.

Financial Results

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

b) Reviewed the audited financial statements for the year 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 discussions were conducted with the President/CEO 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, to ensure that they were prepared in compliance to relevant regulatory requirements and guidelines.

d) Reviewed the impact of the implementation of new and updated Malaysian Financial Reporting Standards.

Corporate Governance

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

b) Reviewed the Company's Board Charter.

c) Considered and reviewed the application and acceptability of the recommendations of the MCCG 2012 to the Company.

d) Considered and reviewed the adoption of PETRONAS Code of Conduct and Business Ethics (CoBE) and PETRONAS Whistleblowing Policy.

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.

The Statement on Risk Management & Internal Control includes an overview of the Group's policies and procedures on RPTs, including RRPTs, as set out on page 132 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 including the Company's Business Continuity Management Policy and Framework.

Internal Audit Department

The internal audit function of the Group reports directly to the Board Audit Committee to ensure impartiality and independence. Key Performance Indicators (KPIs) of the Head of Internal Audit are reviewed and deliberated at the Board Audit Committee.

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 year under review, internal audits were carried out as per the internal audit plan duly approved by the Board Audit Committee. The Board Audit Committee reviewed the resulting reports on the following audits during the year under review:-

- Audit on Legal and Corporate Secretariat Department overall management and governance
- Audit on Corporate Affairs Department departmental activities and overall governance
- Audit on PETRONAS Chemicals LDPE Sdn Bhd operations and product quality management activities
- Audit on PETRONAS Chemicals Olefins, Glycols and Derivatives plants maintenance and management of change activities
- Audit on PETRONAS Group procurement activities
- Audit on PETRONAS Chemicals Marketing Sdn Bhd commercial and logistics activities
- Audit on Idemitsu SM (Malaysia) Sdn Bhd overall management and governance
- Audit on ASEAN Bintulu Fertilizer Sdn Bhd on overall governance and procurement activities
- Audit on BASF PETRONAS Chemicals Sdn Bhd HSE and commercial activities
- Audit on BP PETRONAS Acetyls Sdn Bhd marketing activities

BOARD AUDIT COMMITTEE REPORT

Subsequent to the Board Audit Committee review, the resulting reports from the audits were forwarded to the Management with the agreed corrective actions. The Management is responsible for ensuring that agreed 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 year was RM3,134,000.

Reporting to the Exchange

The Board Audit Committee is of the view that the Group is not in breach of the Main Market Listing Requirements of Bursa Malaysia that warrants reporting to Bursa Malaysia.

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

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 (3) members, where majority shall be independent directors. The committee shall be chaired by an independent director. At least one (1) 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 is 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 shall 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 term of reference.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee is pleased to present its report for the financial year ended 31 December 2013 in compliance with paragraph 15.08A of Main Market Listing Requirements of Bursa Malaysia.

Composition

The Board has established the Nomination and Remuneration Committee with members as follows:-

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

In compliance with the MCCG 2012 and paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia, all three (3) Nomination and Remuneration Committee members are Non-Executive Independent Directors who fulfill the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia.

Terms of Reference

The summary terms of reference of the Nomination and Remuneration Committee as set out on page 146 of this Annual Report are consistent with the Main Listing Requirements of Bursa Malaysia and the MCCG 2012. All the requirements under the terms of reference are fully complied with.

Meetings

The Nomination and Remuneration Committee met four (4) times during the financial year ended 31 December 2013 and details of 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	4 out of 4
Dong Soo Kim	4 out of 4

The President/CEO, Head of Legal and Corporate Secretariat and Head of HRM are invited to attend the meetings to appropriately brief and furnish the members of Nomination and Remuneration Committee with relevant information and clarification to relevant items on the agenda.

The Nomination and Remuneration Committee meetings for each financial year are scheduled in advance to facilitate the Directors to plan ahead and fit the Nomination and Remuneration Committee meetings into their respective schedules.

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

Summary of Activities of the Nomination and Remuneration Committee

During the year ended 31 December 2013, the Nomination and Remuneration Committee carried out the following activities in discharging its functions and duties:-

i) Board Effectiveness Evaluation

- Assessed the performance of the Board, its sub-committees and its members during the year ended 31 December 2013.

ii) Board Membership

- Recommended candidates to fill vacancies on the Board or to stand for election to the Board including reviewing the letter of appointment.
- Assisted the Board in defining and assessing qualifications for Board membership and identify qualified individuals.
- Reviewed the performance of the Directors who are eligible for re-election at the Annual General Meeting.

iii) Performance Management

- Updated the Nomination and Remuneration Committee Terms of Reference, incorporating recommendations from Malaysian Code of Corporate Governance 2012.
- Reviewed the Succession Plan for the President/CEO and Senior Management.
- Reviewed the objective setting and performance evaluation of President/CEO and Senior Management.
- Provided feedback on HRM policies and procedures adopted by the Group which includes talent management and compensation and benefits.
- Provided input on the recruitment of key positions.
- Reviewed the Directors' training attendance.
- Endorsed specific incentive programme for implementation.
- Reviewed and endorsed the changes to the Group high level organisational structure.

SUMMARY OF NOMINATION AND REMUNERATION COMMITTEE'S TERMS OF REFERENCE

Objective

To assist the Board of Directors (the Board) in periodically assessing the performance of the Board and its sub-committees, recommending candidates to fill vacancies on the Board assessing the qualifications for the Board membership identifying qualified individuals and reviewing the performance of Directors and Senior Management.

Composition

The Nomination and Remuneration Committee shall have at least three (3) members who are appointed by the Board from amongst the Directors of the Company and shall comprise exclusively of non-executive Directors, majority of whom are independent. The members of the Committee should be suitably knowledgeable in matters pertaining to corporate governance and executive compensation.

Rights

The Nomination and Remuneration Committee in performing its duties within the scope of its assigned duties is authorised to seek any information it requires from Company's employees, officers and external parties. The Committee may engage external consultants and other advisers or otherwise obtain such independent legal or other professional services it requires, at the expense of the Company. The Committee will be provided with sufficient resources by the Board to undertake its duties including access to the Company Secretariat.

Duties and Responsibilities

Duties of Nomination and Remuneration Committee amongst others are:

- **Board Effectiveness Evaluation**
  - Evaluate the effectiveness of the Board as a whole, the effectiveness of the sub-committees of the Board and the contribution of each individual Director, including its structure, compositions, skill mix and size and recommend necessary adjustment to the Board.
  - Provide oversight of the performance and effectiveness of the self-evaluation process for the Board and its committees.

- **Board Membership**
  - Investigate and recommend prospective Directors, as required, to provide an appropriate balance of knowledge, experience and capability on the Board of Directors.
  - Develop and monitor compliance of membership qualifications for the Board of Directors and all Board Committees, including defining specific criteria for the independence of Directors and Committees.

- **Performance Management**
  - Oversee and report to Board the development of a succession plan for the President/CEO and Senior Management.
  - Conduct an annual review on the performance metric and evaluation of the President/CEO and Senior Management's performance as measured against the goals and objectives of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITY
(IN RELATION TO THE FINANCIAL STATEMENTS)

The financial statements of the Group and of the Company as set out on pages 150 to 225 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 2013 and of the results of its operations and cash flows for the year ended on that date.

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

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgements and estimates have been made;
- all Malaysian 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.

Financial Statements

Additional Information

METHYL TERTIARY BUTYL ETHER (MTBE)

is commonly found in unleaded gasoline. It replaces lead use as octane booster to help gasoline burn cleaner, thus reducing harmful emissions from automobiles.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

The principal activities of subsidiaries, associates and joint ventures are stated in Note 24 to Note 26 to the financial statements.

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

RESULTS

	Group RM Mil	Company RM Mil
Profit for the year	3,504	3,466
Attributable to:		
Shareholders of the Company	3,146	3,466
Non-controlling interests	358	–

DIVIDENDS

During the financial year, the Company:

(i) as proposed in last year's Directors' report, paid a single tier final dividend of 14 sen per ordinary share amounting to RM1,120 million in respect of the financial year ended 31 December 2012 on 25 June 2013;

(ii) paid a single tier interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2013 on 25 September 2013.

The Directors had declared a single tier second interim dividend of 12 sen per ordinary share amounting to RM960 million in respect of the financial year ended 31 December 2013 which are payable on 18 March 2014. The second interim dividend will be recognised and accounted for in equity as an appropriation of retained earning in the subsequent financial year.

The directors do not recommend any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

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

Datuk Wan Zulkiflee bin Wan Ariffin
Datuk Dr Abd Hapiz bin Abdullah
Vimala a/p V.R. Menon
Ching Yew Chye
Dong Soo Kim
Ir Kamarudin bin Zakaria
Rashidah binti Alias @ Ahmad
Md Arif bin Mahmood *(resigned w.e.f. 28 October 2013)*
Ir Pramod Kumar Karunakaran *(resigned w.e.f 28 October 2013)*

In accordance with Article 93 of the Company's Articles of Association, Datuk Dr Abd Hapiz bin Abdullah and Puan Rashidah binti Alias @ Ahmad retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director is to retire in accordance with Article 99 of the Company's Articles of Association, at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.10 each in the Company			
Name	**Balance at 1.1.2013**	**Bought**	**Sold**	**Balance at 31.12.2013**
Direct interest in the Company				
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	–	–	20,000
Datuk Dr Abd Hapiz bin Abdullah	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
Ir Kamarudin bin Zakaria	35,000	–	–	35,000
Rashidah binti Alias @ Ahmad	6,000	–	–	6,000

DIRECTORS' INTERESTS (continued)

Name	Number of ordinary shares of RM0.10 each Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Indirect interest in the Company				
Ching Yew Chye	30,000	–	–	30,000[1]
Ir Kamarudin bin Zakaria	8,000[2]	–	(8,000)	–

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

Name	Number of ordinary shares of RM0.50 each Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Direct interest in Malaysia Marine and Heavy Engineering Holdings Berhad, a subsidiary of PETRONAS				
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	–	–	10,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, except for Mr Dong Soo Kim who has been engaged by PETRONAS, the Holding Company, to provide coaching to selected plant personnel, no other 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 as shown in the financial statements or the fixed salary of a full time employee of the Company or of the related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

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 year 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 year.

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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept appointment in place of the retiring auditors, Messrs KPMG Desa Megat & Co.

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

Datuk Wan Zulkiflee bin Wan Ariffin

Datuk Dr Abd Hapiz bin Abdullah

Kuala Lumpur,
Date: 25 February 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 155 to 224, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the information set out in Note 37 on page 225 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

Datuk Dr Abd Hapiz bin Abdullah

Kuala Lumpur,
Date: 25 February 2014

STATUTORY DECLARATION

I, Farina binti Farikhullah Khan, 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 155 to 225, 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
Farina binti Farikhullah Khan at Kuala Lumpur
in Wilayah Persekutuan on 25 February 2014.

