RISE ABOVE
CHALLENGES

PETRONAS

ANNUAL REPORT **2015**
PETRONAS CHEMICALS GROUP BERHAD (459830-K)

RISE ABOVE
CHALLENGES

Rationale

Today's economic environment is marked with setbacks, hurdles and unexpected events. It is how businesses cope with these that ultimately dictates its ability to thrive amidst adversity. The capacity to triumph in the face of challenging circumstances is what sets PETRONAS Chemicals Group Berhad (PCG) apart from others.

Drawing on the strengths of our operational excellence, dynamic marketing and sales strategies as well as innovative customer solutions, we have successfully driven our business growth and created value for our shareholders. To ensure the continued success of our business strategy, our focus will be on key growth projects which will propel PCG ahead in realising its future long term growth aspirations. As a results-based organisation, we are confident of enhancing PCG as a competitive regional player by focusing on value creation for all our stakeholders.

The vibrantly coloured hexagons on the cover represent the chemical molecules that are at the core of PCG's business. The rising hexagon symbolises PCG and its ability to rise above any challenge, be it in a business, social or economic landscape.

Notice is hereby given that the **18th** Annual General Meeting of the Company will be held at Tamingsari Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Thursday, 28 April 2016 at 10.30 a.m.

PETRONAS CHEMICALS GROUP BERHAD

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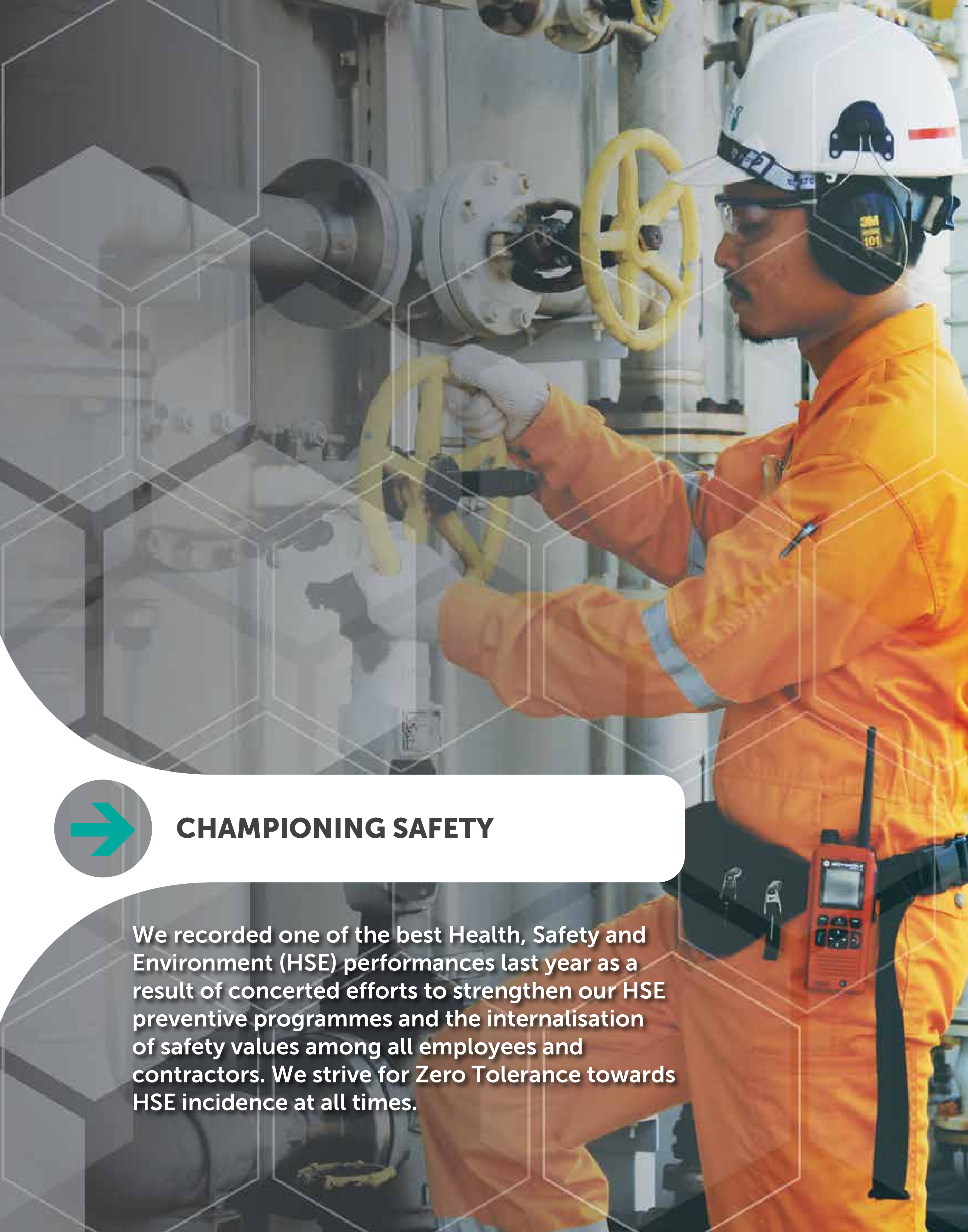

CHAMPIONING SAFETY

We recorded one of the best Health, Safety and Environment (HSE) performances last year as a result of concerted efforts to strengthen our HSE preventive programmes and the internalisation of safety values among all employees and contractors. We strive for Zero Tolerance towards HSE incidence at all times.

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OUR VISION

The preferred chemical company providing innovative customer solutions

OUR SHARED VALUES

Loyalty • Integrity
Professionalism • Cohesiveness

Key Highlights

Revenue

RM13.5 billion

Profit After Tax

RM3.1 billion

1st Interim Dividend

8 sen
per ordinary share

Health, Safety & Environment

- Achieved sustainable Health, Safety & Environment performance across PCG operations

Marketing & Sales

- Operationalised overseas subsidiaries in Thailand – PCM (Thailand) Company Limited and China – PCM (China) Company Limited
- Sustained strong financial performance through marketing excellence amidst challenging market conditions

Operational Excellence

- Recorded highest plant utilisation since listing with performance at world class benchmark

Innovation

- Developed and commercialised an innovative customer solution, C170X, an LDPE extrusion coating grade for lamination application

EBITDA

RM4.7 billion

Total Assets

RM30.8 billion

2nd Interim Dividend

10 sen per ordinary share

Growth

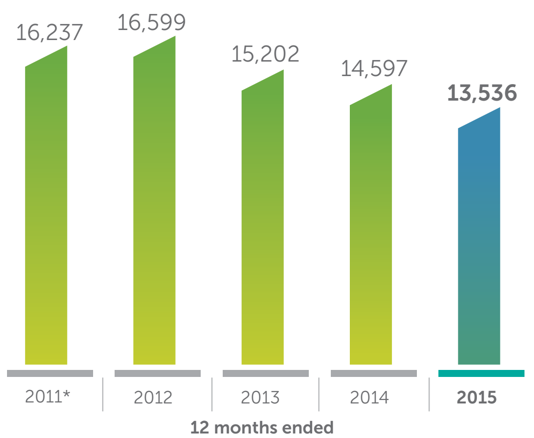
- Sabah Ammonia Urea (SAMUR) Project has began commissioning activities towards commercial operations in the second half of 2016
- Integrated Aroma Ingredients Complex is progressing as planned with first production of citral in 2016
- 2-Ethylhexanoic Acid (2-EH Acid) Project is progressing as planned with first production expected in 2016
- Highly Reactive Polyisobutene (HR-PIB) Project is progressing as planned with first production expected in 2017
- Acquired 100% equity in PRPC Polymers Sdn Bhd, PRPC Glycols Sdn Bhd and PRPC Elastomers Sdn Bhd which will undertake petrochemical projects as part of PETRONAS Refinery and Petrochemical Integrated Development (RAPID) in Pengerang, Johor

Group Financial Highlights

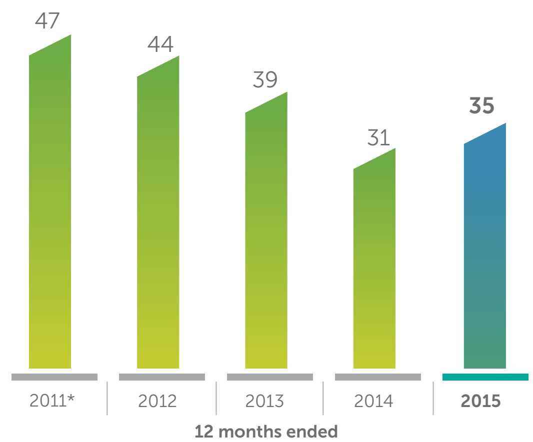
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS:

RM Million (unless otherwise stated) 12 months ended	2011*	2012	2013	2014	2015
Revenue	16,237	16,599	15,202	14,597	**13,536**
Profit Before Tax	5,461	4,550	4,547	3,551	**3,833**
Profit Before Tax as % Revenue	34%	27%	30%	24%	**28%**
Profit After Tax	4,288	3,837	3,504	2,726	**3,091**
Profit After Tax as % Revenue	26%	23%	23%	19%	**23%**
Earnings Per Share (sen) – Basic	47	44	39	31	**35**
EBITDA	6,076	5,778	5,076	4,644	**4,660**
EBITDA Margin	37%	35%	33%	32%	**34%**

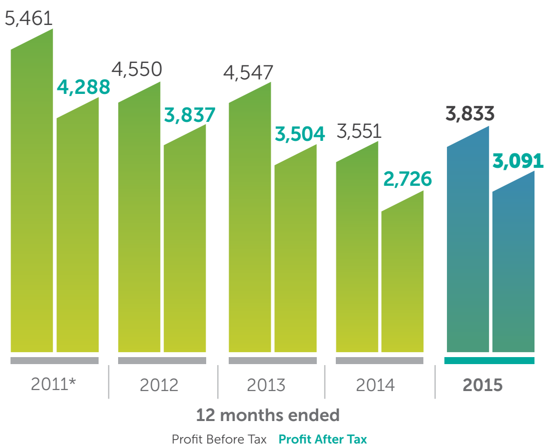
Revenue
(RM Million)



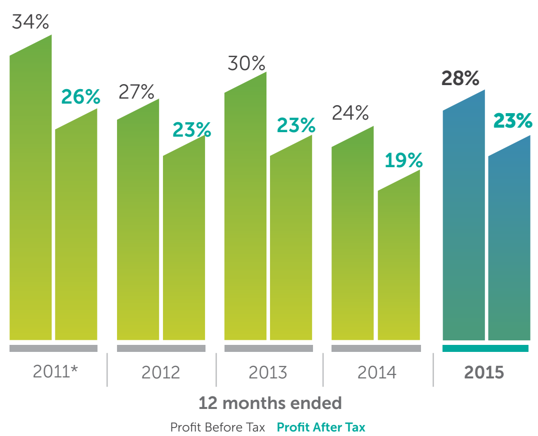
Earnings Per Share – Basic
(sen)



Profit
(RM Million)



Profit as % Revenue

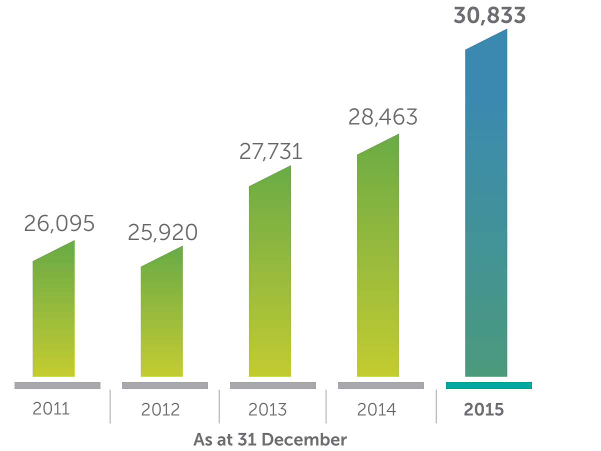


* *The Group changed its financial year end in 2011 from March to December, making it a nine-month reporting period from 1 April to 31 December 2011. To allow for meaningful comparison, comparatives for 2011 were based on a twelve-month period.*

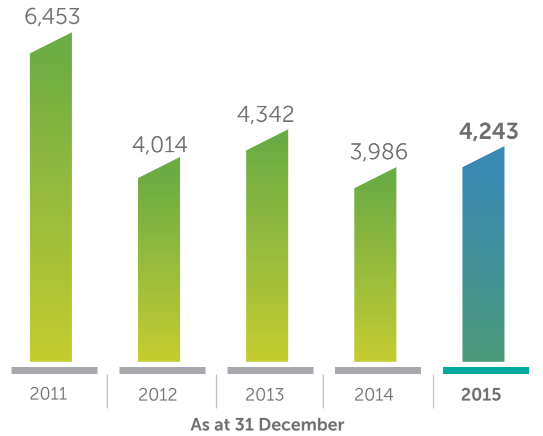
STATEMENT OF FINANCIAL POSITION ITEMS:

RM Million (unless otherwise stated) As at 31 December	2011	2012	2013	2014	2015
Total Assets	26,095	25,920	27,731	28,463	**30,833**
Total Equity	19,642	21,906	23,389	24,477	**26,590**
Total Liabilities	6,453	4,014	4,342	3,986	**4,243**
Net Tangible Assets Per Share (RM)	2.26	2.54	2.72	2.84	**3.10**

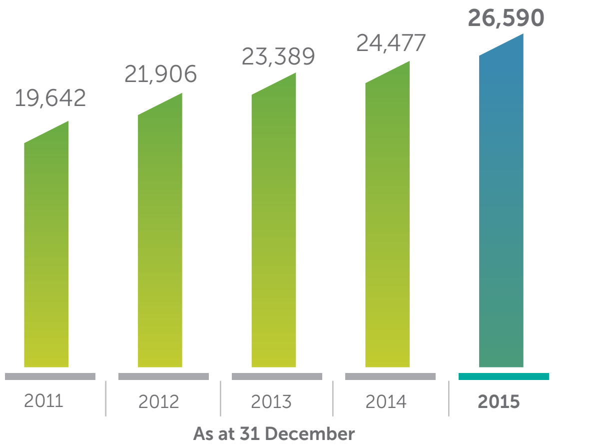
Total Assets
(RM Million)



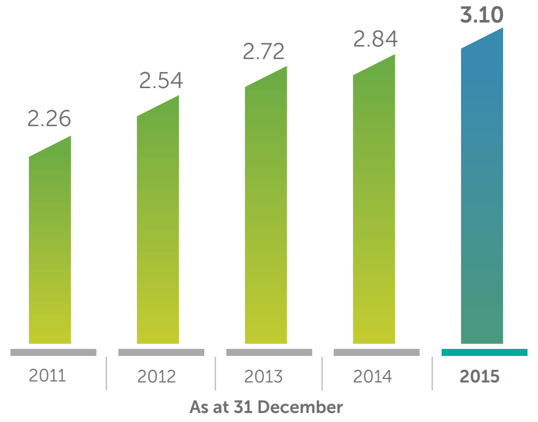
Total Liabilities
(RM Million)



Total Equity
(RM Million)



Net Tangible Assets Per Share
(RM)



DRIVING PERFORMANCE

Elevating the standards of our performance is key to sharpening our competitive edge. Guided by the strong desire to excel, we aim to deliver distinctive performance in the core areas of operational excellence, marketing and sales as well as innovation to maximise shareholder value.

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PCG AT A GLANCE

Listed on Bursa Malaysia Securities Berhad with more than three decades of experience in the chemicals industry, PETRONAS Chemicals Group Berhad was established as part of PETRONAS Group to maximise value from Malaysia's natural gas resources.

As the leading integrated chemicals producer in Malaysia and one of the largest in South East Asia, PETRONAS Chemicals Group Berhad's portfolio covers a wide range of chemicals.

QUICK FACTS

PCG is headquartered in the PETRONAS Twin Towers, Kuala Lumpur City Centre. The Group comprises 29 subsidiaries, joint ventures and associate companies, producing and marketing a wide range of chemical products.

- Two integrated petrochemical complexes, one in Kertih, Terengganu and the other in Gebeng, Pahang.
- Three manufacturing complexes in Gurun, Kedah; Bintulu, Sarawak; and Federal Territory of Labuan that produce fertilisers and methanol; and one new fertilisers manufacturing complex in Sipitang, Sabah (SAMUR Project) which will commence production in 2016.
- Two marketing subsidiaries in Malaysia, one in Thailand and one in China as well as representative offices in Indonesia, Vietnam and the Philippines.

Two business segments:

- Olefins & Derivatives
- Fertilisers & Methanol

Current total production capacity of over 10 million metric tons per annum (mtpa).*

- The largest producer of methanol in South East Asia and fourth largest in the world.
- The second largest producer of urea in South East Asia with the completion of SAMUR Project.
- The third largest producer of LDPE in South East Asia.

Sole producer of methanol, urea, paraxylene, methyl tertiary butyl ether (MTBE), ethanolamines, ethoxylates, glycol ethers, butanol and butyl acetates in Malaysia.

Joint-venture partners include BASF Nederland B.V., BP Holdings International B.V., Idemitsu Kosan Co. Ltd., Dialog Equity Sdn Bhd, VOPAK Terminal Penjuru Pte. Ltd., MJPX Co. Ltd., Sasol Holdings (Asia Pacific) (Pty) Ltd. and National Farmers Organization (NAFAS).

* *Production capacity is based on installed capacity which includes our equity share of joint venture and associate companies' capacities where relevant.*

OUR MILESTONES

1985

- Commenced production of urea and ammonia in Bintulu Complex

1992

- Commenced production of propylene, polypropylene and MTBE in Gebeng Complex
- Acquired methanol plant in Labuan Complex

1995

- Commenced production of ethylene and polyethylene in Kertih Integrated Petrochemical Complex

1997

- Commenced production of styrene monomer in Pasir Gudang

1999

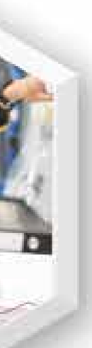
- Commenced production of urea, ammonia and methanol in Gurun Complex

2000

- Commenced production of acrylic acid in Gebeng Complex
- Commenced production of benzene, paraxylene, ammonia, vinyl chloride monomer, polyvinyl chloride and acetic acid in Kertih Integrated Petrochemical Complex

2002

- Commenced production of olefins, glycols and derivatives in Kertih Integrated Petrochemical Complex
- Commenced production of polyvinyl chloride in Baria-Vung Tau, Vietnam



2004

- Expanded production capacities of urea and ammonia in Bintulu Complex

2006

- Expanded production capacities of urea and ammonia in Gurun Complex

2009

- Commissioned mega methanol plant in Labuan Complex
- Acquired Dow Chemicals' interests in PETRONAS Chemicals Olefins, PETRONAS Chemicals Glycols and PETRONAS Chemicals Derivatives

2010

- Acquired BP's interests in PETRONAS Chemicals Ethylene and PETRONAS Chemicals Polyethylene
- Listed on Main Market of Bursa Malaysia Securities Berhad

2011

- Sanctioned development and construction of a new world-scale fertilisers plant in Sipitang, Sabah (SAMUR Project)

2012

- Took over marketing of chemicals and performance chemicals from Dow Chemicals starting with Indonesia and Singapore
- Decision to discontinue vinyl business

2013

- Sanctioned development and construction of Asia Pacific's largest Integrated Aroma Ingredients Complex at BASF PETRONAS Chemicals Sdn Bhd in Gebeng

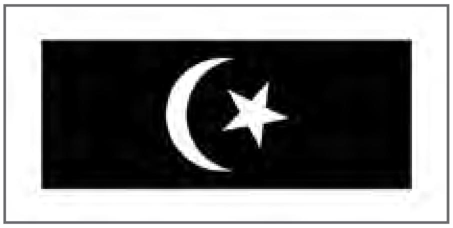
2014

- Completed divestment of Phu My Plastics & Chemicals Company Limited pursuant to decision to discontinue vinyl business
- Secured licence for PETRONAS Chemicals Marketing (Labuan) Ltd as Labuan International Commodity Trading Company
- Incorporated overseas marketing subsidiaries in Thailand – PCM (Thailand) Company Limited; and China – PCM (China) Company Limited

2015

- Sanctioned development and construction of 2-Ethylhexanoic Acid (2-EH Acid) and Highly Reactive Polyisobutene (HR-PIB) Projects at BASF PETRONAS Chemicals Sdn Bhd in Gebeng
- Acquired 100% equity in PRPC Polymers Sdn Bhd, PRPC Glycols Sdn Bhd and PRPC Elastomers Sdn Bhd which will undertake petrochemical projects as part of PETRONAS Refinery and Petrochemical Integrated Development (RAPID) in Pengerang, Johor

OUR OPERATIONS



TERENGGANU

PAHANG

FEDERAL TERRITORY OF LABUAN

Kertih Integrated Petrochemical Complex

- Ammonia
- Benzene
- Butanol
- Butyl Acetate
- Carbon Monoxide
- Ethanolamines
- Ethoxylates
- Ethylene
- Ethylene Glycols
- Glycol Ethers
- Oxogas
- Paraxylene
- Polyethylene
- Propylene
- Acetic Acid*

Gebeng Integrated Petrochemical Complex

- Methyl Tertiary Butyl Ether (MTBE)
- n-Butane
- Propylene
- Acrylics*
- Butanediol*
- Oxo-alcohols*

Federal Territory of Labuan

- Methanol

SARAWAK

KEDAH

JOHOR

Bintulu

- Ammonia
- Urea

Gurun

- Ammonia
- Methanol
- Urea
- NPK Fertilisers*

Pasir Gudang

- Styrene Monomer*

* *Products produced by joint venture and associate companies.*

Our Product Portfolio

Our products find diverse applications ranging from the automotive industry to agriculture and as ingredients for personal care products. We work closely with our customers to serve their needs by providing innovative customised solutions.