BEFORE ME:

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
ASSETS					
Property, plant and equipment	3	**13,245**	11,697	**60**	44
Investments in subsidiaries	4	**–**	–	**15,690**	14,490
Investments in joint ventures and associates	5	**744**	668	**619**	619
Intangible assets	6	**10**	12	**–**	–
Long term receivables	7	**13**	28	**82**	77
Deferred tax assets	8	**458**	661	**–**	–
TOTAL NON-CURRENT ASSETS		**14,470**	13,066	**16,451**	15,230
Trade and other inventories	9	**1,203**	1,237	**–**	–
Trade and other receivables	10	**1,610**	2,036	**387**	472
Current tax assets		**155**	119	**–**	–
Cash and cash equivalents	11	**10,155**	9,307	**4,537**	3,592
		13,123	12,699	**4,924**	4,064
Assets classified as held for sale	12	**138**	155	**93**	93
TOTAL CURRENT ASSETS		**13,261**	12,854	**5,017**	4,157
TOTAL ASSETS		**27,731**	25,920	**21,468**	19,387
EQUITY					
Share capital	13	**800**	800	**800**	800
Reserves	14	**20,936**	19,511	**20,206**	18,500
Total equity attributable to shareholders of the Company		**21,736**	20,311	**21,006**	19,300
Non-controlling interests	15	**1,653**	1,595	**–**	–
TOTAL EQUITY		**23,389**	21,906	**21,006**	19,300
LIABILITIES					
Deferred tax liabilities	8	**933**	1,040	**–**	1
Other long term liabilities and provisions	16	**543**	576	**244**	–
TOTAL NON-CURRENT LIABILITIES		**1,476**	1,616	**244**	1
Trade and other payables	17	**2,678**	2,161	**214**	86
Current tax payables		**146**	222	**4**	–
		2,824	2,383	**218**	86
Liabilities classified as held for sale	12	**42**	15	**–**	–
TOTAL CURRENT LIABILITIES		**2,866**	2,398	**218**	86
TOTAL LIABILITIES		**4,342**	4,014	**462**	87
TOTAL EQUITY AND LIABILITIES		**27,731**	25,920	**21,468**	19,387

The notes set out on pages 162 to 225 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
Revenue	18	**15,202**	16,599	**3,930**	2,761
Cost of goods sold		**(10,160)**	(10,935)	**–**	–
Gross profit		**5,042**	5,664	**3,930**	2,761
Selling and distribution expenses		**(604)**	(676)	**–**	–
Administration expenses		**(477)**	(558)	**(274)**	(229)
Other expenses		**(92)**	(459)	**(485)**	(131)
Other income		**465**	375	**314**	306
Operating profit	19	**4,334**	4,346	**3,485**	2,707
Financing costs	20	**(8)**	(82)	**–**	(57)
Share of profit of equity accounted joint ventures and associates, net of tax		**221**	286	**–**	–
Profit before taxation		**4,547**	4,550	**3,485**	2,650
Tax expense	21	**(1,043)**	(713)	**(19)**	(27)
PROFIT FOR THE YEAR		**3,504**	3,837	**3,466**	2,623
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	12.6	**3**	(2)	**–**	–
Share of other comprehensive income/(expense) of equity accounted joint ventures and associates		**36**	(23)	**–**	–
		39	(25)	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,543**	3,812	**3,466**	2,623
Profit attributable to:					
Shareholders of the Company		**3,146**	3,518	**3,466**	2,623
Non-controlling interests		**358**	319	**–**	–
PROFIT FOR THE YEAR		**3,504**	3,837	**3,466**	2,623
Total comprehensive income attributable to:					
Shareholders of the Company		**3,185**	3,493	**3,466**	2,623
Non-controlling interests		**358**	319	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,543**	3,812	**3,466**	2,623
Basic earnings per ordinary share (sen)	22	**39**	44	**–**	–

The notes set out on pages 162 to 225 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Group	Share Capital (Note 13) RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve RM Mil	Merger Reserve (Note 14) RM Mil	Other Reserves RM Mil	Retained Profits RM Mil	Total RM Mil	Non-controlling Interests RM Mil	Total Equity RM Mil
	Attributable to shareholders of the Company								
	Non-Distributable					*Distributable*			
Balance at 1 January 2012	800	8,071	3	(204)	102	9,320	18,092	1,550	19,642
Foreign currency translation differences for foreign operations	–	–	(2)	–	–	–	(2)	–	(2)
Share of other comprehensive expense of equity accounted joint ventures and associates	–	–	–	–	(23)	–	(23)	–	(23)
Total other comprehensive expense for the year	–	–	(2)	–	(23)	–	(25)	–	(25)
Profit for the year	–	–	–	–	–	3,518	3,518	319	3,837
Total comprehensive income for the year	–	–	(2)	–	(23)	3,518	3,493	319	3,812
Redemption of Redeemable Preference Shares by a subsidiary	–	–	–	–	10	(10)	–	(54)	(54)
Dividends to shareholders of the Company (Note 23)	–	–	–	–	–	(1,280)	(1,280)	–	(1,280)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(220)	(220)
Others	–	–	–	–	6	–	6	–	6
Total transactions with shareholders of the Company	–	–	–	–	16	(1,290)	(1,274)	(274)	(1,548)
Balance at 31 December 2012	800	8,071	1	(204)	95	11,548	20,311	1,595	21,906

The notes set out on pages 162 to 225 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013
(CONTINUED)

Group	Share Capital (Note 13) RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve RM Mil	Merger Reserve (Note 14) RM Mil	Other Reserves RM Mil	Retained Profits RM Mil	Total RM Mil	Non-controlling Interests RM Mil	Total Equity RM Mil
	Attributable to shareholders of the Company								
	Non-Distributable					*Distributable*			
Balance at 1 January 2013	800	8,071	1	(204)	95	11,548	20,311	1,595	21,906
Foreign currency translation differences for foreign operations	–	–	3	–	–	–	3	–	3
Share of other comprehensive income of equity accounted joint ventures and associates	–	–	–	–	36	–	36	–	36
Total other comprehensive income for the year	–	–	3	–	36	–	39	–	39
Profit for the year	–	–	–	–	–	3,146	3,146	358	3,504
Total comprehensive income for the year	–	–	3	–	36	3,146	3,185	358	3,543
Dividends to shareholders of the Company (Note 23)	–	–	–	–	–	(1,760)	(1,760)	–	(1,760)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(301)	(301)
Others	–	–	–	–	–	–	–	1	1
Total transactions with shareholders of the Company	–	–	–	–	–	(1,760)	(1,760)	(300)	(2,060)
Balance at 31 December 2013	800	8,071	4	(204)	131	12,934	21,736	1,653	23,389

The notes set out on pages 162 to 225 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013
(CONTINUED)

Company	Share Capital (Note 13) RM Mil	Share Premium RM Mil	Merger Relief (Note 14) RM Mil	Retained Profits RM Mil	Total Equity RM Mil
	Attributable to shareholders of the Company				
	Non-Distributable			*Distributable*	
Balance at 1 January 2012	800	8,071	7,176	1,910	17,957
Profit/Total comprehensive income for the year	–	–	–	2,623	2,623
Dividends (Note 23)	–	–	–	(1,280)	(1,280)
Balance at 31 December 2012	800	8,071	7,176	3,253	19,300
Balance at 1 January 2013	800	8,071	7,176	3,253	19,300
Profit/Total comprehensive income for the year	–	–	–	3,466	3,466
Dividends (Note 23)	–	–	–	(1,760)	(1,760)
Balance at 31 December 2013	800	8,071	7,176	4,959	21,006

The notes set out on pages 162 to 225 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	**15,751**	16,243	**61**	75
Cash paid to suppliers and employees	**(10,528)**	(10,650)	**(292)**	(270)
	5,223	5,593	**(231)**	(195)
Interest income received	**343**	304	**132**	153
Taxation paid	**(1,116)**	(1,257)	**(16)**	(39)
Net cash generated from/(used in) operating activities	**4,450**	4,640	**(115)**	(81)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in investment in a subsidiary	**–**	–	**(1,307)**	(686)
Redemption of preference share in a subsidiary	**–**	–	**–**	81
Dividends received from:				
– joint venture and associates	**181**	348	**180**	348
– subsidiaries	**–**	–	**3,750**	2,455
Purchase of property, plant and equipment	**(1,725)**	(964)	**(9)**	(32)
Proceeds from disposal of property, plant and equipment	**9**	–	**–**	–
Proceeds from finance lease receivables	**12**	12	**–**	–
Net cash (used in)/generated from investing activities	**(1,523)**	(604)	**2,614**	2,166
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to:				
– PETRONAS	**(1,133)**	(824)	**(1,133)**	(824)
– others (third parties)	**(627)**	(456)	**(627)**	(456)
– non-controlling interests of subsidiaries	**(301)**	(220)	**–**	–
Payment to non-controlling interests on redemption of shares	**–**	(54)	**–**	–
Balance carried forward	**(2,061)**	(1,554)	**(1,760)**	(1,280)

The notes set out on pages 162 to 225 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013
(CONTINUED)

	Note	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
CASH FLOWS FROM FINANCING ACTIVITIES (continued)					
Balance brought forward		**(2,061)**	(1,554)	**(1,760)**	(1,280)
Repayment of:					
– PETRONAS loans and advances		**–**	(1,920)	**–**	(1,920)
– Islamic financing facilities		**–**	(274)	**–**	–
– term loans		**–**	(166)	**–**	–
– other facilities		**–**	(16)	**–**	–
– finance lease liabilities		**(55)**	(68)	**–**	–
Payment for onerous contract		**(13)**	–	**–**	–
Interest expenses paid to:					
– PETRONAS		**–**	(76)	**–**	(76)
– others (third parties)		**–**	(28)	**–**	–
Loan repayment by subsidiaries		**–**	–	**200**	13
Interest income on advances to subsidiaries		**–**	–	**6**	12
Net cash used in financing activities		**(2,129)**	(4,102)	**(1,554)**	(3,251)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**798**	(66)	**945**	(1,166)
DECREASE IN DEPOSITS RESTRICTED		**–**	114	**–**	–
NET FOREIGN EXCHANGE DIFFERENCE		**50**	(7)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**9,307**	9,266	**3,592**	4,758
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**10,155**	9,307	**4,537**	3,592

		2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
CASH AND CASH EQUIVALENTS					
Cash and bank balances and deposits	11	**10,155**	9,307	**4,537**	3,592

The notes set out on pages 162 to 225 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad as disclosed in Note 37.

As of 1 January 2013, the Group and the Company have adopted new and amendments of MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standard Board ("MASB") as described fully in Note 32.

The adoption of these pronouncements do not have any material impact to the financial statements of the Group and of the Company.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted for in these financial statements. These pronouncements including their impact on the financial statements in the period of initial applications are set out in Note 34. New pronouncements that are not relevant to the operations of the Group and the Company are set out in Note 35.

The financial statements were approved and authorised for issue by the Board of Directors on 25 February 2014.

1.2 Basis of measurement

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

1.3 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's 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.

1.4 Use of estimates and judgments

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

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

1. BASIS OF PREPARATION (continued)

1.4 Use of estimates and judgments (continued)

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

(i)	Note 3	:	Property, Plant and Equipment;
(ii)	Note 4	:	Investments in Subsidiaries;
(iii)	Note 5	:	Investments in Joint Ventures and Associates;
(iv)	Note 8	:	Deferred Tax;
(v)	Note 9	:	Trade and Other Inventories; and
(vi)	Note 16	:	Other Long Term Liabilities and Provisions

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company.

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.

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

In the previous financial years, control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights are considered when assessing control only when such rights are presently exercisable and the Group did not consider de facto power in its assessment of control.

Since the beginning of the financial year, the Group has adopted MFRS 10, *Consolidated Financial Statements*, where control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group. The effects from the adoption of MFRS 10 are disclosed in Note 32.

All intercompany 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.

Business combinations

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

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

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

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

Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and other comprehensive income for the year between the non-controlling interests and shareholders of the Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Non-controlling interests (continued)

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

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Joint arrangements

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

In the previous financial years, joint arrangements were classified and accounted for as jointly controlled entity, jointly controlled asset or jointly controlled operation. The Group accounted for its interest in jointly controlled entity using the equity method. Jointly controlled assets or jointly controlled operations are accounted for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

Upon adoption of MFRS 11, *Joint Arrangements* in the current financial year, joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group. The effects from the adoption of MFRS 11 are disclosed in Note 33.

(iii) Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

(iii) Associates (continued)

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated 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 associate.

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

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

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

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

2.2 Property, plant and equipment and depreciation

Projects-in-progress is stated at cost less accumulated impairment losses, if any, 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

Leasehold land	30 – 99 years
Buildings	14 – 66 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

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

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

2.3 Leased assets

A lease arrangement is accounted for as finance or operating lease in accordance with the accounting policy stated below. When the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it is accounted for as a lease although the arrangement does not take the legal form of a lease.

(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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Leased assets (continued)

(i) Finance lease (continued)

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 and allocated 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.

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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

All leases that do not transfer substantially to the Group and 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 and the Company's statement of financial position.

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

2.4 Investments

Long term investments in subsidiaries, associates and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements. The cost of investments include transaction costs.

2.5 Intangible assets

Intangible assets 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.

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

The estimated useful life for the current and comparative years is 10 years.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments

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

(i) Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group and the Company determine 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 concerned ("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's and the Company's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, 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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.7.

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method (Note 2.6 (v)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(ii) Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or loans and borrowings as appropriate. The Group and the Company determine 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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses 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) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(iii) Derivative financial instruments (continued)

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the profit or loss.

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

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

(iv) 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.

(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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Fair value measurements

As of 1 January 2013, the Group and the Company have adopted MFRS 13, *Fair Value Measurement* which prescribes that the fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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 at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

2.8 Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates and investment in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the 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.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment (continued)

(ii) Other assets

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

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

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

The recoverable amount is the greater of the asset's fair value less 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.

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

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw material costs 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.

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

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Non-current assets held for sale

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

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

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated and amortised.

2.12 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 net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

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

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, 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.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 16.

2.13 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Taxation

Tax on the profit or loss for the year 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 year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and 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 for the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss.

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

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

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

2.15 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Foreign currency transactions (continued)

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.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in equity.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia are translated into Ringgit Malaysia at the exchange rates approximating those ruling at reporting date.

The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

2.16 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 on the date the 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.

2.17 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.

2.18 Financing 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Financing costs (continued)

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

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.

2.19 Basic earnings per ordinary share

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

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

2.20 Operating segment

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

3. PROPERTY, PLANT AND EQUIPMENT

Group 2013	At 1.1.2013 RM Mil	Additions RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Translation exchange differences RM Mil	Reclassified as assets held for sale RM Mil	At 31.12.2013 RM Mil
At cost:							
Leasehold land	291	–	–	–	–	–	291
Buildings	1,313	1	–	64	–	–	1,378
Plant and equipment	20,943	138	(6)	140	16	(16)	21,215
Office equipment, furniture and fittings	72	2	(1)	62	–	–	135
Computer software and hardware	181	3	(2)	(4)	–	–	178
Motor vehicles	36	–	–	–	–	–	36
Projects-in-progress	907	2,424	(1)	(211)	–	–	3,119
	23,743	2,568	(10)	51^	16	(16)	26,352

^ Relates to transfer from inventories.

Group 2013	At 1.1.2013 RM Mil	Charge for the year RM Mil	Disposals/ write offs RM Mil	Impairment losses RM Mil	Transfers/ reclass RM Mil	Translation exchange differences RM Mil	Reclassified as assets held for sale RM Mil	At 31.12.2013 RM Mil
Accumulated depreciation and impairment losses								
Leasehold land	64	4	–	–	–	–	–	68
Buildings	481	28	–	–	16	–	–	525
Plant and equipment	11,276	1,015	(1)	–	(46)	7	(16)	12,235
Office equipment, furniture and fittings	48	13	(1)	–	40	–	–	100
Computer software and hardware	144	13	(2)	–	(10)	–	–	145
Motor vehicles	33	1	–	–	–	–	–	34
	12,046	1,074	(4)	–	–	7	(16)	13,107

Included in the accumulated depreciation and impairment losses of plant and equipment are impairment losses carried forward as at 31.12.2013 of RM132 million (31.12.2012: RM132 million) which relates to the Group's decision to discontinue its vinyl business as disclosed in the previous financial year.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2012	At 1.1.2012 RM Mil	Additions RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Translation exchange differences RM Mil	Reclassified as assets held for sale RM Mil	At 31.12.2012 RM Mil
At cost:							
Leasehold land	291	–	–	–	–	–	291
Buildings	1,311	2	–	1	–	(1)	1,313
Plant and equipment	20,860	42	(24)	242	(6)	(171)	20,943
Office equipment, furniture and fittings	151	1	(39)	(38)	–	(3)	72
Computer software and hardware	126	1	(4)	58	–	–	181
Motor vehicles	36	–	–	–	–	–	36
Projects-in-progress	481	784	(26)	(332)	–	–	907
	23,256	830	(93)	(69)^	(6)	(175)	23,743

^ Includes transfer to inventories of RM77 million and transfer from intangible assets of RM8 million.

Group 2012	At 1.1.2012 RM Mil	Charge for the year RM Mil	Disposals/ write offs RM Mil	Impairment losses RM Mil	Transfers/ reclass RM Mil	Translation exchange differences RM Mil	Reclassified as assets held for sale RM Mil	At 31.12.2012 RM Mil
Accumulated depreciation and impairment losses								
Leasehold land	59	5	–	–	–	–	–	64
Buildings	469	26	–	3	(17)	–	–	481
Plant and equipment	10,192	1,063	(20)	129	2	(3)	(87)	11,276
Office equipment, furniture and fittings	112	6	(32)	–	(35)	–	(3)	48
Computer software and hardware	96	13	(5)	–	40	–	–	144
Motor vehicles	33	1	(1)	–	–	–	–	33
	10,961	1,114	(58)	132*	(10)^	(3)	(90)	12,046

* Included in the accumulated depreciation and impairment losses of plant and equipment are impairment losses carried forward as at 31.12.2012 of RM132 million (31.12.2011: Nil) which relates to the Group's decision to discontinue its vinyl business.

^ Includes transfer to inventories of RM13 million and transfer from intangible assets of RM3 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	2013 RM Mil	2012 RM Mil
Carrying amounts:		
Leasehold land		
– with unexpired lease period of more than 50 years	**80**	81
– with unexpired lease period of less than 50 years	**143**	146
	223	227
Buildings	**853**	832
Plant and equipment	**8,980**	9,667
Office equipment, furniture and fittings	**35**	24
Computer software and hardware	**33**	37
Motor vehicles	**2**	3
Projects-in-progress	**3,119**	907
	13,245	11,697

Included in the property, plant and equipment of the Group are plant and equipment with carrying amount of RM231 million (2012: RM266 million) under finance lease arrangement.

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 RM2,063 million (2012: RM2,389 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 **2013**	**At 1.1.2013 RM Mil**	**Additions RM Mil**	**At 31.12.2013 RM Mil**
At cost:			
Motor vehicles	**1**	**–**	**1**
Computer software and hardware	**–**	**–^**	**–**
Projects-in-progress	**43**	**16**	**59**
	44	**16**	**60**

	At 1.1.2013 RM Mil	**Charge for the year RM Mil**	**At 31.12.2013 RM Mil**
Accumulated depreciation:			
Motor vehicles	**–**	**–#**	**–**
Computer software and hardware	**–**	**–^**	**–**
Projects-in-progress	**–**	**–**	**–**
	–	**–**	**–**

Company **2012**	**At 1.1.2012 RM Mil**	**Additions RM Mil**	**At 31.12.2012 RM Mil**
At cost:			
Motor vehicles	1	–	1
Computer software and hardware	–	–^	–
Projects-in-progress	13	30	43
	14	30	44

	At 1.1.2012 RM Mil	**Charge for the year RM Mil**	**At 31.12.2012 RM Mil**
Accumulated depreciation:			
Motor vehicles	–	–#	–
Computer software and hardware	–	–^	–
Projects-in-progress	–	–	–
	–	–	–

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	31.12.2013 RM Mil	31.12.2012 RM Mil
Carrying amounts:		
Motor vehicles and computer software and hardware	**1**	1
Projects-in-progress	**59**	43
	60	44

^ During the financial year, there were additions to and depreciation charged for computer hardware and software amounting to RM341,000 (2012: RM45,000) and RM54,000 (2012: RM6,000) respectively. The carrying amount as at 31 December 2013 was RM326,000 (2012: RM39,000).

During the financial year, there was depreciation charged for motor vehicles of RM92,000 (2012: RM92,000). The carrying amount as at 31 December 2013 was RM138,000 (2012: RM231,000).

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM Mil	2012 RM Mil
Investments in unquoted shares, at cost	**15,783**	14,583
Reclassified as assets held for sale	**(93)**	(93)
	15,690	14,490

Investment in Phu My Plastics and Chemical Company Limited ("PMPC") of RM93 million has been reclassified as assets held for sale in the previous financial year pursuant to the decision to discontinue the Group's vinyl business.

Following discontinuation of the Group's vinyl business, the Company has extended financial assistance to a subsidiary in the form of redeemable preference shares amounting to RM107 million during the year. This amount has been subsequently impaired as it is unlikely to be redeemed. The Company has also recognised a provision for financial assistance amounting to RM378 million as disclosed in Note 16.2.

Details of subsidiaries are stated in Note 24 to the financial statements.

5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Note	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
Investment in joint ventures	5.1	**158**	147	**176**	176
Investment in associates	5.2	**586**	521	**443**	443
		744	668	**619**	619

During the year, the Group has adopted MFRS 11 *Joint Arrangements*, which resulted in the reclassification of investment in Kertih Terminals Sdn. Bhd. from associates to joint ventures. The effects from the adoption of MFRS 11 are disclosed in Note 33.

5.1 Investment in joint ventures

	Group 2013 RM Mil	Group 2012 RM Mil Restated	Company 2013 RM Mil	Company 2012 RM Mil Restated
Investments in unquoted shares, at cost	**33**	33	**176**	176
Share of post-acquisition profits and reserves	**125**	114	**–**	–
	158	147	**176**	176

Details of joint ventures are stated in Note 25 to the financial statements.

5.2 Investment in associates

	Group 2013 RM Mil	Group 2012 RM Mil Restated	Company 2013 RM Mil	Company 2012 RM Mil Restated
Investments in unquoted shares, at cost	**455**	455	**443**	443
Share of post-acquisition profits and reserves	**131**	66	**–**	–
	586	521	**443**	443

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

6. INTANGIBLE ASSETS

Group 2013	At 1.1.2013 RM Mil	Additions RM Mil	Transfers RM Mil	Reclassified as assets held for sale RM Mil	Translation exchange differences RM Mil	At 31.12.2013 RM Mil
At cost:						
– Licence	**23**	**–**	**–**	**–**	**–**	**23**

	At 1.1.2013 RM Mil	Charge for the year RM Mil	Transfers RM Mil	Reclassified as assets held for sale RM Mil	Translation exchange differences RM Mil	At 31.12.2013 RM Mil
Accumulated amortisation:						
– Licence	**11**	**2**	**–**	**–**	**–**	**13**

Group 2012	At 1.1.2012 RM Mil	Additions RM Mil	Transfers RM Mil	Reclassified as assets held for sale RM Mil	Translation exchange differences RM Mil	At 31.12.2012 RM Mil
At cost:						
– Licence	23	–	–	–	–	23
– Others	16	–	(8)	(7)	(1)	–
	39	–	(8)	(7)	(1)	23

6. INTANGIBLE ASSETS (continued)

	At 1.1.2012 RM Mil	Charge for the year RM Mil	Transfers RM Mil	Reclassified as assets held for sale RM Mil	Translation exchange differences RM Mil	At 31.12.2012 RM Mil
Accumulated amortisation:						
– Licence	8	3	–	–	–	11
– Others	5	1	(3)	(3)	–	–
	13	4	(3)	(3)	–	11

	31.12.2013 RM Mil	31.12.2012 RM Mil
Carrying amounts:		
– Licence	**10**	12

7. LONG TERM RECEIVABLES

		Group		Company	
	Note	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Loans and advances due from subsidiaries	7.1	**–**	–	**82**	77
Others		**13**	28	**–**	–
		13	28	**82**	77

Note 7.1

Loans and advances due from subsidiaries

Receivable within twelve months	10	**–**	–	**181**	369
Receivable after twelve months		**–**	–	**82**	77
		–	–	**263**	446

Included in the Company's loans and advances due from subsidiaries are loan amounts totalling RM263 million or USD80 million (2012: RM446 million or USD80 million and RM200 million), which bear interest at average effective rates ranging from 1.40% to 1.51% per annum (2012: 1.23% to 3.50% per annum).