Our portfolio covers a wide range of products. Natural gas from fields offshore Malaysia is the source of the key building blocks – methane, ethane, propane and butane. Another key building block, attained from cracking of crude oil, is naphtha.

Methane is used for the manufacture of ammonia, urea and methanol.

Ethane is the feedstock for producing ethylene which is used to manufacture polyethylene (plastic) resins. Ethylene is also used to produce ethylene glycol products and derivatives of ethylene oxide such as glycol ethers, ethanolamines and ethoxylates.

Propane is converted to propylene which is used in the manufacture of acrylic acid and oxo-alcohols.

Butane is converted to isobutylene which is fed into MTBE production.

Naphtha is used for producing aromatic compounds, namely paraxylene and benzene.

OLEFINS, GLYCOLS & DERIVATIVES

Key Products	Description	Feedstock	Application
Ethylene	A two carbon molecule colourless gas converted from natural gas	Ethane	Feedstock for production of polyethylene, ethylene glycol, ethylene oxide (EO) and derivatives of EO
Propylene	A three carbon molecule colourless gas converted from natural gas	Propane	Feedstock for the production of acrylic acids, acrylic esters and oxo-alcohols
Monoethylene Glycol (MEG)	A colourless hygroscopic liquid derived from ethylene glycol	Ethylene Oxide	Feedstock for manufacturing polyester fibers, polyethylene terephthalate resins (PET) and an ingredient of antifreeze products
Diethylene Glycol (DEG)	A colourless hygroscopic liquid derived from ethylene glycol	Ethylene Oxide	Ingredient in printing ink, pigments and dyes
Performance Chemicals	Colourless liquids derived from ethylene oxide	Ethylene Oxide, Ammonia, Fatty Alcohol	Surfactants, gas treating solvents and personal care products

POLYMERS

Key Products	Description	Feedstock	Application
Polyethylene (LLDPE, HDPE, LDPE)	Solid resins produced from the polymerisation of ethylene	Ethylene	Feedstock for manufacturing plastic products, including packaging films, wires, cables and ducting

AROMATICS

Key Products	Description	Feedstock	Application
Paraxylene	A six carbon ring structure molecule derived from naphtha	Naphtha	Production of terephthalic acid, used in the manufacture of polyester for packaging applications, drink bottles and textiles
Benzene	A six carbon ring structure molecule derived from naphtha	Naphtha	Feedstock for manufacturing polystyrene used for packaging

MTBE

Key Products	Description	Feedstock	Application
Methyl Tertiary Butyl Ether (MTBE)	A five carbon molecule derived from butane and methanol	Butane, Methanol	Gasoline additive to boost octane level to improve burning of fuels and reduce level of emissions

METHANOL

Key Products	Description	Feedstock	Application
Methanol	Simplest organic alcohol and is a colourless flammable liquid	Methane	Production of formaldehyde, acetic acid, chloromethanes and methyl methacrylate, which in turn are used in the production of resins, adhesives, paints, plastics, flavourings, silicones and plexiglass

AMMONIA & FERTILISERS

Key Products	Description	Feedstock	Application
Ammonia	A nitrogen and hydrogen compound in the form of colourless gas with a characteristic pungent odour	Methane, Hydrogen, Nitrogen	Feedstock for the production of urea and other industrial applications, such as refrigerant and latex anti-coagulant
Urea	A high nitrogen-content organic solid	Ammonia, Carbon Dioxide	Fertiliser used for the supply of nitrogen to crops and as raw material for manufacturing of adhesives, moulding powders, varnishes and foams

JOINT VENTURE AND ASSOCIATE PRODUCTS

Key Products	Description	Feedstock	Application
Acrylics	Clear colourless liquid with a characteristic odour	Propylene	Feedstock for manufacturing superabsorbents, detergents, flocculants and fibres
Oxo-Alcohols	Clear and neutral liquid with a characteristic odour	Propylene, Oxo Gas	Feedstock for solvent used in coatings, pharmaceuticals and cosmetics application
Butanediol	Colourless liquid with an odour characteristic of acetone	Butane	Production of polyesters and polyurethanes
Styrene Monomer	A clear, colourless, flammable liquid with a distinctive aromatic odour	Benzene, Ethylene	Production of polystyrene which is used to make packaging containers. Used in high impact plastic such as acrylonitrile butadiene styrene (ABS), latex paints and most synthetic rubber
Acetic Acid	Chemical intermediate in the form of colourless liquid	Methanol, Carbon Monoxide	Feedstock for vinyl acetate monomer for coatings and adhesives, acetate esters, cellulose acetate, acetic anhydride and monochloroacetic acid
Various NPK Grades of Fertilisers	Clear colourless granules with a characteristic odour	Urea, Ammonia, Phosphates, Potassium	End fertilisers of high yield growth for paddy fields and oil palms

Our Reach

We market a wide range of chemical products to customers in 30 countries worldwide, particularly in South East Asia and Asia Pacific. Besides Malaysia, our key markets include China, Thailand, Indonesia, the Philippines, South Korea, Japan, Singapore, Vietnam, Australia, India, Taiwan, USA and New Zealand.

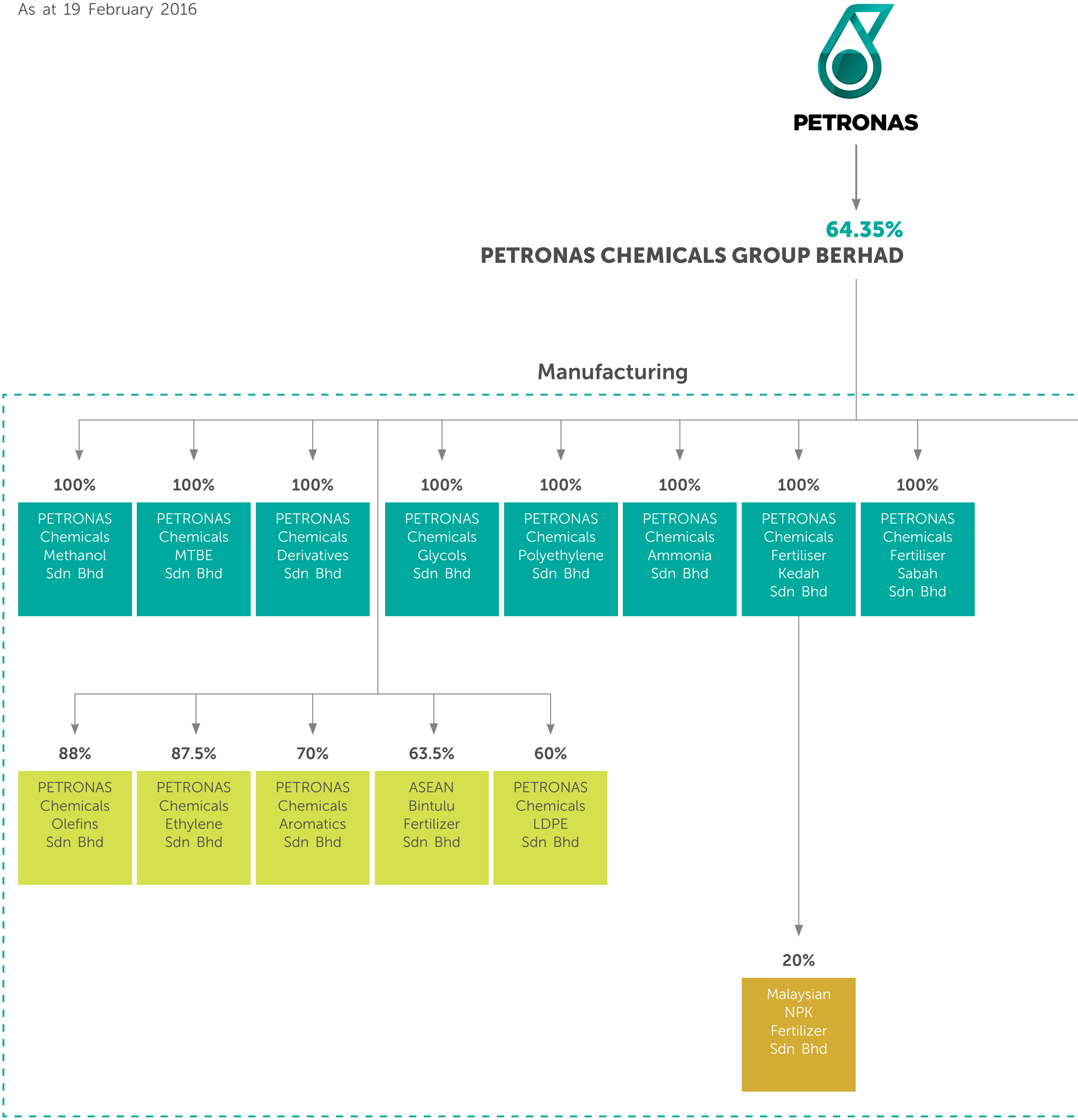
PCG is physically present in Thailand, China, India, Indonesia, Vietnam and the Philippines through our overseas subsidiaries and representative offices.

In total, 71% of our volume is sold to key ASEAN markets, with a large portion of it being sold to the Malaysian domestic market. At least 26% of our volume is also sold to the key growth chemical markets in Asia Pacific, such as China, Japan and South Korea.

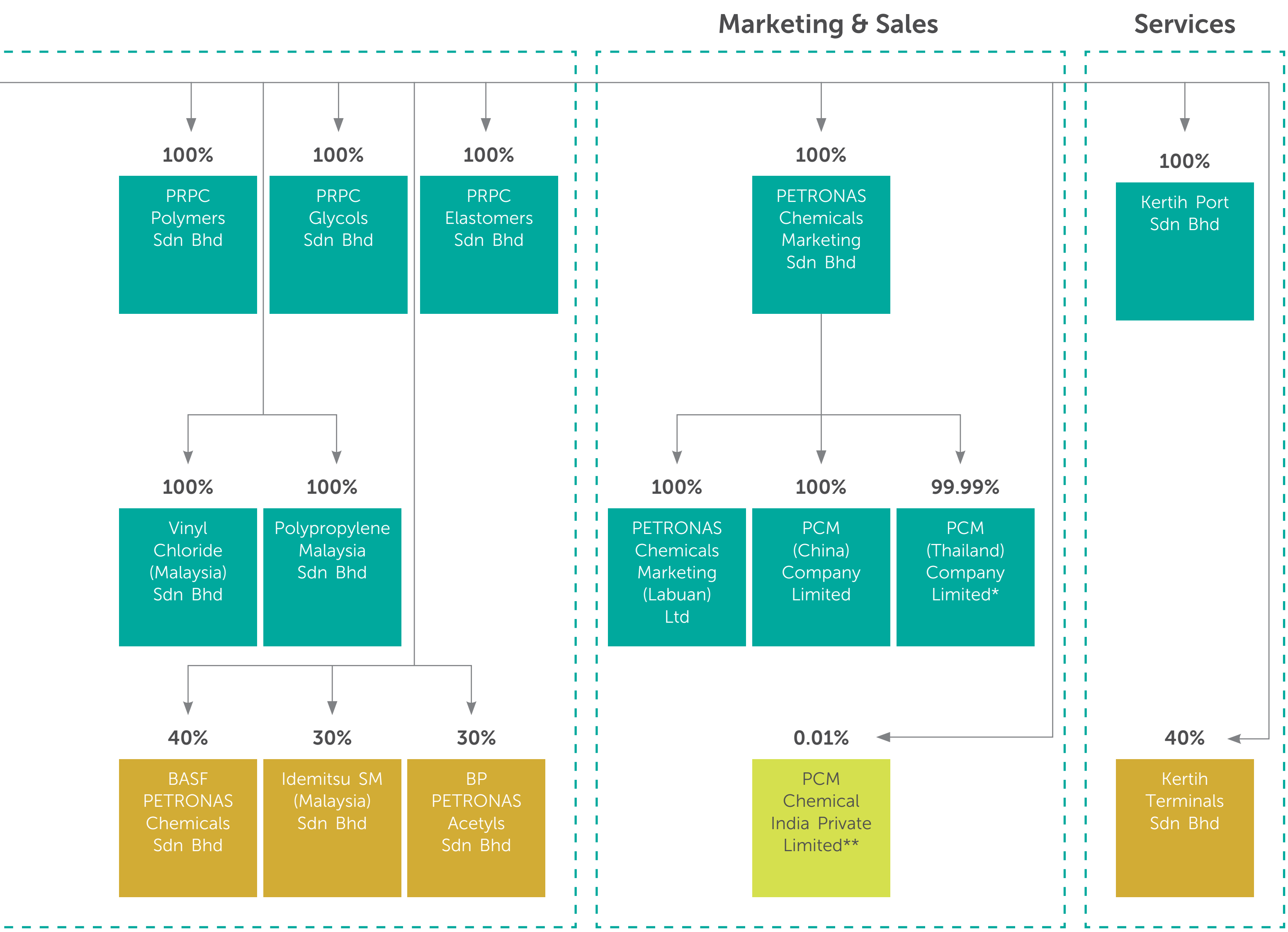

CHINA
SOUTH KOREA
JAPAN
TAIWAN
INDIA
PHILIPPINES
THAILAND
MALAYSIA
SINGAPORE
INDONESIA
AUSTRALIA
NEW ZEALAND

Group Structure

As at 19 February 2016



* Wholly-owned subsidiary as remaining shareholding is held through other subsidiaries within PCG
** Subsidiary pursuant to Malaysian Financial Reporting Standard 10



Wholly-owned Subsidiaries
Partly-owned Subsidiaries
Joint Ventures and Associates

Corporate Information

DIRECTORS

Md Arif bin Mahmood
(Chairman)

Datuk Sazali bin Hamzah
(President/Chief Executive Officer)

Vimala a/p V.R. Menon
Ching Yew Chye
Dong Soo Kim
Datuk Toh Ah Wah
Zakaria bin Kasah
Freida binti Amat

BOARD AUDIT COMMITTEE

Vimala a/p V.R. Menon
(Chairman)

Ching Yew Chye
Dong Soo Kim
Datuk Toh Ah Wah
Freida binti Amat

NOMINATION & REMUNERATION COMMITTEE

Ching Yew Chye
(Chairman)

Vimala a/p V.R. Menon
Dong Soo Kim

COMPANY SECRETARIES

Syed Marzidy bin Syed Marzuki
Kang Shew Meng

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
Tel : +603 7841 8000
Fax : +603 7841 8151

REGISTERED OFFICE

Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia
Tel : +603 2051 5000
Fax : +603 2051 1501

BUSINESS ADDRESS

Level 15, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia
Tel : +603 2051 5000
Fax : +603 2051 3888

BANKING SERVICES PROVIDER

PETRONAS Integrated Financial
Shared Service Centre (IFSSC)*

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

AUDITORS

KPMG

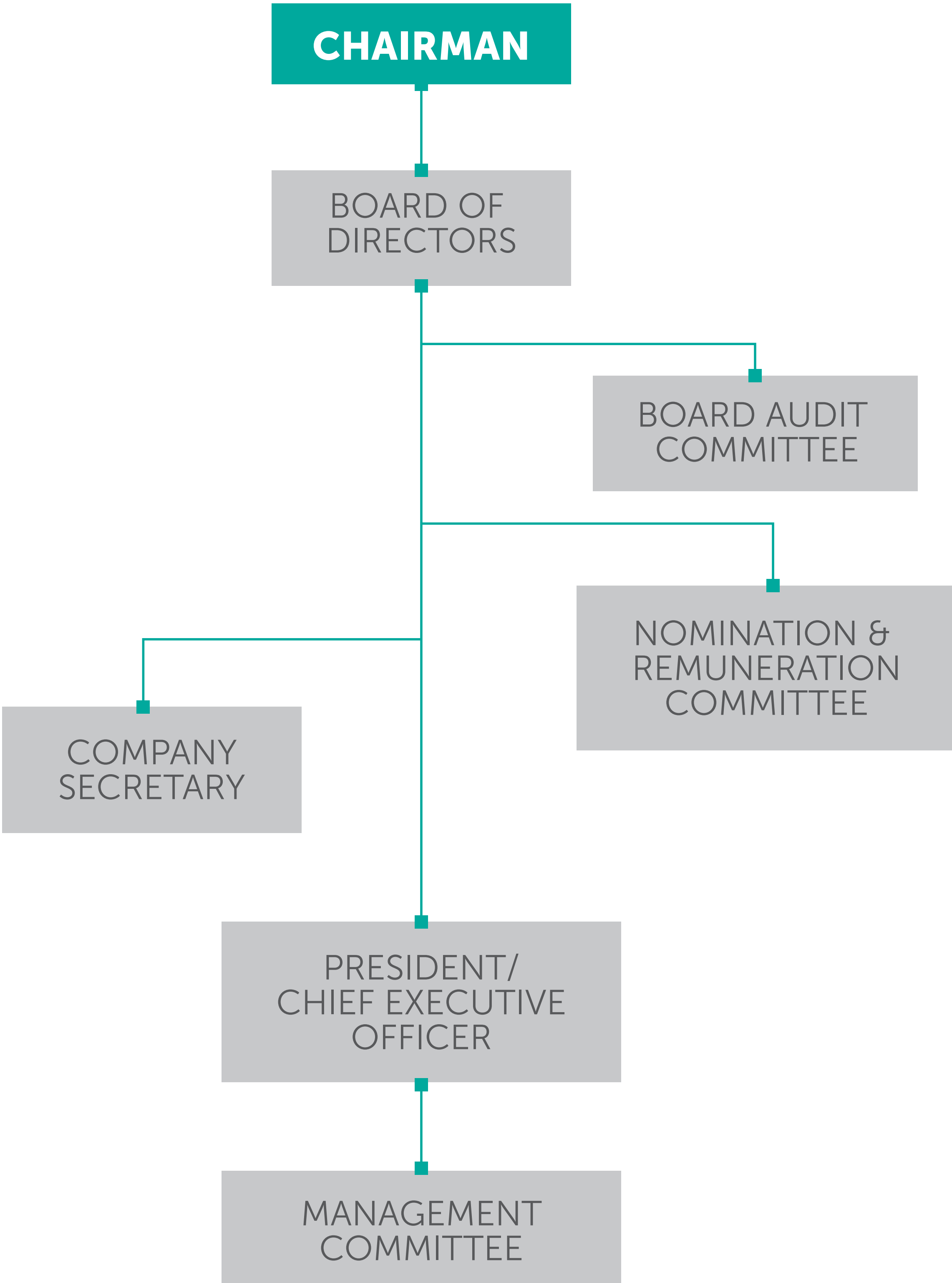
WEBSITE

www.petronaschemicals.com

* *Banking requirements are managed centrally by PETRONAS IFSSC to enable more efficient banking management for the Group and the Company.*

Organisational Structure

As at 19 February 2016



BOARD OF DIRECTORS

From left to right:

• **Syed Marzidy bin Syed Marzuki** (Company Secretary) • **Vimala a/p V.R. Menon** • **Dong Soo Kim** • **Md Arif bin Mahmood** (Chairman) • **Datuk Toh Ah Wah** • **Datuk Sazali bin Hamzah** (President/CEO) • **Ching Yew Chye** • **Freida binti Amat** • **Zakaria bin Kasah** • **Kang Shew Meng** (Company Secretary)

PROFILE OF BOARD MEMBERS

MD ARIF BIN MAHMOOD

Malaysian, age 53, is the Non-Independent Non-Executive Director and Chairman.

He holds a Master of Business Administration from Massachusetts Institute of Technology, USA and a Bachelor of Science degree in Electrical Engineering (Summa Cum Laude) from Boston University, USA.