In the previous financial year, the Company had written off outstanding balance from a subsidiary amounting to RM122 million, pursuant to the decision to discontinue the Group's vinyl business.

8. DEFERRED TAX

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 amounts determined after appropriate offsetting are as follows:

Group	2013 RM Mil	2012 RM Mil
Deferred tax assets		
Deferred tax liabilities	**754**	780
Deferred tax assets	**(1,212)**	(1,441)
	(458)	(661)
Deferred tax liabilities		
Deferred tax liabilities	**1,029**	1,139
Deferred tax assets	**(96)**	(99)
	933	1,040

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

Group 2013	At 1.1.2013 RM Mil	Charged/ (Credited) to profit or loss RM Mil Note 21	Re-classification RM Mil	At 31.12.2013 RM Mil
Deferred tax liabilities				
Property, plant and equipment	**1,918**	**(142)**	**–**	**1,776**
Others	**1**	**4**	**2**	**7**
	1,919	**(138)**	**2**	**1,783**
Deferred tax assets				
Property, plant and equipment	**(7)**	**1**	**–**	**(6)**
Unused reinvestment allowances	**(9)**	**1**	**–**	**(8)**
Unused investment tax allowances	**(1,405)**	**256**	**–**	**(1,149)**
Unused tax losses	**(84)**	**(24)**	**–**	**(108)**
Unabsorbed capital allowances	**(1)**	**(4)**	**–**	**(5)**
Others	**(34)**	**4**	**(2)**	**(32)**
	(1,540)	**234**	**(2)**	**(1,308)**
Net deferred tax liabilities	**379**	**96**	**–**	**475**

8. DEFERRED TAX (continued)

2012	At 1.1.2012 RM Mil	Charged/ (Credited) to profit or loss RM Mil Note 21	Re-classification RM Mil	At 31.12.2012 RM Mil
Deferred tax liabilities				
Property, plant and equipment	2,103	(172)	(13)	1,918
Others	3	(3)	1	1
	2,106	(175)	(12)	1,919
Deferred tax assets				
Property, plant and equipment	(26)	6	13	(7)
Unused reinvestment allowances	(10)	1	–	(9)
Unused investment tax allowances	(999)	(406)	–	(1,405)
Unused tax losses	(85)	1	–	(84)
Unabsorbed capital allowances	(194)	193	–	(1)
Others	(17)	(16)	(1)	(34)
	(1,331)	(221)	12	(1,540)
Net deferred tax liabilities	775	(396)	–	379

Unrecognised deferred tax assets

No deferred tax has been recognised for the following items (stated at gross):

	2013 RM Mil	2012 RM Mil
Unabsorbed capital allowances	**726**	726
Unused tax losses	**457**	454
	1,183	1,180

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 subsidiary can utilise the benefits.

8. DEFERRED TAX (continued)

Company

2013	At 1.1.2013 RM Mil	Credited to profit or loss RM Mil Note 21	At 31.12.2013 RM Mil
Deferred tax liabilities			
Others	**1**	**(1)**	**–**

2012	At 1.1.2012 RM Mil	Credited to profit or loss RM Mil Note 21	At 31.12.2012 RM Mil
Deferred tax liabilities			
Others	3	(2)	1

9. TRADE AND OTHER INVENTORIES

	Group 2013 RM Mil	2012 RM Mil
Petrochemical products:		
Raw materials	**57**	73
Finished goods	**527**	613
Store, spares and others	**619**	551
	1,203	1,237

During the financial year, trade and other inventories includes write down to net realisable value ("NRV") amounting to RM12 million (2012: Nil).

In the previous financial year, impairment losses charged to profit or loss for stores and spares amounting to RM58 million includes RM50 million relating to the Group's decision to discontinue its vinyl business.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Trade receivables*	**972**	1,425	**–**	–
Amount due from subsidiaries#				
– Non trade^	**–**	–	**356**	448
Amount due from PETRONAS#				
– Trade	**–**	2	**–**	–
– Non trade	**16**	2	**–**	–
Amount due from joint ventures and associates#				
– Trade	**201**	133	**–**	–
Amount due from related companies#				
– Trade	**139**	165	**–**	–
– Non trade	**7**	5	**8**	–
Other receivables, deposits and prepayments	**277**	307	**23**	24
	1,612	2,039	**387**	472
Less: Impairment losses				
– Trade receivables	**(1)**	(2)	**–**	–
– Other receivables, deposits and prepayments	**(1)**	(1)	**–**	–
	1,610	2,036	**387**	472

* Included in trade receivables is an amount due from corporate shareholders of subsidiaries of RM47 million (2012: RM60 million).

Trade amount is unsecured and in the normal course of business. Non trade amount is unsecured and repayable on demand.

^ Included in amount due from subsidiaries is a non trade amount of loans and advances due from subsidiaries of RM181 million (2012: RM369 million). Loan to subsidiaries are unsecured, subject to interest at 1.05% to 1.12% (2012: 1.23% to 3.50%) per annum and repayable in 2014.

In the previous financial year, the Company had written off outstanding balance from a subsidiary amounting to RM122 million pursuant to the decision to discontinue the Group's vinyl business.

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

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Cash with PETRONAS Integrated Financial Shared Service Centre ("IFSSC")	**8,139**	–	**2,561**	–
Cash and bank balances	**22**	29	**–**	–
Deposits with licensed financial institutions	**1,994**	8,712	**1,976**	3,592
Deposits with other corporations	**–**	566	**–**	–
	10,155	9,307	**4,537**	3,592

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

Included in cash with IFSSC and cash and bank balances are interest-bearing bank balances amounting to RM8,158 million (2012: RM28 million).

The status of the utilisation of listing proceeds of RM3,640 million raised by the Company from the Public Issue in 2010 as at the end of the reporting date is as follows:

	Proposed utilisation RM Mil	Actual utilisation RM Mil	Transfer RM Mil	Balance at 31 December 2013 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic growth acquisitions	2,344	(1,898)	1,221	1,667	Within 5 years
Working capital requirement and general corporate purposes	1,200	–	(1,200)	–	Within 2 years
Estimated listing expenses	96	(75)	(21)	–	Within 1 year
Total	3,640	(1,973)	–	1,667	

12. ASSETS CLASSIFIED AS HELD FOR SALE

The Group has initiated a divestment process for the sale of its interest in a subsidiary pursuant to the decision to discontinue the Group's vinyl business in the previous financial year.

		Group		Company	
	Note	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Assets classified as held for sale					
Property, plant and equipment	12.1	**82**	85	**–**	–
Investment in subsidiary	4	**–**	–	**93**	93
Intangible assets	12.2	**4**	4	**–**	–
Inventories	12.3	**22**	23	**–**	–
Receivables, deposits and prepayments	12.4	**30**	43	**–**	–
		138	155	**93**	93
Liabilities classified as held for sale					
Payables and accruals		**42**	7	**–**	–
Borrowings	12.5	**–**	8	**–**	–
		42	15	**–**	–

12.1

Property, plant and equipment held for sale comprise the following:

	Group	
	2013 RM Mil	2012 RM Mil
Property, plant and equipment:		
– Cost	**188**	175
– Accumulated depreciation	**(106)**	(90)
	82	85

12. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

12.2

Intangible assets held for sale comprise the following:

	Note	Group 2013 RM Mil	Group 2012 RM Mil
Other intangible assets:			
– Cost	6	**7**	7
– Accumulated depreciation	6	**(3)**	(3)
		4	4

12.3

The inventories held for sale comprise finished goods, stores and spares which are carried at cost.

12.4

The receivables, deposits and prepayments are stated at cost.

12.5

In year 2012, borrowings comprised an unsecured USD term loan at average interest rate of 1.89% and the borrowings have been settled in year 2013.

12.6

The cumulative income recognised in other comprehensive income relating to the assets classified as held for sale is RM3 million (2012: cumulative expense RM2 million).

13. SHARE CAPITAL

	Group and Company 2013 RM Mil	Group and Company 2012 RM Mil
Authorised:		
15,000,000,000 ordinary shares of RM0.10 each	**1,500**	1,500
Issued and fully paid:		
8,000,000,000 ordinary shares of RM0.10 each	**800**	800

14. RESERVES

Merger reserve (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.

15. NON-CONTROLLING INTERESTS

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

16. OTHER LONG TERM LIABILITIES AND PROVISIONS

		Group		Company	
	Note	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Finance lease liabilities	16.1	**268**	308	**–**	–
Provisions	16.2	**262**	255	**244**	–
Other payables		**13**	13	**–**	–
		543	576	**244**	–

16.1 Finance lease liabilities

	2013			2012		
	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 (Note 17)	**55**	**15**	**40**	55	17	38
Between 1 to 2 years	**55**	**13**	**42**	55	15	40
Between 2 to 5 years	**166**	**28**	**138**	193	38	155
More than 5 years	**95**	**7**	**88**	123	10	113
	371	**63**	**308**	426	80	346

In the previous financial year, finance lease liabilities amounting to RM67 million was derecognised following the Group's decision to discontinue its vinyl business.

16. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

16.2 Provisions

Group

In the previous financial year, provisions for decommissioning activities and onerous contracts have been made in relation to the decision to discontinue the Group's vinyl business.

Provision for decommissioning activities include dismantling/demolishing and removal of equipment, structures and foundation, as well as site remediation.

Provision for onerous contracts relate to termination of contractual obligation for committed charges.

The provisions have been made based on present value of estimated decommissioning amount and present value of negotiated settlement amount payable over a period of 8 years (2012: 7 years) using a discount rate of 8.6% (2012: 10.94%).

The movement of the provisions are as follows:

	RM Mil
At 1 January 2013	**407**
Provisions made during the year	111
Provisions reversed during the year	(99)
Provisions utilised during the year	(76)
Unwinding of discount factor for provisions	8
At 31 December 2013	**351**

	2013 RM Mil	2012 RM Mil
Less than 1 year (Note 17)	**89**	152
Between 1 to 2 years	**161**	172
Between 2 to 5 years	**57**	62
More than 5 years	**44**	21
	351	407

16. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

16.2 Provisions (continued)

Company

Provision for financial assistance has been made to meet a subsidiary's obligation in respect of decommissioning activities and other related expenses, as a result of the Group's decision to discontinue its vinyl business in the previous financial year (2012: Disclosed as contingent liability as the required amounts for financial support and timing for disbursement were yet to be ascertained in 2012).

The provision has been made based on present value of estimated funding requirements for decommissioning costs and settlement of onerous contracts over a period of 8 years using a discount rate of 8.6% (2012: Nil).

	2013 RM Mil	2012 RM Mil
Less than 1 year (Note 17)	**134**	–
Between 1 to 2 years	**130**	–
Between 2 to 5 years	**67**	–
More than 5 years	**47**	–
	378	–

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Trade payables	**61**	207	**–**	–
Other payables*	**1,700**	850	**53**	45
Amount due to PETRONAS				
– Trade	**220**	373	**–**	–
– Non trade#	**178**	151	**10**	13
Amount due to related companies				
– Trade	**372**	377	**–**	–
– Non trade#	**58**	51	**17**	28
Provisions**	**89**	152	**134**	–
	2,678	2,161	**214**	86

* Included in other payables is the current portion of finance lease liabilities amounting to RM40 million (2012: RM38 million).

Non trade amount is unsecured and repayable on demand.

** Included in provisions for the Group is the current portion of provision for decommissioning activities and onerous contracts amounting to RM89 million (2012: RM152 million).

Included in provisions for the Company is the current portion of provision for financial assistance to a subsidiary amounting to RM134 million (2012: Nil).

18. REVENUE

	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
Sales of chemical products	**15,163**	16,556	**–**	–
Dividend income	**–**	–	**3,930**	2,761
Others	**39**	43	**–**	–
	15,202	16,599	**3,930**	2,761

19. OPERATING PROFIT

	Note	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
Included in operating profit are the following charges:					
Auditors' remuneration*		**3**	2	**1**	1
Amortisation of intangible assets	6	**2**	4	**–**	–
Depreciation of property, plant and equipment	3	**1,074**	1,114	**–**	–
Loss on foreign exchange		**65**	45	**–**	9
Property, plant and equipment written off	3	**–**	35	**–**	–
Rental of plants, machineries, equipment and motor vehicles		**27**	25	**–**	–
Rental of land and buildings		**31**	32	**14**	12
Staff costs					
– wages, salaries and others		**660**	642	**143**	135
– contributions to Employee's Provident Fund		**99**	92	**23**	17
Impairment losses on:					
– property, plant and equipment	3	**–**	132	**–**	–
– inventories	9	**–**	58	**–**	–
– redeemable preference shares	4	**–**	–	**107**	–
Inventory written down to net realisable value		**12**	–	**–**	–
Inventory written off		**–**	16	**–**	–
Loans to a subsidiary written off	7	**–**	–	**–**	122
Provisions for plant decomissioning and onerous contracts	16	**12**	407	**–**	–
Provision for financial assistance	16	**–**	–	**378**	–

19. OPERATING PROFIT (continued)

	Note	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
and credits:					
Gain on foreign exchange		**108**	39	**19**	–
Dividend income					
– subsidiaries		**–**	–	**3,750**	2,445
– associates		**–**	–	**180**	316
Interest income					
– Others		**340**	307	**134**	153
– Subsidiaries		**–**	–	**5**	4
Management fee		**–**	–	**157**	148
Gain on disposal of property, plant and equipment		**3**	–	**–**	–
Derecognition of finance lease liabilities	16	**–**	67	**–**	–

* The auditors' remuneration includes the following:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Statutory audit				
KPMG Malaysia	**791**	747	**127**	113
Other auditors	**458**	384	**–**	–
Non audit fees				
KPMG Malaysia	**966**	559	**568**	530
Other auditors	**359**	141	**–**	–

20. FINANCING COSTS

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

	Group 2013 RM Mil	Group 2012 RM Mil	Company 2013 RM Mil	Company 2012 RM Mil
Term Loans (USD)	**–**	3	**–**	–
Islamic financing facilities (RM)	**–**	22	**–**	–
PETRONAS loans and advances	**–**	57	**–**	57
Unwinding of discount factor for provisions	**8**	–	**–**	–
	8	82	**–**	57

21. TAX EXPENSE

	Group		Company	
	2013 RM Mil	2012 RM Mil	2013 RM Mil	2012 RM Mil
Current tax expense				
– Current year tax	**930**	1,126	**22**	29
– Under/(Over) provision in respect of prior years	**17**	(17)	**(2)**	–
	947	1,109	**20**	29
Deferred tax expense				
– Origination and reversal of temporary differences	**98**	(449)	**(1)**	(2)
– (Over)/Underprovision in respect of prior years	**(2)**	53	**–**	–
	96	(396)	**(1)**	(2)
	1,043	713	**19**	27

A reconciliation of income tax 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	%	2013 RM Mil	%	2012 RM Mil
Profit before taxation	100	**4,547**	100	**4,550**
Taxation at Malaysian statutory tax rate	25	**1,137**	25	1,138
Net (non-assessable income)/non-deductible expense	–	**(3)**	2	113
Tax exempt income	(1)	**(53)**	–	–
Losses not available for set-off/carried forward	–	**22**	1	23
Effects of unabsorbed capital allowance and unabsorbed tax losses unrecognised	–	**–**	1	28
Effects of change in tax rate*	–	**(19)**	–	–
Tax incentives	–	**(1)**	(12)	(550)
Others	(1)	**(55)**	(2)	(75)
	23	**1,028**	15	677
Underprovision in prior years		**15**		36
Tax expense		**1,043**		713

* The corporate tax rate for the year of assessment is 25%. However, deferred tax assets and liabilities are measured at 24% which is the rate that has been substantively enacted by the Government in Budget 2014 announcement.

21. TAX EXPENSE (continued)

Company	%	2013 RM Mil	%	2012 RM Mil
Profit before taxation	100	**3,485**	100	2,650
Taxation at Malaysian statutory tax rate	25	**871**	25	663
Net non-deductible expenses	3	**121**	1	31
Tax exempt income	(28)	**(993)**	(26)	(690)
Losses not available for set-off/carried forward	1	**22**	1	23
	1	**21**	1	27
Over provision in prior years		**(2)**		–
Tax expense		**19**		27

22. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to shareholders of the Company and number of ordinary shares of the Company as follows:

	Group 2013	2012
In RM millions		
Profit for the year attributable to shareholders of the Company	**3,146**	3,518
In thousands of shares		
Number of shares issued at 31 December	**8,000,000**	8,000,000
In sen		
Basic earnings per ordinary share	**39**	44

Diluted earnings per ordinary share

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

23. DIVIDENDS

Group/Company	Sen per share	Total amount RM Mil	Date of payment
2013			
Final ordinary for year ended 31.12.2012 – Single tier	**14**	**1,120**	25 June 2013
Interim ordinary for year ended 31.12.2013 – Single tier	**8**	**640**	25 September 2013
		1,760	
2012			
Final ordinary for period ended 31.12.2011 – Single tier	8	**640**	26 June 2012
Interim ordinary for year ended 31.12.2012 – Single tier	8	**640**	16 October 2012
		1,280	

After the financial year end, the following dividends were approved by the Directors:

	Sen per share	Total amount RM Mil
Second interim dividend for year ended 31.12.2013 – Single tier	12	960

The second interim dividend will be recognised and accounted for in equity as an appropriation of retained earnings in the subsequent financial year.

The directors do not recommend any final dividend to be paid for the financial year under review.

24. SUBSIDIARIES AND ACTIVITIES

The Group includes the following subsidiaries:

Name of Company	Effective ownership interest (%) 2013	2012	Principal activities
PETRONAS Chemicals Ammonia Sdn. Bhd. ("PETRONAS Chemicals Ammonia")*	**100**	100	Production and sale of ammonia, syngas and carbon monoxide
PETRONAS Chemicals Derivatives Sdn. Bhd. ("PETRONAS Chemicals Derivatives")*	**100**	100	Production, marketing and sale of ethylene oxide derivatives, propylene derivative products and related chemical products
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd. ("PETRONAS Chemicals Fertiliser Kedah")*	**100**	100	Production and sale of urea, ammonia and methanol
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PETRONAS Chemicals Fertiliser Sabah")	**100**	100	Production and sale of ammonia and urea
PETRONAS Chemicals Glycols Sdn. Bhd. ("PETRONAS Chemicals Glycols")*	**100**	100	Production and sale of ethylene oxide, ethylene glycol and other related by-products
PETRONAS Chemicals Marketing Sdn. Bhd. ("PETRONAS Chemicals Marketing")	**100**	100	Marketing of petrochemical products
PETRONAS Chemicals Methanol Sdn. Bhd. ("PETRONAS Chemicals Methanol")	**100**	100	Production and sale of methanol
PETRONAS Chemicals MTBE Sdn. Bhd. ("PETRONAS Chemicals MTBE")	**100**	100	Production and sale of methyl tertiary butyl ether (MTBE) and its derivatives
PETRONAS Chemicals Polyethylene Sdn. Bhd. ("PETRONAS Chemicals Polyethylene")	**100**	100	Production and sale of polyethylene
PETRONAS Chemicals Marketing (Labuan) Ltd ("PETRONAS Chemicals Marketing (Labuan)", formerly known as PETRONAS Chemicals Trading (Labuan) Ltd)	**100**	100	Marketing of petrochemical products
Kertih Port Sdn. Bhd. ("Kertih Port")*	**100**	100	Owning, operating and managing the Kertih Marine Facilities
Polypropylene Malaysia Sdn. Bhd. ("Polypropylene Malaysia")	**100**	100	Production and sale of polypropylene and its derivatives
Vinyl Chloride (Malaysia) Sdn. Bhd. ("Vinyl Chloride (Malaysia)")*	**100**	100	Production and sale of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC). The company has ceased production following the Group's decision to discontinue its vinyl business

24. SUBSIDIARIES AND ACTIVITIES (continued)

The Group includes the following subsidiaries (continued):

Name of Company	Effective ownership interest (%) 2013	2012	Principal activities
Phu My Plastics and Chemicals Co. Ltd. ("Phu My")**	**93.11**	93.11	Production and sale of PVC, resin and other related chemical products
PETRONAS Chemicals Olefins Sdn. Bhd. ("PETRONAS Chemicals Olefins")*	**88**	88	Production and sale of ethylene, propylene and other hydrocarbon by-products
PETRONAS Chemicals Ethylene Sdn. Bhd. ("PETRONAS Chemicals Ethylene")	**87.50**	87.50	Production and sale of ethylene
PETRONAS Chemicals Aromatics Sdn. Bhd. ("PETRONAS Chemicals Aromatics")	**70**	70	Production and sale of paraxylene, benzene and other by-products
ASEAN Bintulu Fertilizer Sdn. Bhd. ("ASEAN Bintulu Fertilizer")	**63.47**	63.47	Production and sale of ammonia and urea
PETRONAS Chemicals LDPE Sdn. Bhd. ("PETRONAS Chemicals LDPE")*	**60**	60	Production and sale of low-density polyethylene pellets (LDPE)
Mitco Labuan India Private Limited ("MLIPL")*	**0.01**	0.01	Marketing and business promotional services

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

** Audited by a member firm of KPMG International

All subsidiaries are incorporated in Malaysia except for Phu My (which is incorporated in Vietnam) and MLIPL (which is incorporated in India).

Upon adoption of MFRS 10, *Consolidated Financial Statements*, MLIPL is recognised as a subsidiary and its results consolidated effective from 1 January 2013. Although shareholding is minimal, the Group has unilateral control over MLIPL with 2 out of 3 voting rights and the nature of MLIPL's operations, which is to provide marketing and promotional services of petrochemical products in India, which at present is solely for PCG. The business direction and operations are controlled by PCG. The adoption of MFRS 10 has no significant impact to the financial statement of the Group.

25. JOINT VENTURES AND ACTIVITIES

The Group includes the following joint ventures:

Name of Company	Effective ownership interest (%) 2013	2012	Principal activities
Kertih Terminals Sdn. Bhd. ("Kertih Terminals")	**40**	40	Provision of bulk chemical storage and handling services
BP PETRONAS Acetyls Sdn. Bhd. ("BP PETRONAS Acetyls")*	**30**	30	Production and sale of acetic acid

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

Upon adoption of MFRS 11, *Joint Arrangements*, Kertih Terminals Sdn. Bhd. has been reclassified from associate to joint venture.

All joint ventures are incorporated in Malaysia.

26. ASSOCIATES AND ACTIVITIES

The Group includes the following associates:

Name of Company	Effective ownership interest (%) 2013	2012	Principal activities
BASF PETRONAS Chemicals Sdn. Bhd. ("BASF PETRONAS Chemicals")	**40**	40	Production, marketing and sale of acrylic, oxo – alcohol and butanediol products
Idemitsu SM (Malaysia) Sdn. Bhd. ("Idemitsu SM")*	**30**	30	Production, marketing and sale of ethylbenzene, styrene monomer, toluene and benzene toluene (BT) mixture
Malaysian NPK Fertilizer Sdn. Bhd. ("Malaysian NPK Fertilizer")*	**20**	20	Production and sale of NPK fertiliser products

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

All associates are incorporated in Malaysia.