He joined PETRONAS in 1984 and is currently the Executive Vice President and CEO of Downstream Business, PETRONAS. He is a member of PETRONAS' Board, Executive Committee, People Development Committee and Talent Council. He also chairs the boards of PETRONAS Dagangan Berhad and a number of PETRONAS subsidiaries. He has more than 30 years of oil and gas experience.

He spent the first 10 years of his career as a system/ measurement engineer covering various facets of engineering including design, construction, commissioning, technical services and operations. He has held various senior positions in PETRONAS including Senior Vice President of Corporate Strategy, Vice President of Oil Business, Managing Director/ Chief Executive Officer of ASEAN Bintulu Fertilizer Sdn Bhd, Senior General Manager of Retail Business Division, PETRONAS Dagangan Berhad and General Manager (Gas Processing – Plant B) of PETRONAS Gas Berhad.

He was appointed to the Board of PETRONAS Chemicals Group Berhad on 1 May 2015. During the year, he attended four Board meetings.

He complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with two directorships in the following listed issuers:

(i) PETRONAS Chemicals Group Berhad

(ii) PETRONAS Dagangan Berhad

He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

He has attended the Mandatory Accreditation Programme on 23 and 24 June 2009 as required by Bursa Malaysia Securities Berhad.

DATUK SAZALI BIN HAMZAH

Malaysian, age 49, is the Executive Director and President/ Chief Executive Officer (CEO).

He graduated from Lamar University, Texas, USA with a Bachelor of Science in Chemical Engineering. In 2013, he attended the Advanced Management Program (AMP) at The Wharton School, University of Pennsylvania. He is a Chartered Fellow of the Institution of Chemical Engineers (IChemE).

He began his career with PETRONAS in 1990 as a process technologist and progressed through various roles in the refinery and petrochemical business, spanning over 25 years. He held several senior management positions in PETRONAS, namely in PETRONAS Penapisan (Terengganu) Sdn Bhd, PETRONAS Penapisan (Melaka) Sdn Bhd, PETRONAS Group Technology Solutions, and Project Management of Technology & Engineering Division of PETRONAS. He was involved in the implementation and commercial operation of several major PETRONAS projects, such as Kertih Aromatics Project, Melaka Base Oil Plant, Melaka Refinery Revamp, and Co-Generation Power Plant. He was also selected to be a member of PETRONAS Corporate Strategic Study and Implementation in 2003, after which he led a change programme that enhanced plant performance and operational excellence.

He led a highly specialised team in 2010, providing technical services and support to all operating plants in PETRONAS, subsequently heading Project Management Delivery Division and overseeing PETRONAS downstream projects of high capital value. In 2015, he was appointed Result Manager for the Technology Workstream of PETRONAS' special initiative, Project CACTUS.

Prior to his current stint, he was the Managing Director/CEO of PETRONAS Penapisan (Melaka) Sdn Bhd.

He was appointed to the Board of PETRONAS Chemicals Group Berhad on 8 May 2014. During the year, he attended six Board meetings.

He also sits on the Board of several companies in PETRONAS, as well as the Board of Institution of Chemical Engineers UK, Malaysian branch.

He complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with one directorship in listed issuer, PETRONAS Chemicals Group Berhad.

He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

VIMALA A/P V.R. MENON

Malaysian, age 61, is the Senior Independent Non-Executive Director.

She is the Chairman of the Board Audit Committee and a member of the Nomination and Remuneration Committee.

She began her career at Deloitte KassimChan in 1982. In 1984, she joined Edaran Otomobil Nasional Berhad (EON Berhad) and subsequently retired in 2007 as Executive Director of Finance and Corporate Services. She was Director of Finance and Corporate Services at Proton Holdings Berhad from 2008 to 2009. At various times from 1990 to 2006, she served on the Boards of EON Berhad, EON Bank Berhad, Jardine Cycle & Carriage Limited and PT Astra International Tbk, Indonesia.

She is currently a member of the Board of Trustees of PEMANDU Corporation and an Independent Non-Executive Director and Audit Committee Chairman of PETRONAS Dagangan Berhad and Cycle & Carriage Bintang Berhad.

On 1 July 2015, she joined the Board of DiGi.Com Berhad as Independent Non-Executive Director and member of the Audit and Risk Committee.

She was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 August 2010. During the year, she attended six Board meetings, four Board Audit Committee meetings and four Nomination and Remuneration Committee meetings.

She complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with four directorships in the following listed issuers:

(i) PETRONAS Chemicals Group Berhad

(ii) PETRONAS Dagangan Berhad

(iii) DiGi.Com Berhad

(iv) Cycle & Carriage Bintang Berhad

She has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

CHING YEW CHYE

Malaysian, age 62, is an Independent Non-Executive Director.

He is the Chairman of the Nomination and Remuneration Committee and a member of the Board Audit Committee. He holds a Bachelor of Science (Honours) degree from the University of London, UK.

He is a seasoned management and information technology professional. In 1978, he joined Scicon Consultancy in the United Kingdom. In 1982, he joined Accenture PLC (Accenture), a global management consulting, technology services and outsourcing company. From 1997 to his retirement in 2007, he assumed various regional senior management roles in Accenture, including Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region. He was also a member of the Accenture Global Executive Committee from 2001 to 2004 and served on several committees/task forces to craft Accenture's global strategy.

He is currently an Independent Non-Executive Director of AIA Berhad (non-listed public company) and Genting Plantations Berhad. He resigned from the Board of HSBC Bank Malaysia Berhad on 30 October 2015.

He was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 August 2010. During the financial year, he attended six Board meetings, four Board Audit Committee meetings and four Nomination and Remuneration Committee meetings.

He complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with two directorships in the following listed issuers:

(i) PETRONAS Chemicals Group Berhad

(ii) Genting Plantations Berhad

He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

DONG SOO KIM

Korean, age 69, is an Independent Non-Executive Director.

He is a member of the Board Audit Committee and the Nomination and Remuneration Committee. He holds a Bachelor of Science degree in Chemical Engineering from the University of California, Berkeley, USA and a Master of Science degree in Chemical Engineering from the University of Idaho, USA.

He began his career with the Dow Chemical Company in 1975 as the plant superintendent of its chloride/caustic plant. He then served as the Director of Corporate Planning in Hanwha Chemical Corporation from 1983 to 1987. In 1987, he joined DuPont Korea as a Project Manager and has held several senior managerial positions including Site Manager, Business Director and Global Fluoroproduct Operations Director. In 1996, he was appointed Corporate Officer of E. I. DuPont, Vice President and General Manager of Global Non-Wovens Business. In 1998, he became the President of DuPont Asia Pacific, the first Asian to take the role in more than 200 years of DuPont history and retired in 2009. After his retirement, he served as the Advisor of DuPont Asia Pacific until January 2011.

He is currently the advisor to Samsung SDI, a producer of electronics material, batteries and chemicals headquartered in Seoul, Korea and serves as a partner-coach at Korean Coaching Management Institute.

He was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 August 2010. During the financial year, he attended six Board meetings, four Board Audit Committee meetings and four Nomination and Remuneration Committee meetings.

He complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with one directorship in listed issuer, PETRONAS Chemicals Group Berhad.

He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

DATUK TOH AH WAH

Malaysian, age 58, is an Independent Non-Executive Director.

He is a member of the Board Audit Committee. He holds a Bachelor of Commerce from Concordia University in Montreal, Canada.

He began his career with Rothmans in 1981 and remained with the organisation throughout his professional career including after its merger with British American Tobacco (BAT) in 1999.

For the first 10 years, his roles were primarily in marketing and sales. He then took on a succession of increasingly challenging line roles throughout Greater China, New Zealand, South Asia and South East Asia, culminating in his appointment as Managing Director of BAT Malaysia Berhad in 2009. He was the first and only Malaysian to have ever held the position of Managing Director in more than 100 years of BAT's existence in Malaysia. He retired from BAT Malaysia Berhad in 2013 after serving the organisation for 14 years.

He currently serves as an Independent Director of Tien Wah Press Holdings Berhad and CTBAT International Co Limited, which is based in Hong Kong. He is a council member of the Badminton Association of Malaysia.

Datuk Toh Ah Wah was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 June 2014. During the year, he attended six Board meetings and four Board Audit Committee meetings.

He complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with two directorships in the following listed issuers:

(i) PETRONAS Chemicals Group Berhad

(ii) Tien Wah Press Holdings Berhad

He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

ZAKARIA BIN KASAH

Malaysian, age 51, is a Non-Independent Non-Executive Director.

He holds a Bachelor degree in Mechanical Engineering from George Washington University, Washington DC and in 2010, he studied Leadership Management at the Henley Business School, UK.

He is the Vice President of Technology & Engineering, Downstream Business, PETRONAS. He is also a member of the Student Development Advisory Council for Universiti Teknologi PETRONAS and a member of Engineering Technology Accreditation Committee for Board of Engineers Malaysia.

He was Vice President/CEO of Malaysia LNG, Upstream Malaysia, Upstream Business and has held several senior managerial positions in PETRONAS Gas Berhad, Egyptian LNG and Malaysia LNG Group of Companies.

He joined PETRONAS in 1987. In his early years, he was involved in prominent projects such as the development of Gas Processing Plant in Kertih and MLNG Dua Project. He has some 20 years of facilities operation experience with a good track record on transformation of facilities to world class operational excellence level.

He currently sits on the Boards of several companies in the PETRONAS Group.

He was appointed to the Board of PETRONAS Chemicals Group Berhad on 31 July 2015. During the year, he attended two Board meetings.

He complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with one directorship in listed issuer, PETRONAS Chemicals Group Berhad.

He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

He has attended the Mandatory Accreditation Programme on 15 and 16 January 2014 as required by Bursa Malaysia Securities Berhad.

FREIDA BINTI AMAT

Malaysian, age 47, is a Non-Independent Non-Executive Director.

She is a member of the Board Audit Committee. She holds a degree in Economics, majoring in Accounting and Finance from the London School of Economics & Political Science, University of London, UK. She is a Fellow of the Association of Chartered Certified Accountants (ACCA).

She joined PETRONAS in 1994 and has held various positions within PETRONAS covering areas of corporate finance, bonds issuance, initial public offerings, financial reporting, financial services and taxation.

She is currently the Senior General Manager of Finance & Accounts Services Department, PETRONAS where she is responsible for PETRONAS Group financial reporting, performance review as well as planning and budgeting. She currently sits on the Boards of several companies in the PETRONAS Group.

She was appointed to the Board of PETRONAS Chemicals Group Berhad and the Board Audit Committee on 31 July 2015. During the year, she attended two Board meetings and two Board Audit Committee meetings.

She complies with Paragraph 15.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with one directorship in listed issuer, PETRONAS Chemicals Group Berhad.

She has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholders of the Company nor any conflict of interest with the Company.

She has attended the Mandatory Accreditation Programme on 12 and 13 August 2015 as required by Bursa Malaysia Securities Berhad.

MANAGEMENT COMMITTEE

From left to right:

- **Datin Zarina binti Zakaria**
- **Akbar bin Md Thayoob**
- **Ahmad Zaki bin Daud**
- **Datuk Sazali bin Hamzah** (President/CEO)
- **Syed Marzidy bin Syed Marzuki**
- **Rashidah binti Alias**
- **Dr Ross Forrest Gilmour**
- **Datuk Muhammad Shah bin Ali**
- **Ir Mohd Yusri bin Mohamed Yusof**
- **Abdul Aziz bin Othman**

PROFILE OF MANAGEMENT COMMITTEE

DATUK SAZALI BIN HAMZAH

President/CEO

Datuk Sazali, age 49, graduated from Lamar University, Texas, USA with a Bachelor of Science in Chemical Engineering. In 2013, he attended the Advanced Management Program (AMP) at The Wharton School, University of Pennsylvania. He is a Chartered Fellow of the Institution of Chemical Engineers (IChemE).

He began his career with PETRONAS in 1990 as a process technologist and progressed through various roles in the refinery and petrochemical business, spanning over 25 years. He held several senior management positions in PETRONAS, namely in PETRONAS Penapisan (Terengganu) Sdn Bhd, PETRONAS Penapisan (Melaka) Sdn Bhd, PETRONAS Group Technology Solutions, and Project Management of Technology & Engineering Division of PETRONAS. He was involved in the implementation and commercial operation of several major PETRONAS projects, such as Kertih Aromatics Project, Melaka Base Oil Plant, Melaka Refinery Revamp, and Co-Generation Power Plant. He was also selected to be a member of PETRONAS Corporate Strategic Study and Implementation in 2003, after which he led a change programme that enhanced plant performance and operational excellence.

He led a highly specialised team in 2010, providing technical services and support to all operating plants in PETRONAS, subsequently heading Project Management Delivery Division and overseeing PETRONAS downstream projects of high capital value. In 2015, he was appointed Result Manager for the Technology Workstream of PETRONAS' special initiative, Project CACTUS.

Prior to his current stint, he was the Managing Director/CEO of PETRONAS Penapisan (Melaka) Sdn Bhd.

He was appointed President/CEO of PETRONAS Chemicals Group Berhad on 1 May 2014.

He also sits on the Boards of several companies in PETRONAS, as well as the Board of Institution of Chemical Engineers UK, Malaysian branch.

RASHIDAH BINTI ALIAS

Chief Financial Officer

Rashidah, age 43, graduated from the University of New South Wales, Australia in 1994 with a Bachelor of Commerce in Accounting. She is a Fellow of the Chartered Accountants Australia and New Zealand and Member of the Malaysian Institute of Accountants. She attended the Advanced Management Program at Harvard Business School in April 2015.

She began her career in 1994 at Arthur Andersen, a firm of Chartered Accountants, where she was involved in audit and various advisory assignments. Since joining PETRONAS in 1998, she has held various positions within PETRONAS covering areas of corporate planning, corporate bonds issuance, initial public offerings, financial reporting, planning and budgeting, shared services and treasury.

Prior to her appointment as Chief Financial Officer of PETRONAS Chemicals Group Berhad, she was the Senior General Manager of Group Treasury in PETRONAS, where she managed the centralised treasury operations for PETRONAS Group, covering aspects of liquidity and debt management, fund investment, foreign exchange and treasury advisory. She is currently responsible for the management of all financial and fiscal aspects of PETRONAS Chemicals Group Berhad and its subsidiaries as well as risk management, supply chain management, investor relations and information system.

She also sits on the Boards of several companies in PETRONAS.

IR MOHD YUSRI BIN MOHAMED YUSOF

Head of Manufacturing

Ir Mohd Yusri, age 49, graduated from Oklahoma State University, USA with a Bachelor of Science in Chemical Engineering. He attended the Advanced Management Program at The Wharton School, University of Pennsylvania. He is a Registered Professional Engineer with the Board of Engineers Malaysia and a Chartered Fellow of the Institution of Chemical Engineers (IChemE).

He has served various subsidiaries in PETRONAS for the past 27 years and has held several senior management positions, including Manager of Manufacturing in PETRONAS Chemicals Glycols Sdn Bhd; Manager of Strategy and Portfolio (Oil Business) in PETRONAS Group Strategic Planning; General Manager of PETRONAS Chemicals Ethylene Sdn Bhd and PETRONAS Chemicals Polyethylene Sdn Bhd; and CEO of PETRONAS Chemicals Olefins Sdn Bhd, PETRONAS Chemicals Glycols Sdn Bhd and PETRONAS Chemicals Derivatives Sdn Bhd.

In January 2014, he was appointed Head of Manufacturing to lead the manufacturing division to deliver operational excellence for the Group.

He also sits on the Boards of several companies in PETRONAS.

AKBAR BIN MD THAYOOB

Head of Commercial

Akbar, age 52, graduated from University of West Virginia, USA with a Bachelor of Science in Civil Engineering.

He started his career with PETRONAS as a Project Engineer in 1987 and was later assigned to various projects under Gas Business Unit. After a stint at PETRONAS Corporate Planning and Business Development Unit, he was appointed General Director/CEO of Phu My Plastics & Chemicals Co Ltd in Vietnam. In 2008, he was appointed CEO of PETRONAS Chemicals LDPE Sdn Bhd and subsequently, Head of the Office of Executive Vice President, Downstream Business.

Prior to joining PETRONAS Chemicals Group Berhad as Head of Commercial, he was the Head of Retail Business Division of PETRONAS Dagangan Berhad.

He assumed his current position in December 2013 and is responsible for the Group's overall commercial activities. In addition, he is the CEO of PETRONAS Chemicals Marketing Sdn Bhd and PETRONAS Chemicals Marketing (Labuan) Ltd.

He also sits on the Boards of several companies in PETRONAS.

DR ROSS FORREST GILMOUR

Chief Innovation & Technology Officer

Dr Ross, age 55, graduated with a Bachelor of Agriculture in Plant Breeding and Genetics, and a PhD from University of Queensland, Australia.

His early career included research leadership roles at Department of Agriculture, Western Australia and later based in Kuala Lumpur. In 2000, he returned to Australia to undertake further research leadership roles with the Grains Research and Development Corporation and then BSES Limited. Prior to joining PETRONAS Chemicals Group Berhad, he was a Programme Leader for Agricultural Biotechnology at E. I. du Pont de Nemours and Company in USA.

Dr Ross joined PETRONAS Chemicals Group Berhad in October 2013 as Chief Innovation & Technology Officer. He is currently responsible for product improvement to deliver innovative customer solutions as well as product technical support, product regulatory and stewardship functions.

ABDUL AZIZ BIN OTHMAN

Head of Strategic Planning & Ventures

Abdul Aziz, age 50, graduated from George Washington University, USA in 1987 with a Bachelor of Science in Mechanical Engineering.

He joined PETRONAS in 1987 as a Mechanical Engineer in PETRONAS Gas Berhad where he was involved in a range of process and pipeline engineering projects. In the ensuing years, he assumed several senior management positions, including Head of Strategy and Business Planning in PETRONAS Gas Business and General Manager of Centralised Utilities and Facilities in PETRONAS Gas Berhad. In 2009, he was appointed CEO of Vinyl Chloride Malaysia Sdn Bhd.

He assumed his current position as Head of Strategic Planning & Ventures in August 2011 and is responsible for the overall planning, development and implementation of business strategies and growth of the Group.

He also sits on the Boards of several companies in PETRONAS.

DATUK MUHAMMAD SHAH BIN ALI

Head of Project Directorate

Datuk Muhammad Shah, age 54, graduated from Ohio University, USA in 1985 with a Bachelor of Science in Chemical Engineering.

He started his career with PETRONAS in 1985 as an Engineer for a petrochemical project and assumed various roles, spanning over 30 years. He has held several senior management positions, including Senior General Manager in Crude Oil Group of PETRONAS, Managing Director/CEO of ASEAN Bintulu Fertilizer Sdn Bhd, and CEO of PETRONAS Trading Corporation Sdn Bhd. He was heavily involved in several plant projects, namely PETRONAS Penapisan (Melaka) Sdn Bhd PSR-1 Project, Kertih Aromatics Project and also Kertih and Gebeng Integrated Petrochemical Complex Projects.

He joined PETRONAS Chemicals Group Berhad in January 2012 as Head of Fertiliser and Methanol Business. He assumed his current portfolio in October 2013, and is responsible for the delivery and execution of the Group's key projects.

He also sits on the Boards of several companies in PETRONAS.

SYED MARZIDY BIN SYED MARZUKI

Head of Legal & Corporate Secretariat

Syed Marzidy, age 47, graduated with LL.B (Hons) from Universiti Malaya in 1993, and Master of Laws from University of Southampton, UK in 2001. He was called to the Malaysian Bar as an Advocate and Solicitor of the High Court of Malaya in 1994.

Before starting his career with PETRONAS in 2002, he served the Malaysian Attorney-General Chambers as Senior Federal Counsel and Deputy Public Prosecutor and has appeared at the High Courts and Appellate Courts of Malaysia.

In PETRONAS, he earlier served as the Head/General Counsel of PETRONAS Carigali Sdn Bhd, in charge of both Domestic and International Exploration and Production Affairs covering more than 30 countries. Prior to that, he was the Head/General Counsel of Petroleum Management Unit of PETRONAS.

He assumed his current position in February 2014 and is responsible for overseeing all legal affairs and company secretarial services of the Group.

In addition, he is a Board member of the Association of International Petroleum Negotiators based in Houston, Texas.

He also sits on the Boards of several companies in PETRONAS.

DATIN ZARINA BINTI ZAKARIA

Head of Human Resource Management

Datin Zarina, age 48, graduated from the University of Southern California, USA in 1991 with a Bachelor of Science in Business Administration.

She joined PETRONAS in 1992 as a System Analyst, prior to pursuing a career in Human Resource. In her 23 years of experience in PETRONAS, she has held various senior management positions and has covered several human resource portfolios, such as people strategy, people management, people planning and organisational design.

Prior to her current stint in PETRONAS Chemicals Group Berhad, she was the Head of Human Resource Management (Production & Development – Malaysia) in PETRONAS Carigali Sdn Bhd.

She assumed her current position as Head of Human Resource Management in October 2014 and is responsible for people strategy, talent development and management, as well as human resource services for the Group.

AHMAD ZAKI BIN DAUD

Head of Health, Safety & Environment

Ahmad Zaki, age 43, graduated from the University of Brighton, UK in 1996 with a Bachelor of Science (Hons) in Electrical Engineering.

He started his career with PETRONAS as an Electrical Distribution Engineer with PETRONAS Chemicals Derivatives Sdn Bhd. In his 20 years of experience, he has held various positions and roles in PETRONAS Chemicals Derivatives Sdn Bhd and PETRONAS Chemicals Glycols Sdn Bhd, in electrical, utilities, plant improvement and production, including Head of Department for Ethylene Oxide/Glycols.

He was Head of Work Process for Petrochemical Operation Readiness prior to assuming his current position as Head of Health, Safety & Environment (HSE). He is currently responsible for managing the overall HSE performance for the Group.

GROWTH ASPIRATIONS

Our business strategy continues to focus on being a competitive regional player with a strong presence in basic petrochemicals whilst selectively diversifying into derivatives, specialty chemicals and solutions. Our key growth projects will further strengthen our resilience in the face of challenges and propel the Company towards realising our long term growth aspirations.

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Jetty under construction at Sabah Ammonia Urea (SAMUR) Project

CHAIRMAN'S STATEMENT

MD ARIF BIN MAHMOOD
Chairman

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of PETRONAS Chemicals Group Berhad (PCG) for the financial year ended 31 December 2015.

ECONOMIC AND INDUSTRY LANDSCAPE

Global growth for 2015 was recorded at 3.1%, slightly lower than the 3.4% registered in 2014. While growth picked up slightly in advanced economies, it declined significantly in emerging markets. The US economy in particular grew at 2.4%, buoyed by low energy prices, improvement in job market and strong customer confidence.

While the general forecast had correctly predicted China's growth to be at 6.9%, its cross-border repercussions were larger than expected.

The oil market in 2015 remained oversupplied amidst cautious demand growth. Brent crude oil price continued its plunge from an average of USD55 per barrel in December 2014 and plummeted to an 11-year low at USD36 per barrel by end 2015, due to record-high inventory, OPEC's decision not to cut production and the anticipation of Iranian crude returning to the market.

Ethylene price, as proxy for petrochemical product prices, remained resilient due to tight regional supply despite the low oil price and bearish market sentiments. Prices peaked at USD1,414 per metric tons (MT) in June before plunging in September to USD815 per MT, thereafter settling at USD1,099 per MT in December. The average ethylene price for the year was 22% lower than in 2014. Consequently, PCG's weighted average product price dropped by 27% in 2015.

"The oil market in 2015 remained oversupplied amidst cautious demand growth."

85%
Overall Plant Utilisation

33%
Increase in Share Price

Total Dividend of 18 sen per ordinary share
RM1.44
billion

OUR PERFORMANCE

Despite these challenges and headwinds of low crude and product prices, PCG had risen to improve our operational excellence and successfully recorded an improvement in our EBITDA margin at 34.4% in 2015 compared to 31.8% in the previous year.

Operationally, the Group registered our highest plant utilisation rate of 85% since listing in Bursa Malaysia in 2010, effectively driving lower operating cost throughout the Group. This feat was attributed to our improved plant reliability as well as concerted efforts with PETRONAS Gas Berhad and PETRONAS Upstream Business in achieving higher availability of feedstock and utilities.

Health, Safety and Environment (HSE) remains PCG's utmost priority. Continuous strengthening and internalising safety values among all our employees and contractors have sustained our HSE performance at par with other high performing global chemical companies.

In mitigating the impact of declining market spread, we also accelerated our marketing and sales (M&S) excellence through several initiatives focusing on key markets of ASEAN and China as well as targeting higher value market segments. To this end, we have successfully operationalised our overseas subsidiaries in Thailand and China.

As part of M&S excellence, we also have been pursuing collaborations that see us working even more closely with our customers to develop innovative new products and solution opportunities. PCG has successfully commercialised our latest innovative solution – an extrusion coating grade resin C170X, which not only addresses the plastic packaging industry's growing demand for selected film applications, but also complies to the stringent food and health regulations.

DIVIDEND

The improvement in our performance for 2015 was reflected in the 33% rise of our share price from RM5.45 to RM7.27, signaling greater investors' confidence in PCG.

During the financial year, the Group paid a second interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2014 to shareholders on 24 March 2015. A first interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2015 was paid to shareholders on 9 September 2015.

The Board of Directors had declared a second interim dividend of 10 sen per ordinary share amounting to RM800 million in respect of the financial year ended 31 December 2015 payable on 23 March 2016.

2016 OUTLOOK

Global growth is expected to improve marginally to 3.6% in 2016 from 3.1% in 2015.

Advanced economies are projected to register a higher growth, in line with the expected strengthening GDPs of the US, Eurozone and Japan. US growth is projected to reach 2.8% in 2016, supported by lower energy prices, reduced fiscal drag, strengthened balance sheets, and an improving housing market.

Growth in China is expected to slow to 6.3% in 2016, primarily reflecting weaker investment growth as the economy continues to rebalance.

Closer to home, growth is projected to pick up to 3.5% in Thailand as a result of reduced policy uncertainty. In the Philippines, growth will remain broadly stable at around 6% and Vietnam is anticipated to strengthen to 6.5%, both benefiting from the oil price windfall. On the other hand, Malaysia is expected to slow down slightly to 4.5% this year, affected by weaker terms of trade.

Brent crude oil price in 2016 is anticipated to further decline from an average of USD52 per barrel last year on the back of continuing supply overhang, high inventory, slower oil demand growth and expectation of Iranian crude reentering the market.

Petrochemical product prices are expected to remain weak due to slowing demand in the downstream derivative industries in China and sluggishness in other emerging countries. Global ethylene demand growth in 2016 is expected to slow down to 3.2% from 4.4% in 2015. Additional supply from new ethylene crackers worldwide, will likely weigh on ethylene prices in 2016.

With all these factors coming into play, 2016 will present another challenging year for PCG as average product price is expected to weaken further in 2016 compared to 2015. Nevertheless, the Group will remain steadfast in these trying times and stay focused in safeguarding the returns to our shareholders.

OUR GROWTH

In realising PCG's vision, our business strategy continues to focus on our basic petrochemicals portfolio, while selectively diversifying into derivatives, specialty chemicals and solutions.

As part of our strategy to strengthen our basic petrochemicals portfolio, our Sabah Ammonia Urea (SAMUR) Project in Sipitang, Sabah, is currently underway and is slated for commercial operations in second half of 2016. The world-class project will propel PCG to be the second largest urea producer in South East Asia.

The completion of the Dalak pipeline project in December 2015 will improve the feedstock availability to our Methanol Complex in Labuan and further strengthen our feedstock security.

In pursuing our strategy of selective diversification into derivatives, specialty chemicals and solutions, PCG is currently undertaking three key projects via our associate company BASF PETRONAS Chemicals Sdn Bhd in Gebeng, Pahang. The three projects are the Integrated Aroma Ingredients Complex, which will produce citral, citronellol and L-menthol; the 2-Ethylhexanoic Acid (2-EH Acid) Project; and the Highly Reactive Poly-Isobutene (HR-PIB) Project. All three projects are on schedule. Citral, the first product of the Integrated Aroma Ingredients Complex, will be on stream for commercial operations along with 2-EH Acid in 2016, while the HR-PIB Project, which achieved final investment decision in 2015, is scheduled for commercial operations in 2017.

During the year, PCG also announced our participation in the Refinery and Petrochemical Integrated Development (RAPID) Petrochemical Projects. With the acquisition of the three petrochemical clusters in RAPID Project, namely PRPC Polymers Sdn Bhd, PRPC Glycols Sdn Bhd and PRPC Elastomers Sdn Bhd, we are set to consolidate our position as a key petrochemical player in the Asia Pacific region.

The acquisition of the three petrochemical clusters will provide PCG a total of 3.5 million metric tons per annum (mtpa) of nameplate capacity that will increase PCG's Olefins & Derivatives segment nameplate capacity by 70%. With the product portfolio, comprising basic commodity and differentiated petrochemicals, the project is very much in line with our two-prong strategy of strengthening basic petrochemicals and selective diversification into derivatives, specialty chemicals and solutions.

Complementing the two-prong strategy is our initiative to collaborate with customers in developing customised solutions and product upgrading to suit the customers' needs. We are currently working on a portfolio of these projects with customers of which to-date we have commercialised several product solutions including the extrusion coating grade resin C170X.

The capability and know-how in the customised solutions will position PCG for more opportunities when the three RAPID Petrochemical Projects come on-stream.

One of the key success factors to enhance our solutions offering to the customers is the need to be closer and gain additional insights on their requirements. As such, we have successfully completed the operationalisation of our overseas subsidiaries, PCM (Thailand) Company Limited in Bangkok and PCM (China) Company Limited in Shanghai. Moving forward, we are also assessing the establishment of potential marketing and sales subsidiaries in our key markets such as Indonesia, the Philippines and Vietnam.

To ensure the success of our business strategy, we continue to invest in the development of our people's capabilities. At the same time, we also place strong emphasis on the internalisation of PETRONAS Cultural Beliefs and Shared Values.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to record the Group's appreciation to the President and Group Chief Executive Officer of PETRONAS, Datuk Wan Zulkiflee Wan Ariffin for his leadership as the previous Chairman of the Board.

I would also like to thank Datuk Ir Kamarudin Zakaria for his contribution as Non-Independent Non-Executive Director.

I am pleased to welcome Zakaria Kasah and Freida Amat to the Board as Non-Independent Non-Executive Directors.

My warmest gratitude to our shareholders and stakeholders for the continued support and confidence in PCG, both through successes and challenges in charting our way forward.

I would also like to record my appreciation to the PCG Board of Directors for their effective stewardship and the PCG Management Committee under the leadership of Datuk Sazali Hamzah for their invaluable contribution. Thank you to all our employees as well for their unwavering dedication and effort throughout the year under review.

I look forward to your continued support in steering PCG towards excellence to realise our vision as **"the preferred chemical company providing innovative customer solutions"**.

Md Arif bin Mahmood
Chairman

PRESIDENT/ CEO'S MESSAGE

DATUK SAZALI BIN HAMZAH
President/CEO

On behalf of PETRONAS Chemicals Group Berhad (PCG), I am pleased to present the Group's performance for the financial year ended 31 December 2015. With a tepid global economy and plummeting crude oil prices, PCG is pleased to deliver a solid performance for the year under review as we continued to leverage on the strength of our integrated value chain.

2015 PERFORMANCE

2015 was challenging for PCG. Pressures in the market such as falling crude oil prices and a slower economic performance of China have affected most of our product prices. Consequently, weighted average product prices dropped by 27% from 2014. Despite these challenging conditions, PCG rose to the challenge in delivering our performance this year with stronger EBITDA margin of 34.4%.

Operationally, as a result of our continuous efforts in reaching sustainable world class plant performance, the Group achieved our best plant utilisation of 85% since listing in 2010. Correspondingly, production volume grew by 6% to 8.1 million metric tons (MT) from 7.7 million MT. This achievement is attributed to reliable plant operations in which most facilities were operating at world class standards. In addition, the Group also recorded lower number of statutory turnaround days across all facilities, and improved availability of feedstock and utilities supply.

OPERATIONAL
PERFORMANCE

Production volume grew by 6% to 8.1 million MT from 7.7 million MT.

HSE is an important aspect that remains our focus at PCG. Our HSE performance in 2015 continues to be competitive amongst high performing global petrochemical players. This was reflected in our record of 35.9 million safe man-hours worked on one of our key growth projects, Sabah Ammonia Urea (SAMUR) Project. In addition, our Lost Time Injury Frequency (LTIF) is among the lowest throughout our operational history.

Our efforts in safeguarding HSE were not only recognised locally through various accolades such as the Chemical Industry Council of Malaysia (CICM) and Malaysian Society of Occupational Safety and Health (MSOSH) but also internationally from the Royal Society for the Prevention of Accidents (RoSPA) of the United Kingdom. These recognitions mark the continuous commitment of our personnel in internalising the right safety values in our aspiration to achieve sustainable world class HSE performance.

Our commercial excellence efforts have enabled us to gain additional value for our products, despite it being a buyers' market in 2015. Efforts such as optimising our product mix, maximising term contracts, focusing on higher netback regions and optimising logistics and inventory have mitigated the impact of lower product prices in 2015. We continue to make efforts to be closer and gain additional insights from our customers in key markets with the successful operationalisation of our overseas subsidiaries, PCM (Thailand) Company Limited in Bangkok and PCM (China) Company Limited in Shanghai.

SAMUR Project

35.9 million

safe man-hours for SAMUR Project

EBITDA Margin

rose to

34.4%

As part of our innovation drive, we successfully delivered and commercialised C170X – a special extrusion coating grade of polyethylene, which further adds value to our existing portfolio. Echoing this success, we are continuously identifying and developing new innovative solutions that meet our customers' needs and requirements especially those that are in line with our focus industries – food and agriculture, automotive, and personal care.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, Group revenue stood at RM13.5 billion compared to RM14.6 billion in the previous year primarily due to lower average product prices. However, the impact of lower product prices was cushioned by higher sales volume arising from record high plant utilisation and favourable foreign exchange movement.

The Group's EBITDA was comparable at RM4.7 billion compared to RM4.6 billion in the previous year. EBITDA margin rose to 34.4% from 31.8% as a result of higher sales volume, lower operating cost and favourable exchange rate movement.

With our diversified portfolio ranging from basic petrochemicals to derivatives and specialty chemicals, our operational and marketing excellence as well as cost optimisation initiatives across the Group, PCG will remain resilient to weather the uncertainties in the future and continue to drive growth and return value to our shareholders.

CORPORATE RESPONSIBILITIES

In line with our role as a responsible corporate citizen, the Group is focused on maximising value among stakeholders across the communities in which we operate.

Throughout 2015, numerous corporate social responsibility programmes were organised to promote sustainable practices in environmental protection such as 3R (reduce, reuse, recycle) and River Care programmes. These programmes are strategically coupled with community outreach initiatives that are specially designed to assist underprivileged families such as Back-to-School programme and *Program Sentuhan Kasih*.

RM13.5 billion
Revenue

RM4.7 billion
EBITDA

As a recognition for PCG's long-standing commitment and efforts in upholding sustainable and responsible entrepreneurship, PCG was bestowed the Asia Responsible Entrepreneurship Award in the Green Leadership Category for our signature environmental conservation initiative, ecoCare Programme, held in collaboration with the Malaysian Nature Society (MNS). The programme continues to drive awareness of those living in its immediate vicinity in particular, as well as the public in general, about the importance of mangrove preservation and the ecosystem of the Kertih River. To-date, a total of 6,320 visitors from 162 Malaysian and international organisations have visited the centre to learn more about the preservation of the ecologically sensitive mangrove habitat.

In terms of human capability development, we continue to support our talents by providing them a wide range of opportunities for their professional and leadership growth. With the adoption of PETRONAS Cultural Beliefs that place strong emphasis on six qualities namely Results Matter, Focused Execution, Own It!, Nurture Trust, Tell Me and Shared Success, we aim to inculcate a strong corporate culture and behaviour that will help realise PCG's vision of "the preferred chemical company providing innovative customer solutions". These cultural beliefs will enable us to not only excel in performance, but also emerge as wholesome strategic thought partners to one another, who are savvy in business and people management, and contribute to the wellbeing of the people and nation.

GROWTH

PCG is focusing on growth to create value through a two-prong strategy – first, by strengthening our basic petrochemicals and second, to selectively diversify into derivatives, specialty chemicals and solutions.

The Sabah Ammonia Urea (SAMUR) Project in Sipitang, Sabah, which will increase PCG's basic petrochemicals volume, is on track for completion this year. Within the specialty chemicals space, we are currently undertaking several projects via our associate company, BASF PETRONAS Chemicals Sdn Bhd, at Gebeng, Pahang. These projects include the Integrated Aroma Ingredients Complex, 2-Ethylhexanoic Acid (2-EH Acid) and Highly Reactive Polyisobutene (HR-PIB).

We have also confirmed our participation in PETRONAS Refinery and Petrochemical Integrated Development (RAPID) Project through the equity acquisition of three petrochemical companies, validating our two-prong strategy.

Careful planning and focused execution of the growth strategies will not only strengthen PCG's foothold in facing market uncertainties, but also drive the Group's growth aspirations and increase value for shareholders.

2016 OUTLOOK

With global growth expected to improve to 3.6% in 2016 from 3.1% in 2015, we foresee that demand will remain positive in key markets. In addition, PCG's well-diversified portfolio of products, competitive cost advantage and strong cash position will enable us to weather the market uncertainties going forward.

In anticipation of the continued low oil prices that further dampen our existing product margins, the year 2016 will see us striving against all odds. In view of our ongoing commitment to excellence, PCG will redouble our efforts on operational efficiency, commercial effectiveness, cost optimisation as well as business and revenue improvement initiatives throughout the Group.

In addition, it is also imperative for us to successfully deliver our key growth projects such as SAMUR Project in Sipitang, Sabah and specialty chemicals projects in Gebeng, Pahang on time, within budget, with good quality and excellent HSE record. We look forward towards the successful commissioning and commercial operations of SAMUR Project and the first phase of the Integrated Aroma Ingredients Complex coming on stream in 2016. By doing so, PCG will be able to protect and maintain our cash generation ability and drive our competitiveness despite facing various adversities.

APPRECIATION

On behalf of the PCG management and staff, I would like to record our deepest gratitude to the previous Chairman, who is now the President and Group Chief Executive Officer of PETRONAS, Datuk Wan Zulkiflee Wan Ariffin for his endless support, stewardship and guidance.

To our outgoing Board member, Datuk Ir Kamarudin Zakaria, thank you for your guidance and advice to PCG.

To our Chairman, Encik Md Arif Mahmood and fellow members of the Board, I am indebted to your invaluable advice in steering the Group forward in uncharted waters towards greater success.

To our outgoing Management Committee members, former Chief Financial Officer, Farina Farikhullah Khan, and former Head of Corporate Affairs and Administration, Ruziah Azdi Abdul Rahman, I thank both of you for your outstanding service in the management team, consistently striving for the best value and interest of PCG.

To our valued customers, business partners, regulatory bodies and agencies, and our parent company PETRONAS, thank you for your constant encouragement that has motivated us at PCG to rise above challenges in every task that is undertaken.

To our esteemed shareholders, the aim to maximise value remains at the fore of our business agenda, and we will do everything in our power to achieve and deliver the very best in good times and more so in challenging times.

My final note of gratitude is especially dedicated to the PCG family, who have worked tirelessly to realise the Group's aspirations. I am confident that with our exceptional commitment to excellence and internalisation of PETRONAS Cultural Beliefs and Shared Values, we will be able to fulfil all objectives that position us as **"the preferred chemical company providing innovative customer solutions"**.

Datuk Sazali bin Hamzah
President/CEO

Business Strategy

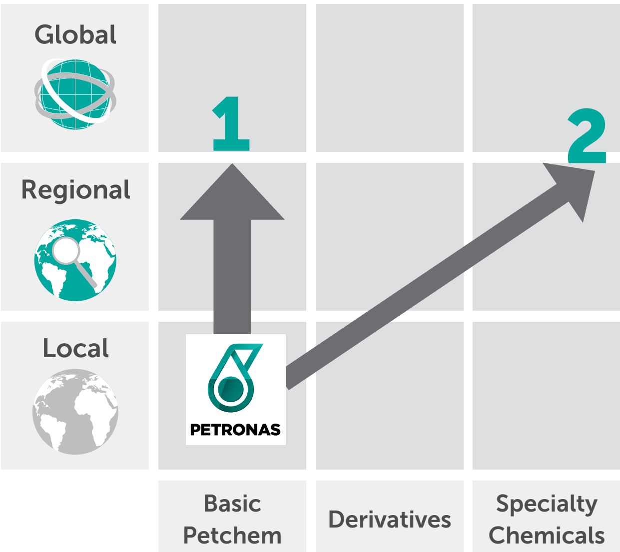
The chemical industry is cyclical in nature and heavily influenced by crude oil price movement. With heightened competition arising from significant additions to chemical manufacturing capacity and the entry of new regional players, the industry's business landscape is rapidly changing more than ever before. This is exacerbated by developments in coal-to-chemicals in China, as well as by aggressive development of shale oil and gas in North America.

In order to successfully navigate through these challenges, PCG will continue to pursue our two-prong strategy of strengthening basic petrochemicals while selectively diversifying into derivatives, specialty chemicals and solutions.