27. COMMITMENTS

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

	Group	
	2013 RM Mil	2012 RM Mil
Property, plant and equipment		
Approved and contracted for	**1,540**	3,786
Approved but not contracted for	**1,741**	904
	3,281	4,690

28. RELATED PARTIES DISCLOSURES

(a) Key management personnel compensation

	Company	
	2013 RM 000	2012 RM 000
Directors		
– Fees	**640**	632

In addition to the above, the Company also paid compensation for the services of certain key management personnel amounting to RM2,219,330 (31.12.2012: RM2,006,419).

(b) Significant transactions with related parties

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

The Group's and the Company's related parties include subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities.

28. RELATED PARTIES DISCLOSURES (continued)

(b) Significant transactions with related parties (continued)

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

Group	Note	Transactions amount for the year 2013 RM Mil	2012 RM Mil
PETRONAS:			
Purchase of processed gas and natural gas		**(3,400)**	(3,789)
Fees for representation in the Board of Directors*	28.1	**–**	–
Management fees**		**(6)**	(7)
Retainer fee		**–**	(17)
Interest expense		**–**	(57)
Information, communication and technology charges		**(27)**	(24)
Rental of office space		**(14)**	(13)
Supply chain and management services		**(27)**	(20)
Interest income from PETRONAS IFSSC		**210**	–
Subsidiaries of PETRONAS:			
Sales of petrochemical products		**1,177**	1,353
Purchase of heavy naphtha		**(2,686)**	(2,494)
Purchase of processed gas and natural gas		**(268)**	(200)
Purchase of utilities and materials and supplies		**(553)**	(655)
Training and development related costs		**(14)**	(17)
Purchase of warehouse and transportation services		**(44)**	(51)
Provision of operating and maintenance services		**(3)**	(4)
Purchase of marine diesel		**(1)**	(1)
Subsidiaries of PETRONAS:			
Provision of vessel screening services and other related services	28.2	**–**	–
Retainer fee		**(21)**	–
Joint ventures and associates of the Group:			
Sales of petrochemical products		**1,882**	1,759
Leasing of pipeline capacity		**(12)**	(12)
Purchase of petrochemical products		**(17)**	(17)
Purchase of warehouse and transportation services		**(135)**	(133)
Corporate shareholders of the Group[1]:			
Sales of petrochemical products		**949**	839
Management fee		**–**	(1)
Commission paid		**(27)**	(25)
Government related entities:			
Sales of petrochemical products		**104**	125
Interest income		**22**	96
Purchase of electricity		**(87)**	(97)

28. RELATED PARTIES DISCLOSURES (continued)

(b) Significant transactions with related parties

Note 28.1

Fees for representation in the Board of Directors are RM397,000 (2012: RM416,000).

Note 28.2

Provision of vessel screening services and other related services is RM122,500 (2012: RM207,000).

[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 7.8% per annum (2012: 7.8% per annum).

Company	Transactions amount for the year	
	2013 RM 000	**2012 RM 000**
PETRONAS:		
Fees for representation in the Board of Directors*	**(397)**	(416)
Interest expense	**–**	(56,705)
Fund management fees	**(1,406)**	(720)
Interest income from PETRONAS IFSSC	**42,646**	–
Subsidiaries:		
Interest income	**4,943**	4,043
Dividend income	**3,750,092**	2,445,182
Management fee income	**157,106**	147,792
Associates:		
Dividend income	**180,000**	316,000
Government related entities:		
Interest income	**12,691**	47,123

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

** Management fees paid to ultimate holding company relates to payment for services of certain key management personnel of the Group.

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 are disclosed in Note 7, Note 10 and Note 17.

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.

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 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.

2013	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	**2,322**	**1,068**	**114**	**–**	**3,504**
Included in the measure of segment profit are:					
Revenue from external customers	11,222	3,941	39	–	15,202
Inter-segment revenue	10	235	33	(278)	–
Depreciation and amortisation	(693)	(371)	(12)	–	(1,076)
Interest income	128	77	140	(5)	340
Financing costs	(12)	(2)	–	6	(8)
Share of profit of joint ventures and associates	163	(7)	65	–	221
Tax expense	(653)	(363)	(27)	–	(1,043)

29. OPERATING SEGMENTS (continued)

2013	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment assets	**12,183**	**10,057**	**5,582**	**(91)**	**27,731**
Included in the measure of segment assets are:					
Investments in joint ventures and associates	**558**	**82**	**104**	**–**	**744**
Additions to non-current assets other than financial instruments and deferred tax assets	**541**	**2,011**	**16**	**–**	**2,568**

2012	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	2,081	1,696	60	–	3,837
Included in the measure of segment profit are:					
Revenue from external customers	11,958	4,598	43	–	16,599
Inter-segment revenue	7	241	37	(285)	–
Depreciation and amortisation	(751)	(355)	(12)	–	(1,118)
Interest income	87	66	154	–	307
Financing costs	(26)	–	(56)	–	(82)
Share of profit of joint ventures and associates	253	(11)	44	–	286
Tax expense	(801)	135	(47)	–	(713)
Segment assets	12,330	9,053	4,719	(182)	25,920
Included in the measure of segment assets are:					
Investments in joint ventures and associates	494	83	91	–	668
Additions to non-current assets other than financial instruments and deferred tax assets	146	653	31	–	830

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 joint ventures and associates) and deferred tax assets.

	Revenue RM Mil	Non-current assets RM Mil
2013		
Malaysia	**6,077**	**13,255**
Asia:		
– China	**3,314**	**–**
– Others	**5,559**	**86**
Rest of the world	**252**	**–**
Reclassified as assets held for sale (Note 12)	**–**	**(86)**
	15,202	**13,255**
2012		
Malaysia	6,964	11,709
Asia:		
– China	3,288	–
– Others	6,050	89
Rest of the world	297	–
Reclassified as assets held for sale (Note 12)	–	(89)
	16,599	11,709

Major customers

None of the customers contribute to more than 10% of Group revenue.

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"); and

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

Group		2013			2012		
	Note	L&R/ (L&B) RM Mil	FVTPL - HFT RM Mil	Total carrying amount RM Mil	L&R/ (L&B) RM Mil	FVTPL - HFT RM Mil	Total carrying amount RM Mil
Financial assets							
Long term receivables*	7	**3**	**–**	**3**	15	–	15
Trade and other receivables*	10	**1,422**	**3**	**1,425**	1,809	–	1,809
Cash and cash equivalents	11	**10,155**	**–**	**10,155**	9,307	–	9,307
		11,580	**3**	**11,583**	11,131	–	11,131
Financial liabilities							
Other long term liabilities*	16	**(268)**	**–**	**(268)**	(308)	–	(308)
Trade and other payables*	17	**(2,532)**	**(11)**	**(2,543)**	(1,916)	(1)	(1,917)
		(2,800)	**(11)**	**(2,811)**	(2,224)	(1)	(2,225)

30. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

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		**2013**		**2012**	
	Note	**L&R/ (L&B) RM Mil**	**Total carrying amount RM Mil**	**L&R/ (L&B) RM Mil**	**Total carrying amount RM Mil**
Financial assets					
Long term receivables	7	82	82	77	77
Trade and other receivables	10	387	387	472	472
Cash and cash equivalents	11	4,537	4,537	3,592	3,592
		5,006	5,006	4,141	4,141
Financial liabilities					
Trade and other payables*	17	(80)	(80)	(86)	(86)
		(80)	(80)	(86)	(86)

* These balances exclude non-financial instruments balances which are not within the scope of MFRS 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's 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 adopts PETRONAS Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the 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.

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. Credit risks are controlled by individual operating units in line with PETRONAS Group Risk Management Framework and Guideline.

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Receivables

The Group minimises credit risk by entering into contracts with high 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 prepared and presented to the management that cover the Group's and the Company's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

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

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

	Group	
	2013	**2012**
	RM Mil	**RM Mil**
Olefins and Derivatives	**1,148**	1,315
Fertilisers and Methanol	**240**	463
Others	**34**	31
	1,422	1,809

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The Group uses 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 year is analysed below:

	Group	
	2013	**2012**
	RM Mil	**RM Mil**
At net		
Current	**1,302**	1,692
Past due 1 to 30 days	**7**	30
Past due 31 to 60 days	**1**	1
Past due 61 to 90 days	**–**	–
Past due more than 90 days	**1**	–
	1,311	1,723

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Receivables (continued)

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

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's 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's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

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

Group	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
2013							
Financial liabilities							
Finance lease liabilities	**308**	**5.00**	**371**	**55**	**55**	**166**	**95**
Trade and other payables	**2,492**	**–**	**2,492**	**2,492**	**–**	**–**	**–**
Fair value through profit/loss							
– held for trading derivative liabilities	**11**	**–**	**11**	**11**	**–**	**–**	**–**
	2,811		**2,874**	**2,558**	**55**	**166**	**95**
2012							
Financial liabilities							
Finance lease liabilities	346	5.00	426	55	55	193	123
Trade and other payables	1,878	–	1,878	1,878	–	–	–
Fair value through profit/loss							
– held for trading derivative liabilities	1	–	1	1	–	–	–
	2,225		2,305	1,934	55	193	123

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
2013				
Financial liabilities				
Trade and other payables	**80**	**–**	**80**	**80**
2012				
Financial liabilities				
Trade and other payables	86	–	86	86

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's and the Company's financial assets, liabilities or expected future cash flows.

Interest rate risk

The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. 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 based on adopted PETRONAS Group Risk Management Framework and Guideline.

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk (continued)

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

	Group		Company	
	2013 RM Mil	**2012 RM Mil**	**2013 RM Mil**	**2012 RM Mil**
Fixed rate instruments				
Financial assets	**10,169**	9,334	**4,537**	3,794
Financial liabilities	**(319)**	(347)	**–**	–
	9,850	8,987	**4,537**	3,794
Floating rate instruments				
Financial assets	**–**	–	**174**	253

Since most of the Group's 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's and the Company's profit or loss.

Foreign exchange risk

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

The Group's and the Company's foreign exchange management policies are to minimise economic and significant transactional exposures arising from currency movements. The Group mainly relies on the natural hedge 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.

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign exchange risk (continued)

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

Group	2013 Denominated in			2012 Denominated in		
	USD RM Mil	EURO RM Mil	JPY RM Mil	USD RM Mil	EURO RM Mil	JPY RM Mil
Financial assets						
Cash and cash equivalents	–	–	–	601	–	–
Trade and other receivables*	1,268	7	5	1,467	2	–
Other financial assets	3	–	–	77	–	–
	1,271	7	5	2,145	2	–
Financial liabilities						
Borrowings*	(181)	–	–	(169)	–	–
Trade and other payables*	(379)	(192)	(201)	(140)	(2)	–
Other financial liabilities	(11)	–	–	–	–	–
	(571)	(192)	(201)	(309)	(2)	–
Net exposure	700	(185)	(196)	1,836	–	–

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

Company	Denominated in USD 2013 RM Mil	Denominated in USD 2012 RM Mil
Financial assets		
Trade and other receivables	172	175
Long term receivables	80	77
	252	252
Financial liabilities		
Trade and other payables	(8)	–
Net exposure	244	252

Since most of the Group's 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 a material impact on the Group's and the Company's profit or loss.