CORPORATE VISION

The Preferred Chemical Company Providing Innovative Customer Solutions

Two-Prong Strategy



1 Strengthen basic petrochemicals

2 Selectively diversifying into derivatives, specialty chemicals and solutions

Operational Excellence
- Plant reliability
- Flawless turnaround activities
- Supplier relationship management

Marketing and Sales Excellence
- Customer focus
- Sustain and enhance market position
- Marketing & sales capabilities

Innovation Excellence
- Innovative solutions/products
- Innovation culture

This two-prong strategy for growth will increase our volume-play advantage as a competitive regional player whilst harnessing value-play from higher margin products, which also enhances our resilience against market cyclicality and volatility.

The success of our two-prong strategy depends on three key factors: Operational Excellence to achieve world class performance; Marketing and Sales Excellence to increase profit by understanding customer requirements through market reach and intelligence; and Innovation Excellence to develop applications and solutions.

OPERATIONAL EXCELLENCE

Operational Excellence is imperative for the success of our business, as it is a valuable differentiator that generates benefits in the form of revenue generation and cost savings. It is the key to maximising sustainable returns on operating assets, which would further enhance our competitive position.

Operational Excellence initiatives focus on three areas:

1. **Plant Reliability**

   We continuously implement internal reliability and efficiency enhancement programmes as well as invest in technical capabilities of our people. We will continue the momentum to achieve consistent top quartile world-class plant performance and Health, Safety & Environment performance at all our operating units.

2. **Turnaround Management**

   We have centralised the turnaround function and installed tighter controls to better manage our contractors to deliver flawless plant turnaround, which is executed safely, effectively and on schedule. Through centralised management, we are able to coordinate the downtime plan of all our facilities at optimum level.

3. **Supplier Relationship Management**

   Strategic collaboration across the value chain through various improvement programmes has resulted in better feed composition from upstream with higher recovery, besides improving the supply volume from mid-stream. Similarly, the reliability improvement project at our utilities supplier facilities has resulted in sustainable supply to our operations. These improvement programmes contribute towards higher plant utilisation.

MARKETING & SALES (M&S) EXCELLENCE

M&S Excellence ensures additional value to our business through enhanced competitiveness. Competitive marketing capability with regional presence is at the heart of our business with the ever-evolving business challenges and rapidly changing business landscape. It boosts sales and profit, and develops good company reputation among customers to help us stay ahead of our competitors.

In realising higher value, efforts to build M&S Excellence focus on three areas:

1. **Customer Focus**

   Our customer centric approach is about ensuring that we understand our market segments and anticipate the needs and requirements of our end-customers. This enables us to develop and offer compelling value propositions, ranging from developing innovative customised solutions and providing high value product applications, to offering effective after sales support to serve our customers better.

2. **Sustain & Enhance Market Position**

   We optimise our portfolio geographic mix with a focus on domestic and key markets in the Asia Pacific region where we have geographical advantage. In enhancing our regional presence and increasing market share, we have incorporated and operationalised two overseas marketing subsidiaries in Thailand and China. We also have representative offices in Vietnam, Indonesia and the Philippines. Our enhanced presence in these key markets helps us strengthen our market intelligence, savviness and ability to capture competitive insights for us to be the preferred partner of our current and potential customers. We are committed to continue strengthening our presence in our key markets to meet the increasing market demands through improved delivery and superior product quality, as well as strategic collaborations with customers to develop solutions.

3. **M&S Capabilities**

   We continue to improve our market savviness and expertise with the right systems and tools to capture better value. We also develop internal experts to enhance our competitive edge and resilience to derive better deals and timely conclusion of sales. Competitive M&S capabilities provide us with the competencies to compete head-to-head with our competitors in generating greater returns for the Group.

INNOVATION EXCELLENCE

Innovation Excellence is an integral component of our business to realise our aspiration of providing innovative customer solutions. It supports our business growth and enables us to deliver the right customer experience.

Innovation Excellence focuses on two areas:

1. **Innovative Solutions**

   By providing solutions tailored to our customers' needs, we are able to connect with our customers' specific business challenges and fortify our market position through differentiation. We pursue collaborative efforts between customers and various innovation networks to deliver focused application of products and process technologies which will propel PCG as an industry leader in solutions application in automotive, food and agriculture, and personal care industries.

2. **Innovation Culture**

   We cultivate innovation mindset to deliver breakthrough performance through establishment of ideas and innovation management platform accessible throughout the Group, as well as positioning innovation as a key leadership attribute.

GROWTH PROJECTS

PCG is actively pursuing growth projects to further create value. To-date, we have sanctioned the following key projects:

1. **Sabah Ammonia Urea (SAMUR) Project**

   SAMUR Project represents our continuous effort to meet market demands for urea, especially in the South East Asia region. The project will add 1.2 million metric tons per annum (mtpa) of urea production capacity to our existing 1.4 million mtpa capacity, positioning PCG as the second largest urea producer in South East Asia. We have begun commissioning activities towards commercial operations in the second half of 2016.

2. **Integrated Aroma Ingredients Complex Project**

   We are currently constructing an Integrated Aroma Ingredients Complex in Gebeng, Pahang together with BASF through our associate company, BASF PETRONAS Chemicals Sdn Bhd. The integrated complex will produce citral, citronellol and L-menthol, which are aroma ingredients, to meet the high demand from the rapidly growing fragrance and flavour industries. This project marks PCG's foray into the highly attractive niche and specialty play, which are less affected by cyclicality compared to commodity chemicals. The project is progressing as planned with the first plant to come on-stream in 2016.

3. **2-Ethylhexanoic Acid (2-EH Acid) Project**

   We are currently building a 2-EH Acid production plant at our associate company, BASF PETRONAS Chemicals Sdn Bhd in Gebeng, Pahang. Once completed, the 2-EH Acid plant will be the first of its kind in South East Asia and will benefit from the integration with our current facilities in Gebeng. The project is progressing as planned with the plant targeted to come on-stream in 2016.

4. **Highly Reactive Polyisobutene (HR-PIB) Project**

   We have also sanctioned the development and construction of a new world-scale HR-PIB plant at our associate company, BASF PETRONAS Chemicals Sdn Bhd, to add further value to our existing business at PETRONAS Chemicals MTBE Sdn Bhd in Gebeng, Pahang. The project is progressing as planned with the plant targeted to come on-stream in 2017.

5. **Refinery & Petrochemical Integrated Development (RAPID) Project**

   We have acquired the entire equity of three companies undertaking RAPID Petrochemical Projects, namely PRPC Polymers Sdn Bhd, PRPC Glycols Sdn Bhd and PRPC Elastomers Sdn Bhd. RAPID Petrochemical Projects, which are scheduled to be operationalised in 2019, are significant growth projects for PCG to broaden our product portfolio and further diversify into derivatives, specialty chemicals and solutions, while expanding our existing production capacity.

RESPONSIBLE CORPORATE CITIZEN

We believe that the integration and balance of economic, environmental and social issues in the way we plan, execute and monitor our various business strategies are critical to our continuing growth and success.

We continue to play our role as a responsible corporate citizen by contributing to the wellbeing of the community where we operate through corporate social responsibility initiatives that focus on education and environment.

PCG is one of the top 10 companies as ranked by market capitalisation listed in the FTSE4Good Bursa Malaysia (F4GBM) Index launched on 23 December 2014. We remain committed to ensuring that our business practices are in line with globally recognised standards for Environment, Social & Governance practices.

Market Outlook

OUTLOOK ASIA: STEADY DESPITE SLOWDOWN IN CHINA

The chemical industry in Asia is expected to register higher but modest growth in 2016. China remains the growth driver for the worldwide and Asian chemical industries despite the country's slower economic growth, but Asean is gaining importance, and the industry in India is hindered by the slow implementation of reforms.

Low oil and energy prices have not stimulated demand for petrochemicals in Asia to any great extent, says Tony Potter, VP Asia Pacific at IHS Chemical. "The price of retail products has not changed much; this has helped producers, but generally it is the conversion industries that have benefited from the low oil price. Weaker currencies have made exporting countries more competitive, but those same countries are very dependent on China as an export market, and the uncertainty about the progress of the Chinese economy hangs over the rest of Asia," he says.

The regional olefins industry had a good 2015, but IHS Chemical expects average margins to be lower in 2016 as more coal-based capacity is brought online in China. The industry anticipates substantial shale-related olefin capacity to start up in North America in 2017. "Ethylene has been strong, but propylene prices and margins are already in the doldrums as new propane dehydrogenation and coal-to-methanol capacity will continue to be added. In aromatics, 2015 was expected to be a difficult year as substantial new capacity was started up, but in the end margins held up. In 2016, aromatics margins are expected to remain at similar levels. Perhaps an exception has been styrenics, where growth will continue to be below par and is not expected to pick up until the construction industry recovers," Potter says.

ACC* forecasts that chemical production in Asia Pacific will increase 4.8% in 2016 compared with 3.3% in 2015 and that chemical production in "other Asia Pacific" will increase 5.5% in 2016 compared with 5.9% in 2015. ACC expects South Korea's chemical production to grow 3.3% in 2016 compared with 0.5% in 2015; Singapore's chemical output to grow 3.4% compared with a decline of 1.1% in 2015; and Taiwan's chemical production to grow 3.1% compared with an increase of 0.4% in 2015.

The performances of the established industries in Japan, South Korea, and Taiwan will be mostly unchanged in 2016, IHS Chemical says. "This trio remains dependent on China as a petrochemical export market, and if Chinese demand picks up, they will benefit," says Potter.

The Asean chemical industry is expected to become more importance (*sic*) over the next few years, IHS Chemical says. "China will remain the epicenter of demand growth for petrochemicals and polymers, but population growth in Asean will outstrip that of China over the next 20 years, so it is becoming a more important market," Potter says. "Investments will be focused in countries with domestic petrochemical deficits, such as Malaysia, Indonesia, Vietnam, and India, rather than in net exporting countries such as Singapore or Thailand. Investment in China currently dwarfs that of Asean, and that is not going to change anytime soon. Vietnam will start up a world-scale aromatics complex in 2017. The next major cracker project in Asean is likely to be Malaysia's Refinery and Petrochemical Integrated Development project starting up around 2020, after which we expect new olefin complexes in Indonesia and Vietnam in the early 2020s," Potter says.

Source: Courtesy of IHS Chemical Week Magazine, January 2016

** American Chemistry Council*

Group Financial Review

GROUP FINANCIAL PERFORMANCE

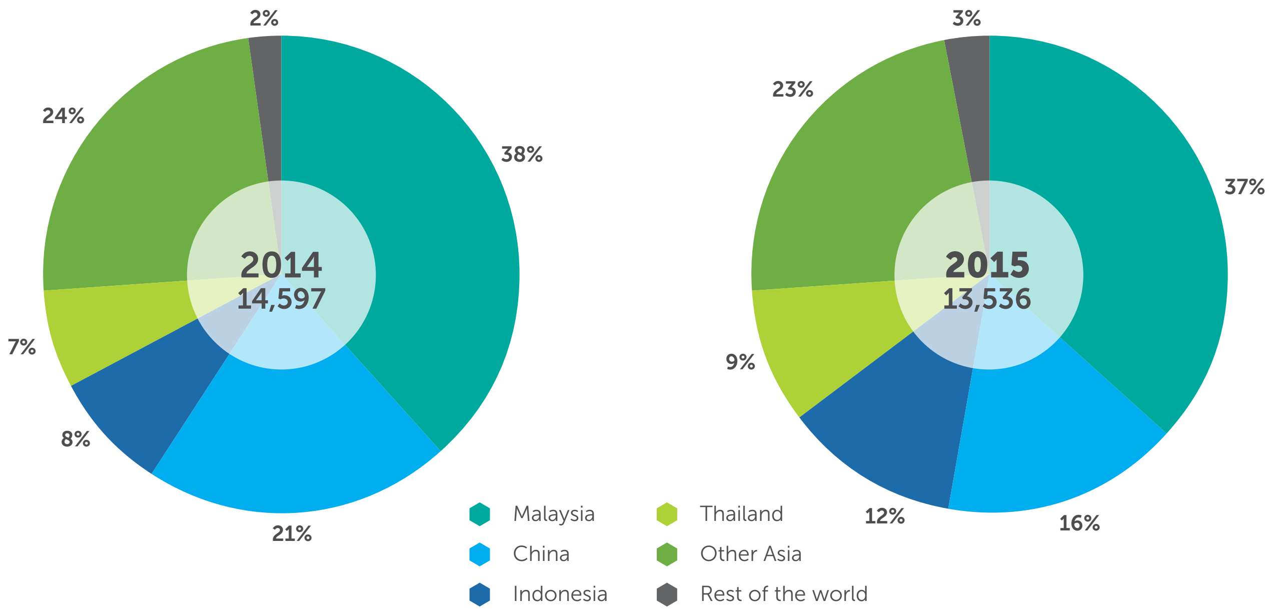
RM Million 12 Months Ended	2011*	2012	2013	2014	2015	Increase/ (Decrease) 2015 vs. 2014
Revenue	16,237	16,599	15,202	14,597	**13,536**	(7%)
Cost of Revenue	10,425	10,935	10,160	10,150	**8,989**	(11%)
Profit Before Tax	5,461	4,550	4,547	3,551	**3,833**	8%
Profit After Tax	4,288	3,837	3,504	2,726	**3,091**	13%

Revenue

PCG recorded revenue of RM13.5 billion during the year under review compared to RM14.6 billion in the previous year primarily due to lower average realised product prices amidst challenging market conditions. Product prices were adversely affected by the continued decline in crude oil and naphtha prices as well as subdued demand following slower economic growth in China. The lower product prices were, however, cushioned by higher sales volume and favourable foreign exchange movement.

The Group's plant utilisation rate improved to 85% from 80% in the previous year, attributable to better plant reliability across both Olefins & Derivatives and Fertilisers & Methanol business segments and improved ethane feedstock supply. Excluding statutory turnarounds undertaken during the year at the Group's larger methanol facility in Labuan and urea plant in Kedah, plant utilisation would have been higher at 89%. Production and sales volume were correspondingly higher in line with plant utilisation.

Revenue by Geographical Segment
(RM Million)



* *The Group changed its financial year end in 2011 from March to December, making it a nine-month reporting period from 1 April to 31 December 2011. To allow for meaningful comparison, comparatives for 2011 were based on a twelve-month period.*

Revenue by Product

Product	2014 RM Million	2014 %	2015 RM Million	2015 %
Olefins & Derivatives				
Olefins, Glycols & Derivatives	4,224	28.9	**3,498**	**25.8**
Polymers	2,613	17.9	**2,567**	**19.0**
Aromatics	2,449	16.8	**2,339**	**17.3**
MTBE	1,224	8.4	**1,091**	**8.1**
Total Olefins & Derivatives	10,510	72.0	**9,495**	**70.2**
Fertilisers & Methanol				
Fertilisers	2,165	14.8	**2,356**	**17.4**
Methanol	1,651	11.3	**1,539**	**11.4**
Carbon Monoxide	230	1.6	**100**	**0.7**
Total Fertilisers & Methanol	4,046	27.7	**3,995**	**29.5**
Others*	41	0.3	**46**	**0.3**
Total	14,597	100.0	**13,536**	**100.0**

* *Others comprise operations related to investment holding company and port services which provide product distribution infrastructure to the Group.*

Cost of Revenue

Group cost of revenue for the year was lower by RM1.2 billion or 11% to RM9.0 billion against RM10.2 billion in the previous year mainly as a result of lower feedstock cost.

Feedstock cost declined by 19% or RM1.1 billion largely due to lower feedstock prices in tandem with market, particularly for propane, butane and naphtha. This was negated by the impact of stronger US Dollar against Ringgit Malaysia and higher consumption. Feedstock cost continued to be the largest component of Group cost of revenue, making up 52% of the total cost for the year.

The reduction in cost of revenue was also due to lower manufacturing costs by RM98 million, mainly attributable to manpower-related expenses.

Operating Expenditure

Operating expenditure comprises selling and distribution expenses, administration expenses and net other income. Group operating expenditure was lower by 22% or RM226 million at RM790 million. In the previous year, the Group recognised an impairment loss of RM262 million on assets within the Group's butane-MTBE chain.

Excluding the impact of last year's impairment loss, operating expenditure would have been higher by 5% or RM36 million due to higher selling and distribution costs on the back of higher sales volume.

Profit

Group profit before tax for the year rose by 8% or RM282 million at RM3.8 billion. Excluding the impact of last year's impairment loss of RM262 million on assets within the Group's butane-MTBE chain, profit before tax would be comparable as higher volumes, favourable foreign exchange movement and lower operating cost offset the impact of narrower product spreads.

Share of profit from joint ventures and associates fell by 48% to RM79 million as the Group's associate and joint venture companies were also affected by the challenging market conditions and posted lower contribution as a result.

The Group's effective tax rate for the year was 19%, lower than both last year's rate of 23% and the corporate tax rate of 25%, largely because the Group's Labuan marketing arm is taxed at a lower rate under the Global Incentive for Trading (GIFT) scheme.

Profit after tax for the year increased by 13% or RM365 million to RM3.1 billion.

EBITDA, which excludes among others impairment losses, was comparable at RM4.7 billion. The Group's EBITDA margin remained strong at 34% as the Group's well diversified portfolio of products and competitive feedstock advantage was further supported by the favourable effect of a strengthening US Dollar.

SEGMENTAL ANALYSIS

Olefins & Derivatives Segment

The Olefins & Derivatives segment registered very strong plant utilisation of 93% for the year compared to 86% in the previous year, driven by improved ethane supply and lower level of statutory turnaround activities. Consequently, both production and sales volumes were higher during the year.

The higher volumes allowed the segment to counter the impact of softer market conditions for olefins and derivatives products. Product prices and spreads trended lower in tandem with falling crude oil and naphtha prices, as well as weaker demand.

As a result of lower average product prices, segment revenue was lower by 10% or RM1 billion at RM9.5 billion. The segment continued to be the key contributor to the Group, representing 70% of Group revenue.

Profit after tax was higher by 10% or RM181 million at RM2 billion as the Group had recognised an impairment loss of RM262 million in the previous year on assets within the Group's butane-MTBE chain. Excluding the impairment loss, profit would have been lower by 4% or RM81 million due to lower product spreads which offset higher volumes and favourable foreign exchange movement.

EBITDA, which excludes among others impairment losses, was comparable at RM3.2 billion whilst EBITDA margin stood at 34%. The Olefins and Derivatives segment accounted for 68% of Group EBITDA in 2015.

Fertilisers & Methanol Segment

The Fertilisers & Methanol segment's plant utilisation for the year was notably higher at 80% compared to the previous year level of 75%. This came on the back of improved plant reliability which negated heavier statutory turnaround activities mainly undertaken at the Group's larger methanol facility in Labuan. Excluding the statutory turnarounds, segment's plant utilisation would have been 86% production and sales volume grew during the year in line with higher plant utilisation.

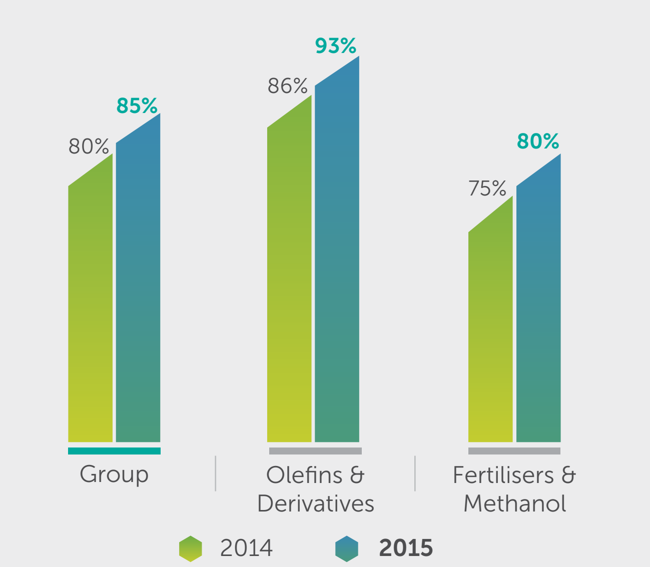
Market conditions for the segment were, however, challenging. The fertiliser market was subdued during the year under review with softer demand from key regional markets amidst higher supply availability. Methanol price was adversely affected by weaker demand for methanol-based energy derivatives following lower crude oil prices.

The Fertilisers & Methanol segment contributed RM4.0 billion or 30% of Group revenue, a slight decrease of 1% or RM50 million from the previous year as a result of lower product prices in line with market, offset by higher volumes and favourable foreign exchange movement.

In contrast to revenue, profit after tax rose by 18% or RM161 million to RM1.1 billion. The profit increase was underpinned by higher sales volume and favourable foreign exchange movement. This was further supported by lower tax expense following adjustment for overprovision of prior year taxation.

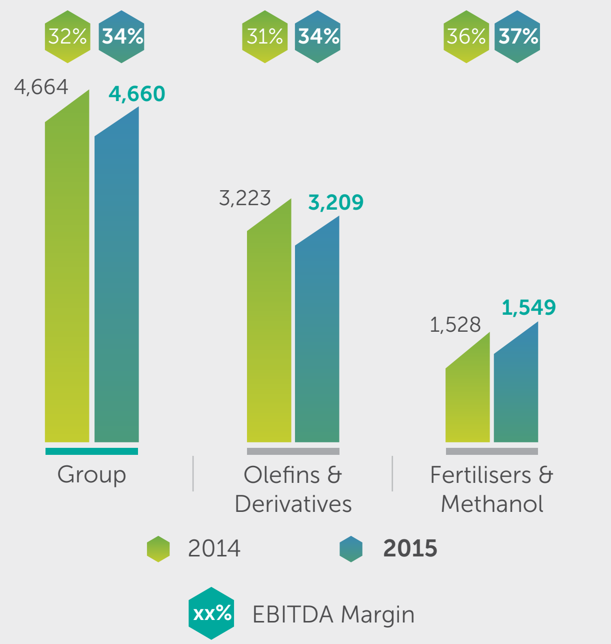
EBITDA increased by 1% or RM21 million to RM1.5 billion, representing 32% of Group EBITDA. Segment EBITDA margin stood at 37%.

Plant Utilisation Rate



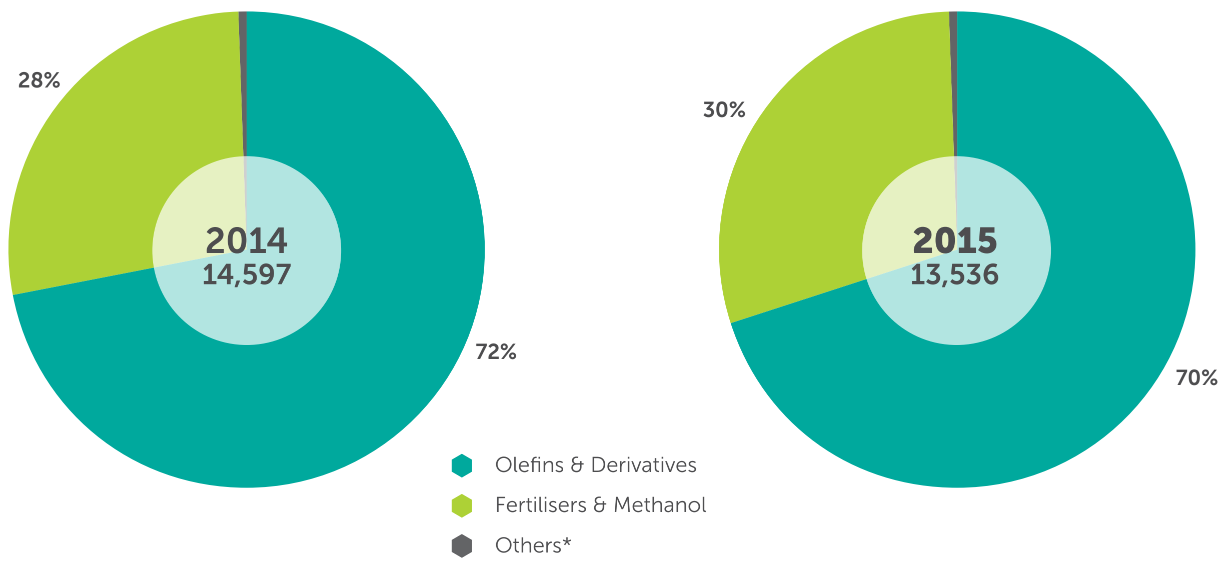
EBITDA by Segment

(RM Million)



Revenue by Segment

(RM Million)



* *Others comprise operations related to investment holding company and port services which provide product distribution infrastructure to the Group, which only contributes 0.3% of the Group's revenue for 2014 and 2015.*

GROUP FINANCIAL POSITION

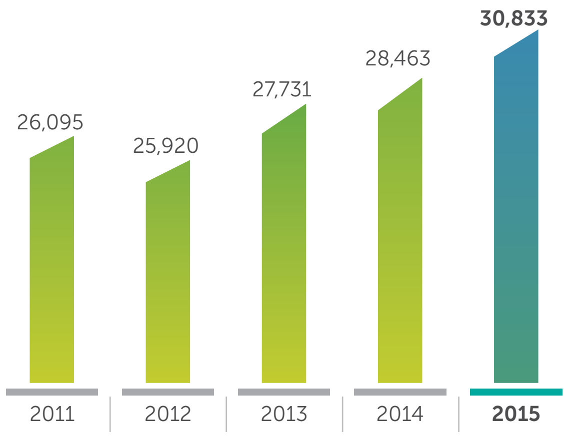
Total Assets

The Group's total assets grew by 8% or RM2.4 billion to RM30.8 billion as at 31 December 2015 from RM28.5 billion as at 31 December 2014.

Property, plant and equipment increased by 16% to RM16.6 billion with additions of RM2.9 billion made during the year under review, comprising RM1.5 billion for SAMUR Project, RM673 million for petrochemical projects under the Refinery and Petrochemical Integrated Development (RAPID) Project and RM733 million for other plant operational capital expenditure (CAPEX). This was offset by depreciation charge of RM1.3 billion for the year.

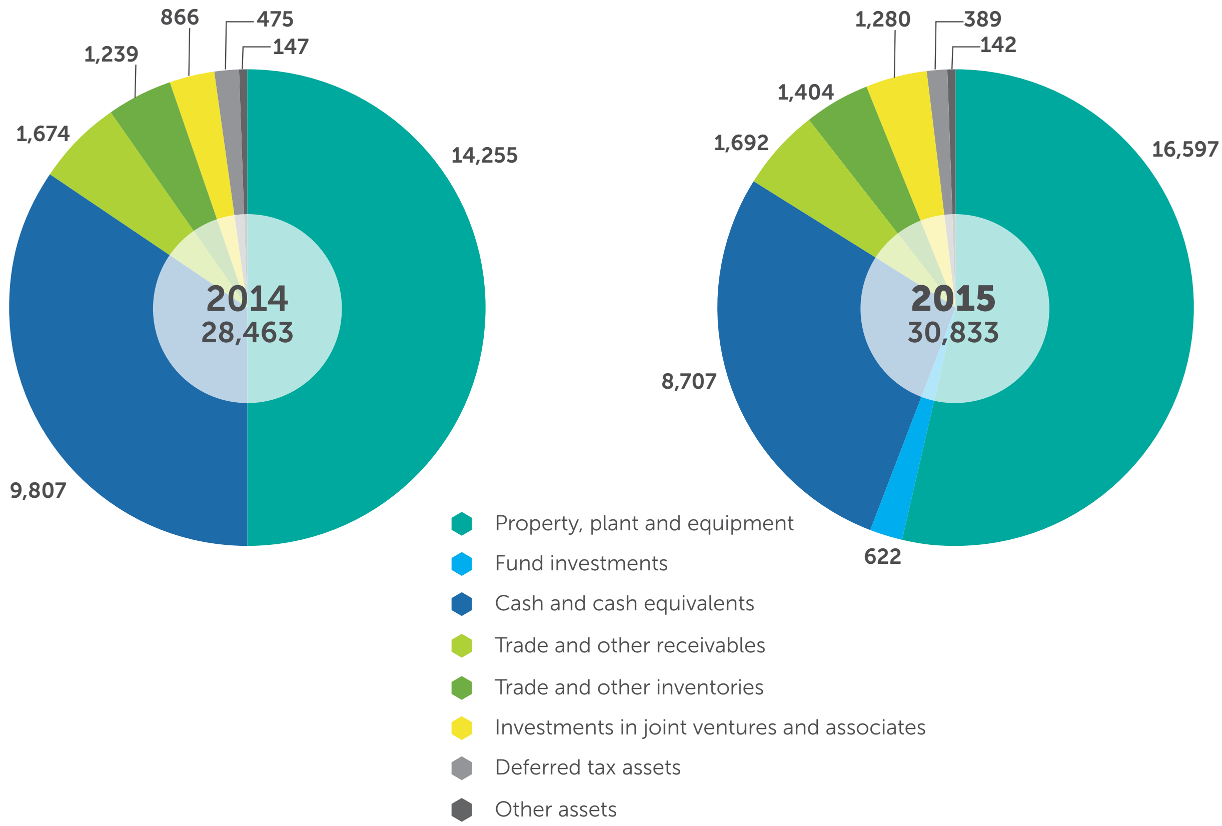
Investments in joint ventures and associates rose by 48% or RM414 million at RM1.3 billion, mainly attributable to increase in investment in the Group's associate company, BASF PETRONAS Chemicals Sdn Bhd for the Aroma Chemicals, 2-Ethylhexanoic Acid (2-EH Acid) and HR-PIB Projects.

Total Assets
(RM Million)



Group cash and cash equivalents as well as fund investments remained healthy at RM9.3 billion. Cash and cash equivalents was lower by 11% or RM1.1 billion at RM8.7 billion due to higher cash outflow from investing activities, offset by lower net cash outflow for financing activities and higher net cash inflow from operating activities.

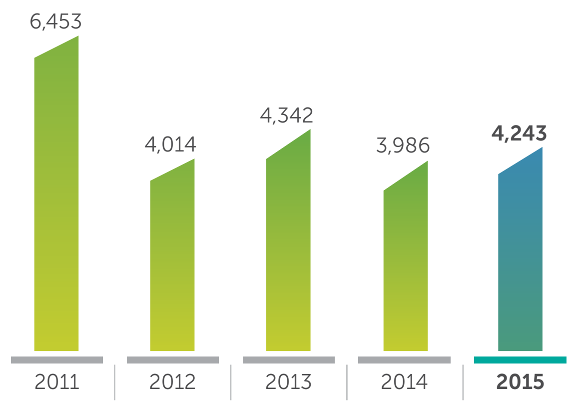
Total Assets
(RM Million)



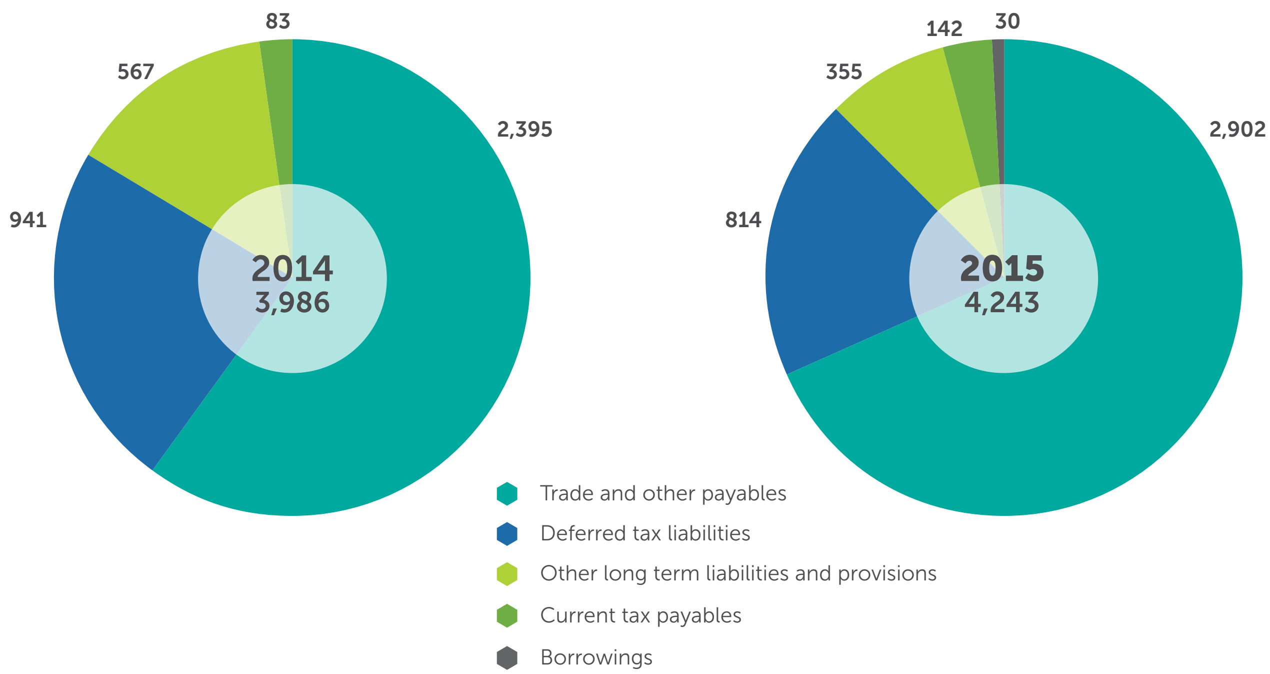
Total Liabilities

The Group's total liabilities were higher by 6% or RM256 million at RM4.2 billion as at 31 December 2015, largely attributed to forward foreign exchange contract relating to a subsidiary's US Dollar shareholder loan. However, this was negated by lower payables for SAMUR Project and lower provision for decommissioning activities in relation to the discontinuation of vinyl business and polypropylene plant. Included in total liabilities is short term borrowings of RM30 million in relation to a revolving credit facility taken by one of the Group's subsidiaries for working capital purposes.

Total Liabilities
(RM Million)



Total Liabilities
(RM Million)



GROUP CASH FLOW

At the end of the year under review, the Group's cash and cash equivalents was lower by RM1.1 billion at RM8.7 billion. In addition to cash and cash equivalents, the Group also held fund investments of RM622 million as at 31 December 2015, comprising placement of deposits with tenure more than 3 months but less than 12 months.

Net cash inflow from operating activities for the year was higher by RM139 million at RM4.3 billion compared to RM4.2 billion last year, as a result of lower cash paid to suppliers following lower feedstock cost and lower taxation paid. These offset lower cash receipts from customers consistent with lower revenue during the year under review.

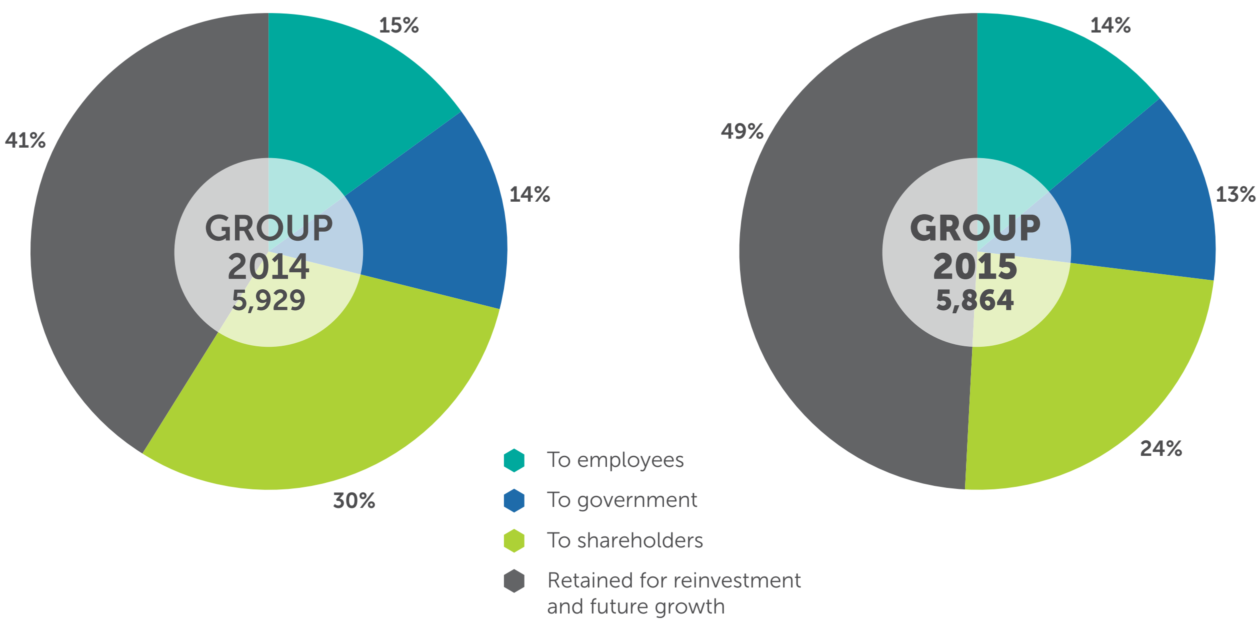
Net cash outflow from investing activities was higher by RM877 million at RM3.6 billion, attributable to placement of deposits mentioned above and higher investment in associates as well as lower dividends received from associates.

Net cash outflow from financing activities was lower by RM260 million at RM1.6 billion, mainly due to lower dividends paid to shareholders during the year under review, partially offset by payment to non-controlling interests on the redemption of preference shares in a subsidiary.

Statement of Value Added

	Group 2014 RM Million	Group 2015 RM Million	Company 2014 RM Million	Company 2015 RM Million
Revenue	14,597	**13,536**	2,004	**2,796**
Purchase of goods and services	(9,188)	**(8,090)**	(110)	**(64)**
Value added by the companies	5,409	**5,446**	1,894	**2,732**
Other expenses	(209)	**(391)**	(178)	**(6)**
Other income	609	**733**	467	**346**
Financing costs	(46)	**(11)**	(22)	**2**
Share of profit after tax of equity accounted associate and jointly controlled entity	166	**87**	–	**–**
Value added available for distribution	5,929	**5,864**	2,161	**3,074**
DISTRIBUTION				
To employees				
Employment costs	897	**817**	180	**127**
To government				
Taxation	825	**742**	13	**14**
To shareholders				
Dividends	1,600	**1,280**	1,600	**1,280**
Non-controlling interests	157	**146**	–	**–**
Retained for reinvestment and future growth				
Depreciation, amortisation and impairment	1,481	**1,279**	2	**3**
Retained profit	969	**1,600**	366	**1,650**
	5,929	**5,864**	2,161	**3,074**

Value Added Available for Distribution
(RM Million)



Investor Relations

2015 TOTAL SHAREHOLDER RETURN

Declining crude oil prices continued in 2015. The benchmark Brent marker began in 2015 at USD58 per barrel. Despite a climb to USD68 per barrel in the middle of the year, it declined to USD36 per barrel at the end of the year, stifled by the surging crude oil supply which continued to exceed demand, thus resulting in higher crude oil inventories.

Petrochemical prices exhibited lower volatility than crude prices in 2015, given that end demand for petrochemical products remained robust.

Amidst the more challenging market environment, PCG recorded better plant utilisation and earnings. As a result, PCG share price rose 33% from RM5.45 as at end December 2014 to RM7.27 as at end December 2015. Together with the 16 sen total dividend (comprising an 8 sen 2nd interim dividend for 2014 and an 8 sen 1st interim dividend for 2015), PCG shares delivered a 36% total return for shareholders.

The FTSE Bursa Malaysia KLCI (FBM KLCI), similar to other regional emerging markets, had a volatile year, with significant emerging market currency movements in August and September on the back of fears of a Chinese economic slowdown, compounded by uncertainty of an interest rate hike by the Federal Reserve. The Malaysian Ringgit, which started in 2015 at USD/MYR 3.48, depreciated by 23% to USD/MYR 4.29 at the end of 2015.

For the year, the FBM KLCI fell 3.9% from 1,761 to 1,693. Combined with dividend yield of 2.9%, the FBM KLCI recorded a total return of negative 1% (-1%).

Hence, PCG's total return in 2015 outperformed the FBM KLCI by 37 percentage points.

2016 YEAR TO DATE RETURN

Year-to-date (YTD), 2016 has continued to be volatile. As at 19 February 2016, Brent crude price closed at USD33 per barrel, down a further 8%. Petrochemical product prices also fell in line with lower naphtha and crude oil prices, coupled with ample supply for certain products.

Capital markets have seen increased volatility in 2016 thus far. Fears of slower global growth initially dominated global equity markets in January, but most markets rebounded with moves of over 5% within one week in mid-February. YTD 2016, the KLCI was down by 1.1% to 1,675. PCG's share price declined by 3.7% to RM7.00. Based on this price, PCG's market capitalisation was approximately RM56 billion.

INVESTOR RELATIONS PROGRAMME

PCG recognises the importance of an effective communication channel between the Company, its shareholders, and the general public. Pertinent matters that may affect shareholders include strategic developments, business performance and other material items affecting the Company and the Group.

As such, PCG actively engages, communicates and builds relationships with the investment community to promote transparent sharing of material and accurate information in a timely manner, in accordance with Bursa Malaysia Securities Berhad (Bursa Malaysia) requirements and guidelines.