30. FINANCIAL INSTRUMENTS (continued)

Fair value information

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

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position by valuation method. The different levels have been defined as follows:

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

Group 2013	Fair value of financial instruments carried at fair value			
	Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil
Financial assets				
Forward foreign exchange contracts	–	3	–	3
Financial liabilities				
Forward foreign exchange contracts	–	(11)	–	(11)

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil	RM Mil
Financial assets					
Finance lease receivables	–	–	3	3	3
Financial liabilities					
Finance lease liabilities	–	–	(265)	(265)	(268)

30. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2012	Fair value of financial instruments carried at fair value Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil
Financial liabilities				
Forward foreign exchange contracts	–	(1)	–	(1)

	Fair value of financial instruments not carried at fair value* Total RM Mil
Financial assets	
Finance lease receivables	14
Financial liabilities	
Finance lease liabilities	(304)

Company 2013	Fair value of financial instruments not carried at fair value Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil	Carrying amount RM Mil
Financial assets					
Long term receivables	–	82	–	82	82

2012	Fair value of financial instruments not carried at fair value* Total RM Mil
Financial assets	
Long term receivables	77

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in MFRS 13.

30. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Forward foreign exchange contracts

The fair value of forward exchange contracts is based on the difference between the contracted forward rates and the Mark-To-Market (MTM) rates. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Finance lease receivables and liabilities

The fair values of finance lease receivables and liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Long term receivables

The fair value of long term receivables is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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

Group	2013				2012			
	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	**–**	**–**	**(8)**	**(8)**	–	–	(3)	(3)
Loans and receivables	**340**	**–**	**(1)**	**339**	307	–	15	322
Financial liabilities at amortised cost	**–**	**–**	**25**	**25**	–	(82)	16	(66)
	340	**–**	**16**	**356**	307	(82)	28	253

Company	2013				2012			
	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	**139**	**–**	**18**	**157**	157	–	(9)	148
Financial liabilities at amortised cost	**–**	**–**	**–**	**–**	–	(57)	–	(57)
	139	**–**	**18**	**157**	157	(57)	(9)	91

Others relate to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses 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 related shareholders value. As a subsidiary of PETRONAS, the Group adopts PETRONAS Group Corporate Financial Policy in managing its capital.

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

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group is required to maintain consolidated shareholders' equity equal 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. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2013, the Group and the Company adopted the following pronouncements that have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2013

MFRS 10	*Consolidated Financial Statements*
MFRS 11	*Joint Arrangements*
MFRS 12	*Disclosure of Interests in Other Entities*
MFRS 13	*Fair Value Measurement*
MFRS 119	*Employee Benefits (revised)*
MFRS 127	*Separate Financial Statements*
MFRS 128	*Investments in Associates and Joint Ventures*
Amendments to MFRS 1	*First–time Adoption of Malaysian Financial Reporting Standards – Government Loans*
Amendments to MFRS 1	*First–time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 – 2011 Cycle)*
Amendments to MFRS 7	*Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10	*Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11	*Joint Arrangements: Transition Guidance*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities: Transition Guidance*
Amendments to MFRS 101	*Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 116	*Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 132	*Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 134	*Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

32. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

The principal changes in accounting policies and their effects are set out below:

i. MFRS 10, *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determine which investees should be consolidated. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. MFRS 10 replaces the guidance on control and consolidation in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation – Special Purpose Entities*.

Upon adoption of MFRS 10, the Group has consolidated certain existing investees under the new control model and accounted for in accordance with other applicable accounting standards. As a consequence, the Group has changed its control conclusion in respect of its investment in Mitco Labuan Private Limited ("MLIPL").

Although shareholding is minimal, the Group has unilateral control over MLIPL with 2 out of 3 voting rights and the nature of MLIPL's operations, which is to provide marketing and promotional services of petrochemical products in India, which at present is solely for the Group. The business direction and operations are controlled by the Group.

Subsequently, MLIPL is recognised as a subsidiary and its results consolidated. However, no retrospective adjustment was made as the impact is immaterial to the Group.

ii. MFRS 11, *Joint Arrangements*

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131 *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Joint ventures arise when the joint venture has rights to the net assets of the arrangements, while joint operation arise when a joint operator has rights to the assets and liabilities relating to the arrangement. Interest in joint venture is accounted for using the equity method whilst interest in joint operation is accounted for using the applicable accounting standards relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

The adoption has resulted in the reclassification of the Group's investment in Kertih Terminals Sdn Bhd ("KTSB") from associate to joint venture due to the requirement for unanimous consent for decision on relevant activities which significantly affects KTSB's return. The effects of adoption is disclosed in Note 33.

iii. MFRS 12, *Disclosure of Interests in Other Entities*

MFRS 12 establishes improvement to the disclosure of a reporting entity's interest in other entities. Upon adoption of MFRS 12, the Group is required to disclose information about the nature and risks of interests in subsidiaries, joint arrangements, associates and the effects of those interests on financial position, performance and cash flows.

No expanded disclosure is required as none of the contribution from subsidiaries' non-controlling interests, joint ventures or associates to the Group's profit is material.

32. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

iv. MFRS 13, *Fair Value Measurement*

MFRS 13 replaces and expands the disclosure requirements about fair value measurements in other MFRS, including MFRS 7, *Financial Instruments: Disclosures*. MFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other MFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon adoption of MFRS 13, the Group and the Company have included additional disclosures on fair value measurement, as disclosed in Note 30 to the financial statements.

In accordance with the transitional provisions of MFRS 13, the Group and the Company have applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no significant impact on the measurements of the Group's and Company's assets and liabilities.

v. Amendment to MFRS 116, *Property, Plant and Equipment*

The amendment, which is effective for annual periods beginning on or after 1 January 2013, requires the classification of certain items in inventory to be capitalised as part of property, plant and equipment if they meet the definition of property, plant and equipment.

The adoption of the amendment does not have material impact on the financial statements.

33. EFFECTS OF ADOPTION OF MFRS 11

As stated in Note 5, the adoption of MFRS 11, *Joint Arrangements* has resulted in Kertih Terminals being reclassified from investment in associates to investment in joint ventures.

An illustration of how the adoption to MFRS 11 has affected the Group's and the Company's comparatives in the statement of financial position is set out as follow:

	Group			Company		
	2012 RM Mil As reported	Effect of adoption of MFRS 11 RM Mil	2012 RM Mil Restated	2012 RM Mil As reported	Effect of adoption of MFRS 11 RM Mil	2012 RM Mil Restated
Investment in joint ventures						
Investment in unquoted shares at cost	87	89	176	87	89	176
Merger adjustment	(70)	(73)	(143)	-	-	-
Share of post acquisition profits and reserves	38	76	114	-	-	-
	55	92	147	87	89	176

33. EFFECTS OF ADOPTION OF MFRS 11

	Group			Company		
	2012 RM Mil As reported	Effect of adoption of MFRS 11 RM Mil	2012 RM Mil Restated	2012 RM Mil As reported	Effect of adoption of MFRS 11 RM Mil	2012 RM Mil Restated
Investment in associates						
Investment in unquoted shares at cost	551	(89)	462	532	(89)	443
Merger adjustment	(80)	73	(7)	-	-	-
Share of post acquisition profits and reserves	142	(76)	66	-	-	-
	613	(92)	521	532	(89)	443

34. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company:

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10	*Consolidated Financial Statements*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities*
Amendments to MFRS 127	*Consolidated and Separate Financial Statements*
Amendments to MFRS 132	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
Amendments to MFRS 3	*Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
Amendments to MFRS 8	*Operating Segments (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 13	*Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
Amendments to MFRS 116	*Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 119	*Employee Benefits – Defined Benefit Plans: Employee Contributions*
Amendments to MFRS 124	*Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 138	*Intangible Assets (Annual Improvements 2010-2012 Cycle)*

34. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT (continued)

Effective date yet to be announced by MASB

MFRS 9	*Financial Instruments (2009)*
MFRS 9	*Financial Instruments (2010)*
MFRS 9	*Financial Instruments (2013)*
Amendments to MFRS 7	*Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The Group and the Company are currently assessing the impact of adopting the above pronouncements.

35. NEW PRONOUNCEMENT NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued a pronouncement 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 or after 1 January 2014

IC Interpretation 21	*Levies*

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 2	*Share-based Payment (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 140	*Investment Property (Annual Improvements 2011-2013 Cycle)*

36. HOLDING COMPANY

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

37. DISCLOSURE OF REALISED AND UNREALISED PROFIT

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM Mil	**RM Mil**	**RM Mil**	**RM Mil**
Total retained profits of the Company and its subsidiaries:				
– realised	**16,218**	15,423	**4,940**	3,263
– unrealised	**(431)**	(386)	**19**	(10)
	15,787	15,037	**4,959**	3,253
Total retained profits from joint ventures and associated companies:				
– realised	**375**	341	**–**	–
– unrealised	**(38)**	(37)	**–**	–
	337	304	**–**	–
Total realised and unrealised	**16,124**	15,341	**4,959**	3,253
Less: Consolidation adjustments	**(3,190)**	(3,793)	**–**	–
Total group retained profits as per consolidated accounts	**12,934**	11,548	**4,959**	3,253

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 purposes.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD
(COMPANY NO. 459830-K)
(INCORPORATED IN MALAYSIA)

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 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 155 to 224.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 24 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 on page 225 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 Malaysian Financial Reporting Standards or International 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 MATTER(S)

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

Loh Kam Hian
Approval Number: 2941/09/14(J)
Chartered Accountant

Petaling Jaya, Selangor
Date: 25 February 2014

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)	Net Book Value as at 31.12.2013: (RM '000)
1	PETRONAS Chemicals Derivatives Sdn Bhd, PETRONAS Chemicals Olefins Sdn Bhd and PETRONAS Chemicals Glycols Sdn Bhd (each a 1/3 part owner)					2,710,034
	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	12	
	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 sub-station	260,469	12	
	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	12	
2	PETRONAS Chemicals Methanol Sdn Bhd No. 9222, 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	14 hectares	5	1,559,671
3	PETRONAS Chemicals Methanol Sdn Bhd No. 206291590, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 51 years, expiring on 30 December 2043	01.06.1992	Industrial land – Plant for production of methanol and administration office	34 acres	29	411,259

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)	Net Book Value as at 31.12.2013: (RM '000)
4	PETRONAS Chemicals MTBE Sdn Bhd* 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	20	412,564
5	PETRONAS Chemicals MTBE Sdn Bhd* 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	13	626,575
6	PETRONAS Chemicals MTBE Sdn Bhd* 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	8	8,055
7	Polypropylene Malaysia Sdn Bhd* 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	15	11,634
8	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd* 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	15	724,805

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)	Net Book Value as at 31.12.2013: (RM '000)
9	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	29	788,232
10	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	9	221
11	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	9	225
12	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	9	213
13	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	9	204

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)	Net Book Value as at 31.12.2013: (RM '000)
14	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	9	255
15	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	9	230
16	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	9	225
17	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	198
18	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	202

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)	Net Book Value as at 31.12.2013: (RM '000)
19	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	181
20	PETRONAS Chemicals Ethylene 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	19	524,538
21	PETRONAS Chemicals Ethylene 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	19	9,370
22	PETRONAS Chemicals Ammonia Sdn Bhd* 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	14	447,539

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)	Net Book Value as at 31.12.2013: (RM '000)
23	PETRONAS Chemicals Ammonia Sdn Bhd PN 3331, Lot 5276, Mukim Kertih Daerah Kemaman, Negeri Terengganu Leasehold of 60 years, expiring on 8 January 2055	01.12.2011	Industrial land – KIPC Shared Facilities which includes the Administrative, Laboratory and Workshop buildings	96,208	2	32,482
24	PETRONAS Chemicals LDPE 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	13	391,419
25	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	14	383,828
26	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 (Reclaimation area land & Coastal Strip Land)	41,400	14	461

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)	Net Book Value as at 31.12.2013: (RM '000)
27	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	19	18,931
28	Vinyl Chloride (Malaysia) Sdn Bhd					4,214
	Pajakan Negeri No. Hakmilik 3331, No. Lot 5276, Daerah Kemaman, Mukim Kertih, Negeri Terengganu Leasehold of 60 years, expiring on 8 January 2055	01.09.1998	Industrial land – Integrated PVC manufacturing plant	187,958	13	
	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	13	