While PCG endeavours to provide as much relevant information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price sensitive information.

PCG's Investor Relations is committed to continuously improve PCG's visibility in the domestic and international capital markets, to address investor interests and concerns.

In 2015, PCG held over 100 engagement sessions with key shareholders, analysts and fund managers, through face-to-face meetings, conference calls, analyst briefings, investor events, plant visits, participation in roadshows and corporate conferences.

Quarterly Analyst Briefings

The timely release of financial results on a quarterly basis provides capital markets with an up-to-date view of PCG's performance and operations. In conjunction with the release of the quarterly financial announcements to Bursa Malaysia, PCG hosts quarterly analyst briefings via webcast and conference calls. These briefings are accessible to both local and foreign participants.

This facilitates timely management discussion and analysis of the quarterly results, as well as questions and answers for the briefing participants. In 2015, the President/CEO and Chief Financial Officer attended all analyst briefings, supported by various members of the management team.

The presentation material for the briefing is made available on the PCG website on the day of the analyst briefing, and the transcripts are verified by a third party and subsequently made available on PCG website.

Investor Engagements

As part of our Investor Relations programme, PCG regularly engages with institutional investors who visit our corporate offices in Malaysia, or by teleconference and video conference.

In addition to these ad hoc engagements and the analyst briefings, PCG also held a Corporate Day at our Kuala Lumpur office in November 2015 for analysts and fund managers to discuss the latest performance updates and growth prospects for PCG.

Recognising that not all investors can travel to PCG's offices, we regularly conduct one-on-one engagements with investors at their premises. In 2015, PCG held a series of engagements in Singapore and Japan.

Participation in Corporate Events

As a large public listed company in Malaysia, PCG fully supports events organised by Bursa Malaysia, which aim to showcase the country as an attractive regional market. PCG has actively participated in Invest Malaysia conferences since its listing on the Bursa Malaysia in 2010. PCG again participated in Invest Malaysia 2015, held in Kuala Lumpur.

Additionally, PCG also participated in other investor conferences held in Singapore and Japan in 2015.

Plant Visits

We recognise the need for analysts and investors to appreciate the nature of our business and products. During the year, we hosted a number of visits to our facilities in Kertih, Terengganu and Gebeng, Pahang. Our retail shareholders visited the Kertih Integrated Petrochemical Complex, where a series of corporate presentations on the business, plant management and safety aspects were conducted. PCG also hosted a similar visit for several institutional shareholders to the Gebeng Integrated Petrochemical Complex.

The plant visits were well received and enabled our shareholders and analysts to have first-hand experience of a plant environment and also heightened their awareness of our commitment to Environmental, Social and Governance practices, thus increasing their appreciation of our business.

CAPITAL MARKET FEEDBACK

PCG is well covered with regular reports from around 20 research houses. Our website continues to serve as an important link with our investors. Interested stakeholders can access the annual reports, quarterly reports, Bursa Malaysia announcements, corporate presentations, analyst briefing transcripts and other relevant corporate news and information at the website.

Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity. Investor Relations can be contacted at:

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

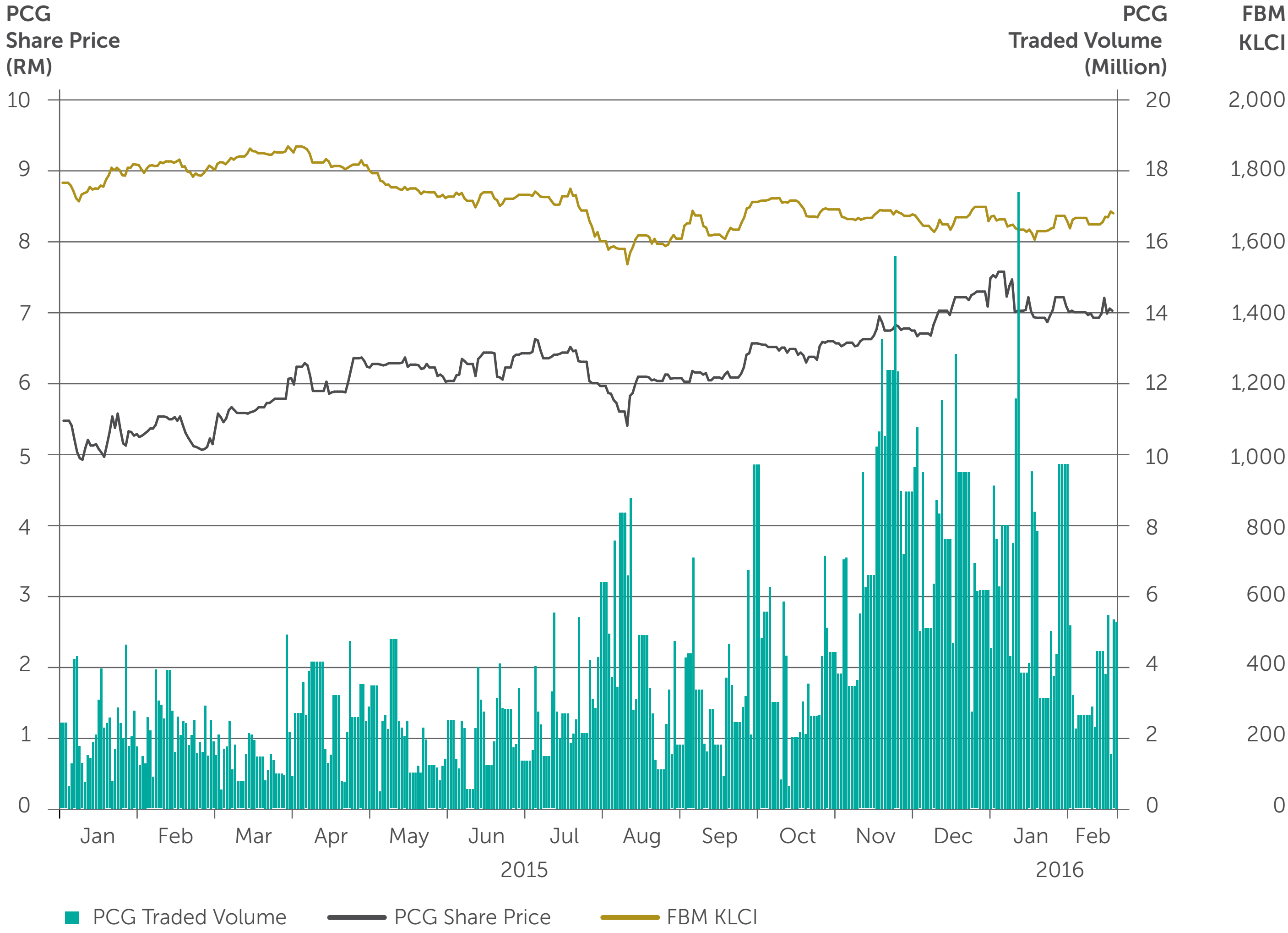
SHAREHOLDER ANALYSIS

PCG has a diversified shareholder base with 18,506 shareholders across the globe as at 19 February 2015. Approximately 28% of PCG's shares are held by institutional shareholders. This is an increase from approximately 24% as at the end of December 2014.

PCG's foreign shareholding rose to approximately 10% as at 19 February 2016 from approximately 7% as at 10 February 2015.

Share Performance

For the period 1 January 2015 to 19 February 2016



Closing Prices	RM	Date
High	7.55	8 January 2016
Low	4.90	8 January 2015

Average Daily Traded Volume (ADTV)
4,806,743 units

Financial Calendar

2015

7 May

- Announcement of the unaudited quarterly report of consolidated results for the 1st Quarter Ended 31 March 2015

24 August

- Date of entitlement of the 1st interim dividend for Financial Year Ended 31 December 2015

3 November

- Announcement of the unaudited quarterly report of consolidated results for the 3rd Quarter Ended 30 September 2015

7 August

- Announcement of the unaudited quarterly report of consolidated results for the 2nd Quarter Ended 30 June 2015

9 September

- Date of payment of the 1st interim dividend for Financial Year Ended 31 December 2015

2016

23 February

- Announcement of the unaudited quarterly report of consolidated results for the 4th Quarter Ended 31 December 2015

23 March

- Date of payment of the 2nd interim dividend for Financial Year Ended 31 December 2015

28 April

- Date of 18th Annual General Meeting

9 March

- Date of entitlement of the 2nd interim dividend for Financial Year Ended 31 December 2015

30 March

- Date of Notice of Annual General Meeting and date of issuance of Annual Report 2015

OUR ACHIEVEMENTS

As a leading chemicals producer, PCG constantly strives to operate in a safe manner. In fact, we strongly believe that something is worth doing only when it is done in accordance to our Health, Safety & Environment (HSE) culture built on principles that safeguard the wellbeing of our people as well as the communities and environment where we operate.

During the year under review, our HSE efforts were recognised with various prestigious awards, including the Chemical 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.

We are also one of the top 10 companies as ranked by market capitalisation listed in the FTSE4Good Bursa Malaysia Index. This is in recognition of our commitment to ensure that our business practices are in line with globally recognised standards for Environment, Social & Governance practices.

Additionally, the entire PETRONAS Group has been recognised as Graduate Employer of the Year 2015.

Also, we received the Industry Excellence 2015 accolade for outstanding achievement on corporate governance disclosures for the oil and gas sector at the National Annual Corporate Report Awards jointly organised by Bursa Malaysia Securities Berhad, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants.


MSWG
MSWG - ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS & RECOGNITION 2015
INDUSTRY EXCELLENCE AWARD
- OIL & GAS -
Petronas Chemicals Group Berhad
2015
Gold Medal
Occupational Health and Safety
Granted to
PETRONAS Chemicals Ammonia Sdn Bhd
RoSPA
sponsored by
nebosh
President
MINORITY SHAREHOLDER WATCHDOG GROUP
INDUSTRY EXCELLENCE AWARD
OIL & GAS
PETRONAS CHEMICALS GROUP BERHAD

PCG IN THE NEWS

PCG, BASF bina kilang 2-EHAcid

Perkongsian strategik penuhi permintaan Asia Pasifik

PETRONAS HASILKAN PRODUK KIMIA HALAL

76 PRODUK HALAL PCG KE PASARAN GLOBAL

PCG opens marketing office in Shanghai

SHANGHAI: Petronas Chemicals Group Bhd (PCG) has opened an overseas marketing and sales office in Shanghai to pursue closer collaborations with its Chinese customers.

The Shanghai office of PCM (China) Co Ltd is PCG's second overseas marketing and sales office launched this year.

The company said this shows PCG's commitment to intensify customer relations and provide more innovative solutions to the markets in the region.

"The establishment of the PCM office in China will allow us to be closer to our customers and serve them better. In particular, this will allow us to strengthen our focus in ensuring that we understand the

ecutive officer Datuk Sazali Hamzah said in a statement.

He said that PCG was keen to pursue collaborations and work closely with its Chinese customers to develop new products, and process technology in three main industries: automotive, agriculture and food production, and personal care.

China is PCG's second-largest market and the world's largest consumer of

Petronas ceriakan pesakit di Hospital Sipitang

Petronas Chemicals expands to Thailand, keen to develop new products

KUALA LUMPUR: Petronas Chemicals Group Bhd, which has opened its first marketing and sales office in Bangkok, Thailand says it is keen to develop new products and process technology opportunities.

The effort will be focused on three main industries namely automotive, agriculture and food production, and personal care, said President and Chief Executive Officer Datuk Sazali Hamzah.

The opening of its marketing subsidiary Chemicals Marketing (Thailand) Co Ltd is in line with the firm's focus to accelerate innovation excellence by pursuing collaborations and working closely with customers, he said in a statement here yesterday.

The firm has been intensifying its marketing and sales efforts to maximise returns especially in the key focus markets of China and ASEAN.

"We are able to enhance our

Petronas contributes to daily schooling needs of Sipitang school children

東南亞首家

馬石油化工建2-EHAcid工廠

马石油化工巴斯夫
关丹设化学厂2017年投

Kuala Lumpur

PCG catat keuntungan RM3.55 billion

Petronas Chemicals Group Bhd (PCG) mencatatkan keuntungan sebelum cukai yang lebih rendah sebanyak RM3.55 bilion bagi tahun kewangan berakhir 31 Disember 2014 berbanding dengan RM4.55 bilion yang dicatatkan pada 2013.

PCG berkata, pendapatan jatuh kepada RM14.59 bilion semasa tempoh di bawah kajian daripada RM15.2 bilion yang didaftarkan sebelum ini berikutan tebaran yang lebih rendah, termasuk kerugian di atas aset yang berkait dengan rantaian butana-metil tertier butil eter (MTBE), olefin dan derivatif.

Katanya, dari segi baja dan metanol, kebolehpercayaan loji

Petronas Chemicals, BASF to build 2-EHAcid plant in Kuantan

...ngunan tidak perlu ...nkan alam sekitar

Sebaliknya menuntut semua pihak memuliharanya dengan kurangkan sisa buangan melalui kitar semula

PetChem capex at RM3bil

About 60% of budget for completion of Sabah fertiliser project

Petronas Chemicals sees higher pre-tax profit in 2Q15

CALENDAR OF EVENTS

January – September 2015

Downstream Cultural Beliefs Rollout

In aligning PCG employees to PETRONAS Downstream Business' aspirations, a series of training and certification programmes on Downstream Cultural Beliefs was rolled out to all managers and executives from January to September 2015. The sessions focused on Downstream's aspired results in 2019, the need for a cultural transformation and practical tools for instilling joint accountability to achieve the results.

10 February 2015

PCG Renews Granular Urea Term Contract with MNFSB and NAFAS

PETRONAS Chemicals Marketing (Labuan) (PC Marketing Labuan), together with Malaysian NPK Fertilizer (MNFSB) and National Farmers' Organization (NAFAS) renewed their granular urea term contract for 2015 at Malaysian Petroleum Club in PETRONAS Twin Towers. The move is a continuation of the 20-year collaboration between PETRONAS and NAFAS, which began from the sale of granular urea through ASEAN Bintulu Fertilizer.

26 February 2015

Prosperity Toss with The Star

The annual PCG-The Star Prosperity Toss was held at Seligi Pavilion in PETRONAS Twin Towers. The networking luncheon was aimed at strengthening relations between a top media house and PCG's key management personnel. It also fostered goodwill and harmony in the spirit of Chinese New Year.

Local Authorities Visit to PC Fertiliser Kedah

PETRONAS Chemicals Fertiliser Kedah (PC Fertiliser Kedah) welcomed to its business premise, representatives from Malaysian Investment Development Authority (MIDA) Kedah/Perlis, Kedah Investment Centre, Economic Development Agency of Kedah, Kedah State Development Corporation, Kedah Town and Country Planning, Department of Environment and Sungai Petani Municipal Council. The visit enabled key local authority stakeholders to familiarise themselves further with PC Fertiliser Kedah's efforts to enhance its operations besides bringing long-term sustainable benefits to the community where it operates.

3 March 2015

Chinese New Year Celebration with Customers

PCG hosted an exclusive dinner for its customers at the Sime Darby Convention Centre in Kuala Lumpur. Besides fostering a better relationship between PCG and its customers, the event is one of PCG's gestures of appreciation for their constant support towards the business.

5 March 2015

PCG-IPRM CHALK 2015

PCG collaborated with the Institute of Public Relations Malaysia (IPRM) to organise PCG-IPRM CHALK 2015 at PETRONAS Twin Towers, Kuala Lumpur. CHALK is the acronym for "Chat and Listen for Knowledge", an initiative by IPRM that helped PCG to educate the media about its business and products. It also facilitated effective networking and interaction between PCG and public relations practitioners.

7 March 2015

Community Outreach Programme in Bintulu

PCG's subsidiary, ASEAN Bintulu Fertilizer, organised a community outreach programme at Sekolah Kebangsaan Sengian, Sebauh, Sarawak. About 60 volunteers came together to enhance facilities of the school. This included the construction of a 50-metre wooden walkway, repair works on the grandstand, refurbishment of the library and classroom as well as contribution of new computers and printers.

28 – 29 March 2015

Stakeholder Appreciation Programme at F1 2015

As part of its strategy to build goodwill through meaningful engagements, PCG hosted its stakeholders at the F1 Programme 2015 in Sepang International Circuit, Kuala Lumpur. Joint venture partners and customers from Japan, Germany, Indonesia and China, among others, came to enjoy the thrilling race, which ended with a podium finish for the Mercedes AMG PETRONAS F1 team.

13 April 2015

17th Annual General Meeting

PCG held its 17th Annual General Meeting at Kuala Lumpur Convention Centre to present its performance for the financial year ended 31 December 2014 to shareholders. More than 1,200 shareholders attended the meeting.

21 – 23 April 2015

3rd Hazards Asia Pacific Symposium

PCG was the main sponsor and conference partner of the 3rd Hazards Asia Pacific Symposium held at Shangri-La Hotel Kuala Lumpur. It is a joint effort between the Chemical Industries Council of Malaysia (CICM) and the Institution of Chemical Engineers (IChemE). Themed "Building Sustainable Operations and Processes", the forum hosted international experts and safety professionals in discussing the latest developments and best practices.

22 April 2015

PCG Townhall & Be Green Campaign 2015

A townhall session was held for PCG Corporate Office staff at Kuala Lumpur Convention Centre. It was a momentous event that marked nearly a year since PCG President/CEO Datuk Sazali Hamzah took office. About 400 staff were in attendance, including the management team. Besides facilitating effective dialogue, the townhall also successfully showcased the Company's performance and aspirations. "Be Green" campaign was also launched concurrently to encourage staff to adopt 3R (Reduce, Reuse, Recycle) practices to conserve the environment.

23 – 24 April 2015

PCG at Invest Malaysia 2015

PCG took part in Invest Malaysia 2015 at the Mandarin Oriental Kuala Lumpur. The flagship event of Bursa Malaysia Berhad championed the diversity of Malaysia's capital market and showcased key companies that drive economic growth within the ASEAN marketplace. It provided PCG with an opportunity to highlight its business strengths to the investment community.

28 April 2015

PCG Opens First Marketing and Sales Office in Thailand

PCG incorporated its overseas marketing subsidiary, PCM (Thailand) Company Limited in Bangkok as part of its effort to enhance its regional presence. With the launching of the subsidiary's office, PCG hopes to enhance its marketing and sales excellence by understanding and anticipating the needs and requirements of its end-customers, developing customised solutions and providing high value product applications with attractive pricing.

6 May 2015

Product Stewardship Mini Conference 2015

Product Stewardship and Regulatory Affairs of PCG's Innovation and Technology Department organised an exclusive Product Stewardship Mini Conference themed "Embracing Sustainability". The conference illustrated PCG's commitment to pursue operational sustainability befitting its participation as signatory to the Responsible Care® Global Charter. The conference engaged PCG staff in the sharing of best practices in safety issues and emerging regulatory requirements.

12 May 2015

Investors Visit to PC MTBE

PETRONAS Chemicals MTBE (PC MTBE) hosted investors from various institutions in Kuantan, Pahang. The visitors were given a plant tour and a briefing on PCG's business and operations.

18 May 2015

SAMUR Project Receives First Natural Gas

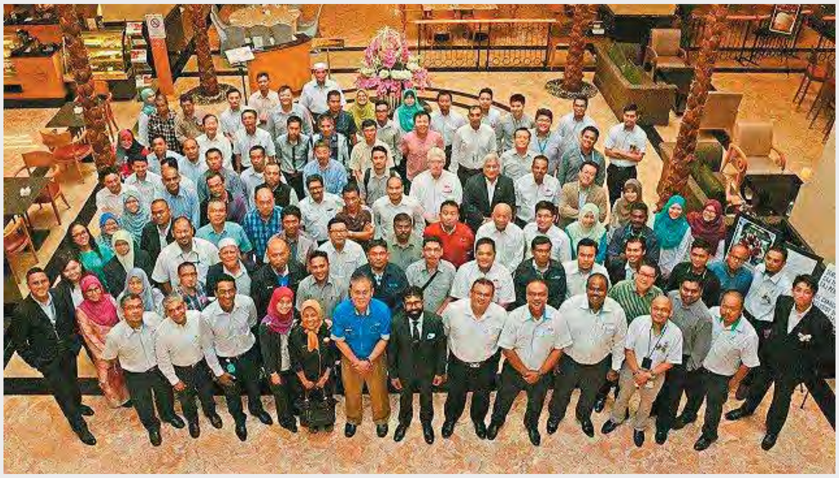
PCG's Sabah Ammonia Urea (SAMUR) Project has successfully received natural gas supply for the commissioning of the plant's flare system. Located in Sipitang Oil & Gas Industrial Park, Sabah, the world-class SAMUR Project is integral in maximising the value of the oil and gas resources found offshore Sabah.