* *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, Polypropylene Malaysia Sdn Bhd, PETRONAS Chemicals Ammonia Sdn Bhd and PETRONAS Chemicals Fertiliser 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.*

ANALYSIS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2014

Size of Holdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	93	0.39	931	0.00
100 – 1,000	7,711	32.65	6,953,418	0.09
1,001 – 10,000	12,948	54.82	54,439,478	0.68
10,001 – 100,000	2,178	9.22	61,143,855	0.76
100,001 to less than 5% of issued shares	686	2.91	1,803,024,218	22.54
5% and above of issued shares	2	0.01	6,074,438,100	75.93
Total	23,618	100.00	8,000,000,000	100.00

List of Directors' Shareholdings in the Company (PETRONAS Chemicals Group Berhad)

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	Datuk Dr Abd Hapiz bin Abdullah (shares held under Maybank Nominees (Tempatan) Sdn Bhd)	20,000	0.00
3	Vimala a/p V.R. Menon (shares held under own name)	20,000	0.00
4	Ching Yew Chye (shares held under own name)	20,000	0.00
5	Dong Soo Kim (shares held under own name)	20,000	0.00
6	Ir Kamarudin bin Zakaria (shares held under own name)	35,000	0.00
7	Rashidah binti Alias @ Ahmad (shares held under own name)	6,000	0.00

	No. of Shareholders		% of Shareholders		No. of Total Shareholders		% of Total Shareholdings	
Category of Shareholders	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual	18,798	179	79.59	0.76	88,775,454	2,017,541	1.11	0.02
Body Corporate								
Banks/Finance Companies	97	0	0.41	0.00	836,612,900	0	10.46	0.00
Investment Trusts/ Foundation/Charities	3	0	0.01	0.00	470,000	0	0.01	0.00
Other types of companies	330	12	1.40	0.05	17,503,100	3,917,500	0.22	0.05
Government Agencies/ Institution	7	0	0.03	0.00	11,075,500	0	0.14	0.00
Nominees	3,525	667	14.93	2.82	6,385,264,135	654,363,870	79.81	8.18
Others	0	0	0.00	0.00	0	0	0.00	0.00
Total	22,760	858	96.37	3.63	7,339,701,089	660,298,911	91.75	8.25

ANALYSIS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2014

List of Thirty Largest Shareholders

No	Name	No. of Shares	%
1	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	5,148,000,000	64.35
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	926,438,100	11.58
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	299,083,300	3.74
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	228,154,200	2.85
5	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	74,182,400	0.93
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	55,019,100	0.69
7	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	52,664,500	0.66
8	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	52,448,522	0.66
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	52,287,000	0.65
10	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	41,950,000	0.52
11	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	31,580,319	0.39
12	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	31,044,200	0.39
13	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	28,842,100	0.36
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	25,018,700	0.31
15	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	23,830,200	0.30
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	23,761,100	0.30
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	21,029,727	0.26
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)	20,731,100	0.26

No	Name	No. of Shares	%
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	17,500,000	0.22
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	16,409,400	0.21
21	CITIGROUP NOMINEES (ASING) SDN BHD LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)	14,769,000	0.18
22	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	14,001,800	0.18
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	13,580,200	0.17
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	13,332,800	0.17
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	13,129,400	0.16
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK (IRELAND) PUBLIC LIMITED COMPANY	12,709,597	0.16
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	12,521,000	0.16
28	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR MONETARY AUTHORITY OF SINGAPORE (H)	10,317,000	0.13
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	10,161,900	0.13
30	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPTIMAL GROWTH FUND	10,048,300	0.13

List of Substantial Shareholders

No	Name	No. of Shares	% of Total Shareholdings
1	PETROLIAM NASIONAL BERHAD (SHARES HELD UNDER CIMB GROUP NOMINEES (TEMPATAN) SDN BHD)	5,148,000,000	64.35
2	EMPLOYEES PROVIDENT FUND BOARD (SHARES HELD UNDER CITIGROUP NOMINEES (TEMPATAN) SDN BHD)	926,438,100	11.58

CORPORATE DIRECTORY

Wholly-owned Subsidiaries

Kertih Port Sdn Bhd

Lot 3633, Kawasan Bukit Tengah
KM 105, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 5648/5796
Fax : 609 830 5618/5623/5639

PETRONAS Chemicals Ammonia Sdn Bhd

Kompleks Pentadbiran Petrokimia PETRONAS
KM 105, Jalan Kuantan-Kuala Terengganu
24300, Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 5000
Fax : 609 830 5222

PETRONAS Chemicals Derivatives Sdn Bhd

Administration Building
PETRONAS Petroleum Industry Complex
KM 106, Jalan Kuantan-Kuala Terengganu
24300, Kertih
Terengganu Darul Iman
Tel : 609 830 7700
Fax : 609 830 7797

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd

KM 3, Jalan Jeniang
P.O. Box 22
08300, Gurun
Kedah Darul Aman
Tel : 604 466 6666
Fax : 604 468 5200

PETRONAS Chemicals Fertiliser Sabah Sdn Bhd

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : 603 2331 9574
Fax : 603 2051 1501

PETRONAS Chemicals Glycols Sdn Bhd

Administration Building
PETRONAS Petroleum Industry Complex
KM 106, Jalan Kuantan-Kuala Terengganu
24300, Kertih
Terengganu Darul Iman
Tel : 609 830 7700
Fax : 609 830 7797

PETRONAS Chemicals Marketing Sdn Bhd

Level 15, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088, Kuala Lumpur
Tel : 603 2051 4224
Fax : 603 2051 4943

PETRONAS Chemicals Methanol Sdn Bhd

Kawasan Perindustrian Rancha-Rancha
P.O. Box 80079
87010, Federal Territory Labuan
Tel : 6087 451 688
Fax : 6087 453 688

PETRONAS Chemicals MTBE Sdn Bhd

Lot 111/112, Kawasan Perindustrian Gebeng
26080, Kuantan
Pahang Darul Makmur
Tel : 609 585 6700
Fax : 609 583 4090/4743

PETRONAS Chemicals Polyethylene Sdn Bhd

Lot 3834, Kawasan Bukit Tengah
KM 105, Jalan Kuantan-Kuala Terengganu
24300, Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 2000
Fax : 609 827 3940

PETRONAS Chemicals Marketing (Labuan) Ltd
(Formerly known as 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

Polypropylene Malaysia Sdn Bhd

Lot 111/112, Kawasan Perindustrian Gebeng
26080, Kuantan
Pahang Darul Makmur
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
Terengganu Darul Iman
Tel : 609 870 5000
Fax : 609 830 5533

Partly-owned subsidiaries

ASEAN Bintulu Fertilizer Sdn Bhd

KM 18, Jalan Tanjung Kidurong
P.O. Box 482
97008 Bintulu
Sarawak
Tel : 6086 231 000/232 000
Fax : 6086 251 043

PETRONAS Chemicals Aromatics Sdn Bhd

c/o PETRONAS Penapisan (T) Sdn Bhd
KM 105, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 3007
Fax : 609 830 3188

PETRONAS Chemicals Ethylene Sdn Bhd

Lot 3834, Kawasan Bukit Tengah
KM 105, Jalan Kuantan-Kuala Terengganu
24300, Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 2000
Fax : 609 827 3940

PETRONAS Chemicals LDPE Sdn Bhd

Lot 9719, PETRONAS Petroleum Industry Complex
KM 105, Jalan Kuantan-Kuala Terengganu
24300, Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 5068
Fax : 609 830 5858/5990

PETRONAS Chemicals Olefins Sdn Bhd

Administration Building
PETRONAS Petroleum Industry Complex
KM 106, Jalan Kuantan-Kuala Terengganu
24300, Kertih
Terengganu Darul Iman
Tel : 609 830 7700
Fax : 609 830 7797

Phu My Plastics & Chemicals Co Ltd.
(In the process of divestment)

PETRONAS Tower B (Tower B)
Royal Centre, 235 Nguyen Van Cu Street
Nguyen Cu Trinh Ward
District 1, Ho Chi Minh City
Vietnam
Tel : 848 3830 9966/9977 (ext. 2000)
Fax : 848 3833 5858

MITCO Labuan India Private Limited
(Subsidiary pursuant to Malaysian Reporting Standards 10)

12th Floor, Mohan Der Building
13, Tolstroy Marg
New Delhi – 11001
Tel : +91 11 2373816/11 2373871
Fax : +91 11 23738712

Joint Ventures

BP PETRONAS Acetyls Sdn Bhd

Kompleks Pentadbiran
Petrokimia PETRONAS
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 5300
Fax : 609 830 5321

Kertih Terminals Sdn Bhd

Tingkat 1, Kompleks Pentadbiran KPSB
Lot 3633, Kawasan Bukit Tengah
KM 105, Jalan Kuantan-Kuala Terengganu
24300, Kertih, Kemaman
Terengganu Darul Iman
Tel : 609 830 5788
Fax : 609 830 5665

Associate Companies

BASF PETRONAS Chemicals Sdn Bhd

Jalan Gebeng 2/1
Kawasan Perindustrian Gebeng
26080, Kuantan
Pahang Darul Makmur
Tel : 609 585 5000
Fax : 609 583 4623

Idemitsu SM (Malaysia) Sdn Bhd

PLO 408, Off Jalan Pekeliling
Pasir Gudang Industrial Estate
81700, Pasir Gudang
Johor Darul Takzim
Tel : 607 252 5350
Fax : 607 252 8281

Malaysian NPK Fertilizer Sdn Bhd

P.O. Box 24
08300, Gurun
Kedah Darul Aman
Tel : 604 468 4075
Fax : 604 468 4079

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at Conference Hall 1, 2 and 3, Kuala Lumpur Convention Centre, Jalan Ampang, 50088 Kuala Lumpur, Malaysia on Thursday, 24 April 2014 at 10.30 am to transact the following businesses:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect the following Directors who retire by rotation pursuant to Article 93 of the Company's Articles of Association:

   (a) Datuk Dr Abd Hapiz bin Abdullah **(Resolution 2)**

   (b) Rashidah binti Alias @ Ahmad **(Resolution 3)**

3. To approve the Directors' fees in respect of the financial year ended 31 December 2013. **(Resolution 4)**

4. To approve the appointment of Messrs. KPMG, having consented to act as auditor of the Company in place of the retiring auditor Messrs KPMG Desa Megat & Co and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other business of which due notice has been given.

By Order of the Board

Noryati Mohd Noor
Kang Shew Meng
Company Secretaries

Kuala Lumpur
1 April 2014

Notes:-

1. *Only depositors whose names appear in the Record of Depositors as at Tuesday, 15 April 2014 shall be regarded as members and entitled 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/her 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/her 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. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *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.*
6. *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.*
7. *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

PETRONAS CHEMICALS GROUP BERHAD
(Company No 459830-K)

PETRONAS

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 Sixteenth Annual General Meeting of the Company to be held at Conference Hall 1, 2, and 3, Kuala Lumpur Convention Centre, Jalan Ampang, 50088 Kuala Lumpur, Malaysia on Thursday, 24 April 2014 at 10.30 a.m. Kuala Lumpur, Malaysia and at any adjournment thereof and to vote as indicated below:-

No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	Receipt of Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon		
2.	Re-election of Datuk Dr Abd Hapiz bin Abdullah as a Director		
3.	Re-election of Rashidah binti Alias @ Ahmad as a Director		
4.	Approve the Directors' fees in respect of the financial year ended 31 December 2013		
5.	Approve appointment of Messrs KPMG as new Auditors of the Company and to authorise 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 ____________ 2014

____
Signature of Member/Common Seal

**Strike out whichever not applicable.*

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at Tuesday, 15 April 2014 shall be regarded as members and entitled 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/her 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/her 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. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *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.*
6. *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.*
7. *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.*

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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

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