7 May 2015

Program Cintai Sungai in Kuantan

PCG, through its subsidiary, PETRONAS Chemicals MTBE (PC MTBE), held its annual river conservation effort *Program Cintai Sungai* at Jeti Nelayan Kampung Balok Pantai in Kuantan. It was carried out in collaboration with Kuantan Municipal Council with the aim to create awareness among the communities near Balok River about the importance of environmental conservation.

21 May 2015



PCG Organises Annual Transporter Engagement Sessions 2015

PCG organised its first Transporter Engagement session for 2015 at PETRONAS Chemicals Polyethylene (PC Polyethylene) in Kertih Terengganu, where PCG and its transport partners signed a "We Strive for Zero Incidents" pledge. The second Transporter Engagement session was held a few months later at Corus Hotel Kuala Lumpur to showcase PCG's HSE transportation focus to all transporters that support the delivery of PETRONAS Chemicals Marketing's products.

26 May 2015

Sabah World OSH Day Celebration 2015

SAMUR Project was given the honour by the Department of Occupational Safety and Health Malaysia to host celebrations of the 2015 World Occupational Safety and Health Day for Sabah.

4 June 2015

PCG and BASF PETRONAS Chemicals Hold Groundbreaking Ceremony for 2-EH Acid Production Plant

PCG and its associate company BASF PETRONAS Chemicals achieved a new milestone with the groundbreaking of a 2-Ethylhexanoic Acid (2-EH Acid) production plant in Gebeng. With a total annual capacity of 30,000 metric tons, the plant is the first of its kind in the ASEAN region. It is expected to be commissioned in 2016.

16 June 2015

PC Fertiliser Kedah Receives *Anugerah Sumbangsih* 2014 and *Rakan Akrab* 2014

PC Fertiliser Kedah did PCG proud when it received *Anugerah Sumbangsih* 2014 at the *Pelancaran Perayaan Hari Guru Peringkat Negeri Kedah* hosted by the State Education Department Kedah in collaboration with Kedah Chief Minister's Office at Wisma Darul Aman, Alor Setar. The award served as a mark of recognition from the Kedah government and the State Education Department for various community-based educational programmes. PC Fertiliser Kedah also received the *Rakan Akrab* 2014 award for numerous environmental efforts in conjunction with *Sambutan Hari Alam Sekitar Sedunia Peringkat Negeri Kedah Tahun* 2015 in Sungai Petani, Kedah.

18 June 2015

PCG Wins Asia Responsible Entrepreneurship Award

PCG received the Asia Responsible Entrepreneurship Award in the Green Leadership Category for its signature environmental conservation initiative, the ecoCare Programme, in Macau. This served as an important recognition of the Company's long-standing commitment and efforts in upholding sustainable and responsible entrepreneurship.

2 July 2015

PETRONAS-RTM Iftar 2015

About 200 pressmen from Radio Televisyen Malaysia (RTM) newsroom were treated to an *iftar* (breaking fast) session organised by PETRONAS via PCG. The session with RTM served as a platform for PETRONAS to foster strong relations with RTM's key personnel.

5 August 2015

PCG and Reliance Industries Renews Paraxylene Term Contract 2015

PCG's subsidiary, PC Marketing (Labuan) signed a Paraxylene Term Contract 2015 with Reliance Industries Ltd at Impiana Hotel KLCC. This was followed by an appreciation dinner hosted by PCG to commemorate the supply of one million metric tons of MEG to Recron (Malaysia) Sdn Bhd, which is a subsidiary of Reliance Group. This important milestone illustrates the strong partnership between PCG and Reliance Industries Ltd over the years.

11 August 2015

PCG Signs Sales & Purchase Agreement of Nett Isobutylene with BASF PETRONAS Chemicals

PCG's subsidiary, PC Marketing (Labuan) signed the Sales and Purchase Agreement of Nett Isobutylene with BASF PETRONAS Chemicals Sdn Bhd at the Malaysian Petroleum Club, PETRONAS Twin Towers, Kuala Lumpur. This agreement paves the way towards building a new world-scale production plant for highly reactive polyisobutene at BASF PETRONAS Chemical's *verbund* site in Gebeng, Pahang.

PCG Hari Raya Aidilfitri Open House

PCG hosted its Hari Raya Open House for its external stakeholders at Impiana Hotel KLCC. Some 800 guests attended the event which was designed to celebrate partnership and camaraderie in an atmosphere filled with merriment.

17 August 2015

Shareholders' Plant Visit

PCG organised its annual Shareholders' Plant Visit at Kertih, Terengganu, for selected PCG retail shareholders. The annual programme provided the shareholders with an opportunity to familiarise themselves with the Company's business fundamentals and plant operations.

20 August 2015

PCG Joins Bursa Bull Charge 2015

PCG joined the Bursa Bull Charge at the Bursa Exchange Square in Kuala Lumpur. The run drew 1,300 participants from various corporations who tracked a 5km trail through Kuala Lumpur's business district. PCG runners joined the race wearing PETRONAS' signature yellow coveralls.

22 August 2015

PCG Customer and Stakeholder Appreciation Golf

PCG organised its annual Customer and Stakeholder Appreciation Golf at the Palm Garden Golf Club, IOI Putrajaya. The event enhanced cohesiveness between PCG and its strategic business partners from various countries, including Thailand, China, Spain and Japan. Some 132 golfers took part in the annual gathering.

3 September 2015

Inspiring Innovation with Music and Nature

As part of its efforts to promote environmental awareness, PCG via its subsidiary ASEAN Bintulu Fertilizer, organised a competition titled "Inspiring Innovation and Music with Nature" at Dinner World, Bintulu, Sarawak. The annual competition saw more than 800 participants showcasing their skills to create useful items and perform on stage using instruments made from recycled materials.

8 September 2015

Hari Kesedaran HSE Bersama PETRONAS

PCG organised *Hari Kesedaran HSE Bersama PETRONAS* at SMK Rantau PETRONAS in Kertih, Terengganu. Besides reinforcing the importance of HSE, the initiative also supports PCG's corporate social responsibility efforts by engaging the community to adopt an environmentally friendly lifestyle.

7 – 11 October 2015

PETRONAS Hosts Customers in India

To commemorate its long-standing partnership with Indian customers and stakeholders, the PETRONAS team, including PCG, PETRONAS LNG Sdn Bhd and PETCO Trading Labuan Co. Ltd. paid a working visit to Mumbai and New Delhi, India. The working visit served PCG well as it was able to enhance its rapport with important business partners in India through an opportunity to network and exchange ideas.

13 September 2015

CICM Responsible Care Run

PCG was the Silver Sponsor of the Council of Malaysia CICM's Responsible Care Run for the fifth consecutive year. The annual race drew about 500 participants nationwide with 25 runners representing PCG.

20 October 2015

PCG Sponsors IFA Crossroads Asia Pacific

PCG's subsidiary, PC Marketing (Labuan) hosted a welcome cocktail and dinner reception for the delegates of IFA Crossroads Asia Pacific at Marini's On 57 in KLCC. It provided an opportunity for PCG to enhance its visibility among key ammonia and fertiliser industry players besides drawing new business opportunities.

26 October 2015

PCG Wins IChemE Malaysia Awards

PCG bagged top prizes at the IChemE Malaysia Awards held in Kuala Lumpur. Among PCG's subsidiaries that won were ASEAN Bintulu Fertilizer, PETRONAS Chemicals Ammonia and PETRONAS Chemicals Derivatives. The Awards celebrated excellence, innovation and achievement in the chemical and process industries.

29 October 2015

In-House Training Programme for Board of Directors of PETRONAS Group

Training was organised for Board of Directors of PETRONAS Group, including PCG and its subsidiary companies on the New Companies Act 2015 and Boardroom Tussle as part of continuous training programme for directors.

27 November 2015

PCG Signs MoU with CIDB for Turnaround Upskilling Apprenticeship Programme

PCG signed a Memorandum of Understanding (MoU) with Construction Industry Development Board (CIDB) to implement the Turnaround Upskilling Apprenticeship programme at the Malaysian Petroleum Club. This is part of an effort to develop a competent workforce that effectively caters to PCG's plant turnaround and shutdown activities besides cementing strong ties between PCG and CIDB.

3 December 2015

PCG and UTP Collaborate to Enhance Environment-Related Competencies

PCG signed a Memorandum of Understanding (MoU) with Universiti Teknologi PETRONAS (UTP) for the development and implementation of environment-related competencies in UTP's curriculum through PCG's signature ecoCare programme in Bandar Seri Iskandar, Perak.

7 November 2015

PCG Launches Overseas Marketing Subsidiary Office in China

PCG achieved a new breakthrough in its regional business operations with the opening of PCM (China) office in Shanghai. This marked a significant boost to the Company's position in China, its second largest key market.

9 December 2015

PCG Wins Big at CICM Responsible Care Awards

PCG won two platinum, four gold, six silver and 14 merit awards under the Corporate Awards for the Six Codes of Management Practices category in CICM Responsible Care Awards. The awards were presented at Shangri-La Hotel in Kuala Lumpur.

10 December 2015

PCG Wins Oil & Gas Industry Excellence Award in MSWG Corporate Governance Recognition

PCG received the Oil & Gas Industry Excellence accolade for its outstanding achievement in corporate governance at the Minority Shareholder Watch Group (MSWG) ASEAN Corporate Governance Transparency Index, Findings and Recognition Awards Ceremony in Sime Darby Convention Centre, Kuala Lumpur.

16 December 2015

PCG Brings Cheer to Patients at Sipitang Hospital

PCG, through its subsidiary, PETRONAS Chemicals Fertiliser Sabah, organised a special get-together with patients at Sipitang Hospital, Sabah. The get-together is part of PETRONAS' Sentuhan Kasih CSR programme which is implemented to benefit the underprivileged members of the community.

CARING FOR THE ENVIRONMENT

Our role as a responsible corporate citizen enables us to impart sustainable social and environmental benefits, achieved through the use of sound practices and policies. Committed to strengthening our sustainability agenda, we will continue to operate in an economically, environmentally and socially responsible way.

OUR RESPONSIBILITIES

098 Sustainability Report
a. Conserving the Environment
b. Growing in the Marketplace
c. Creating a Great Workplace
d. Caring for the Community

SUSTAINABILITY REPORT

Our business conduct is based on integrity and sustainable practices that make us a safe and reliable chemicals producer. This enables us to continuously create value in an economically, environmentally and socially responsible way.

As a major chemicals industry player in Asia Pacific, we are keenly aware of our stakeholders' expectations in terms of responsible corporate citizenship. We work hand-in-hand with government authorities, non-governmental organisations, communities where we operate, civil society, customers and suppliers to advance our goals in maintaining responsible and sustainable operations.

Our sustainability agenda covers the following seven key areas, as defined by the PETRONAS Corporate Sustainability Framework:

1 Shareholder Value

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

2 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.

3 Health, Safety & Environment (HSE)

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

4 Product Stewardship

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

5 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.

6 Climate Change

Limiting emissions of greenhouse gases into the atmosphere.

7 Biodiversity

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

CONSERVING THE **ENVIRONMENT**

GROWING IN THE **MARKETPLACE**

CREATING A GREAT **WORKPLACE**

CARING FOR THE **COMMUNITY**

As a result, PCG's sustainability performance has been recognised through our inclusion in FTSE4Good Bursa Malaysia Index since 12 December 2014. The index recognises Malaysian public listed companies that distinguish themselves by consistently demonstrating sustainable business practices.

Companies listed in the Index are selected from the Bursa Malaysia Securities Berhad's top 200 Malaysian stocks. These companies are screened in accordance with transparent and defined Environmental, Social & Governance criteria. The assessments are conducted by an independent third party based on information that are publicly disclosed by the companies (*see www.ftse.com*).

For the year under review, our sustainability performance continued to underpin our efforts to achieve operational, marketing and sales, and innovation excellence. This is exemplified by the numerous awards that we have been bestowed with and as illustrated in the following sections on Environment, Marketplace, Workplace and Corporate Social Responsibility.

CONSERVING THE ENVIRONMENT

The preservation of the environment goes hand-in-hand with the long term viability of our business. Depleting natural resources and climate change continue to pose risks to our business sustainability and we are focused on tackling these issues while operating in an environmentally responsible manner.

As a major chemical industry player in Asia Pacific, PCG is poised to drive change by delivering sustainable and innovative solutions. We collaborate with our stakeholders including governments, communities, civil society, customers and suppliers to advance our goals in maintaining responsible operations and sustainable chemistry.

Besides achieving higher standards in performance and generating greater value for our business, we endeavour to make continuous progress in promoting pollution prevention, waste minimisation and conservation of energy and other critical resources. Our commitment is to ensure that our operations have a positive impact on our business, communities where we operate and our people, in line with socio-economic and environmental requirements.

PCG IS ONE OF THE TOP 10 COMPANIES AS RANKED BY MARKET CAPITALISATION IN THE F4GBM INDEX

PCG's sustainability performance is recognised with our inclusion in FTSE4Good Bursa Malaysia (F4GBM) Index in 2014. The Index recognises public listed companies in Malaysia that distinguish themselves by consistently demonstrating sustainable business practices.

Companies listed in the Index were selected from Bursa Malaysia's top 200 Malaysian stocks. These companies are screened in accordance with transparent and defined Environmental, Social & Governance criteria.

The assessments were conducted by an independent third party based on information that is publicly disclosed by the companies. PCG is one of the top 10 companies as ranked by market capitalisation listed in the F4GBM Index.

This further affirms PCG's commitment to generate long term social and environmental benefits through our operations.

AWARDS/RECOGNITION

For the year under review, our efforts at remaining constantly vigilant in observing Health, Safety & Environment (HSE) standards and continuously striving for best practices in HSE have been met with prestigious awards. The following are the organisations that have presented PCG with their much coveted awards.

Chemical Industries Council of Malaysia (CICM) Responsible Care Awards

Responsible Care is a voluntary initiative adopted by chemical industry across 60 countries worldwide to continuously improve practices in the areas of HSE. The Responsible Care Programme in Malaysia is managed by CICM according to the 10 Guiding Principles and the Six Codes of Management Practices of the Responsible Care Programme.

CICM Responsible Care Awards is organised annually to honour and recognise the efforts of chemical companies that implement Responsible Care's Six Codes of Management Practices.

The following are PCG's subsidiaries and associate that received CICM Responsible Care Awards in 2015:

1. **PETRONAS Chemicals LDPE Sdn Bhd**
   - i. Distribution Code (Platinum)
   - ii. Community Awareness and Emergency Response Code (Gold)
   - iii. Pollution Prevention Code (Merit)
   - iv. Product Stewardship Code (Merit)

2. **ASEAN Bintulu Fertilizer Sdn Bhd**
   - i. Pollution Prevention Code (Silver)
   - ii. Process Safety Code (Silver)
   - iii. Distribution Code (Merit)
   - iv. Employee Health and Safety Code (Merit)

3. **PETRONAS Chemicals Ammonia Sdn Bhd**
   - i. Community Awareness and Emergency Response Code (Merit)
   - ii. Employee Health and Safety Code (Merit)

4. **PETRONAS Chemicals Aromatics Sdn Bhd/PETRONAS Penapisan (Terengganu) Sdn Bhd**
   - i. Pollution Prevention Code (Merit)

5. **PETRONAS Chemicals Derivatives Sdn Bhd**
   i. Employee Health and Safety Code (Silver)
   ii. Product Stewardship Code (Silver)
   iii. Distribution Code (Merit)
   iv. Community Awareness and Emergency Response Code (Merit)
   v. Pollution Prevention Code (Merit)
   vi. Process Safety Code (Merit)

6. **PETRONAS Chemicals Ethylene Sdn Bhd/PETRONAS Chemicals Polyethylene Sdn Bhd**
   i. Distribution Code (Silver)
   ii. Community Awareness and Emergency Response Code (Merit)

7. **PETRONAS Chemicals Fertiliser Kedah Sdn Bhd**
   i. Community Awareness and Emergency Response Code (Silver)
   ii. Process Safety Code (Merit)

8. **BP PETRONAS Acetyls Sdn Bhd**
   i. Employee Health and Safety Code (Platinum)
   ii. Process Safety Code (Gold)
   iii. Distribution 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 endorsed by the Ministry of Natural Resources and Environment, Malaysia and supported by the Department of Environment and the private sectors.

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

1. **PETRONAS Chemicals Ammonia Sdn Bhd**
   Exceptional Achievement in Environmental Performance

2. **PETRONAS Chemicals Derivatives Sdn Bhd**
   Exceptional Achievement in Environmental Performance

3. **PETRONAS Chemicals Ethylene Sdn Bhd/PETRONAS Chemicals Polyethylene Sdn Bhd**
   Notable Achievement in Environmental Performance

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

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

RoSPA Achievement Award is an award scheme to recognise excellence in work-related health and safety performance by private and public sector organisations. 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.

For the year under review, the following PCG subsidiaries received awards from RoSPA:

1. **PETRONAS Chemicals Ammonia Sdn Bhd**
   Gold Medal Award

2. **PETRONAS Chemicals Methanol Sdn Bhd**
   Silver Award

3. **PETRONAS Chemicals Ethylene Sdn Bhd/PETRONAS Chemicals Polyethylene Sdn Bhd**
   Commended in the Chemical Industry Sector Award for Occupational Health & Safety

The Institution of Chemical Engineers (IChemE) Malaysia Awards

The IChemE Award celebrates excellence, innovation and achievement in the chemical and process industries.

For the year under review, the following PCG units received awards from IChemE:

1. **ASEAN Bintulu Fertilizer Sdn Bhd**
   Winner: Process Safety Award (Malaysia)

2. **PETRONAS Chemicals Ammonia Sdn Bhd**
   Highly Commended: Process Safety Award (Malaysia)

3. **PETRONAS Chemicals Derivatives Sdn Bhd**
   Highly Commended: Chemical Engineering Industry Project of the Year Award (Malaysia)

Malaysian Society for Occupational Safety & Health (MSOSH) Awards

The MSOSH Awards are presented annually to companies in Malaysia that have outstanding Occupational Safety and Health (OSH) performance.

For the year under review, the following PCG's subsidiaries and associate received awards from MSOSH:

1. **ASEAN Bintulu Fertilizer Sdn Bhd**
   Gold Merit Award

2. **Vinyl Chloride (M) Sdn Bhd**
   Gold Glass 1 Award

3. **PETRONAS Chemicals Ethylene Sdn Bhd/PETRONAS Chemicals Polyethylene Sdn Bhd**
   Gold Class 1 Award

4. **PETRONAS Chemicals MTBE Sdn Bhd**
   Gold Class 2 Award

5. **BP PETRONAS Acetyls Sdn Bhd**
   Grand Award

Annual Productivity & Innovation Conference and Exposition (APIC) Awards

APIC 2015, organised for the fifth time, is a platform for the public and private sectors to share innovative projects that have been implemented.

Five Innovative and Creative Circles groups from PETRONAS Chemicals LDPE (PC LDPE) and PETRONAS Chemicals Aromatics (PC Aromatics) were honoured with "Gold Award – 3 Stars" at APIC 2015, which was organised by Malaysia Productivity Corporation. PC LDPE was also selected as the APIC 2015 Champion for the Manufacturing Category.

Malaysian National Occupational Safety & Health (OSH) Excellence Awards

The National OSH Excellence Awards is organised by the Malaysian National Council for Occupational Safety and Health. The council presents the 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, BP PETRONAS Acetyls Sdn Bhd won the National OSH Excellence Awards for the Petroleum/Gas/Chemicals Industry Category.

Sarawak Chief Minister's Environmental Award (CMEA)

The CMEA is presented to exemplary organisations that have made tremendous efforts to improve environmental performances in its organisation with a view to boosting sustainable development in the state. It is jointly organised by the Natural Resources and Environment Board Sarawak and the Sarawak Chamber of Commerce and Industry.

For the year under review, ASEAN Bintulu Fertilizer (ABF) won the Sarawak CMEA's Gold Award.

PC Fertiliser Kedah Receives Awards For Environmental and Community Efforts

PETRONAS Chemicals Fertiliser Kedah (PC Fertiliser Kedah) received *Anugerah Rakan Alam Sekitar* in conjunction with *Minggu Alam Sekitar Malaysia 2015 Peringkat Negeri Kedah*.

The accolade recognises PC Fertiliser Kedah's numerous efforts in protecting the environment in line with its role as a responsible corporate citizen.

In a separate event, PC Fertiliser Kedah also received *Anugerah Kecemerlangan Unit Pembangunan Kemanusiaan Pejabat Pendidikan Daerah Kuala Muda/Yan 2015*.

The award was earned based on the various education based programmes organised for the community since 2003.

ecoCare Programme Wins AREA Award

As a recognition for PCG's long-standing commitment and efforts in upholding sustainable and responsible entrepreneurship, PCG was bestowed the Asia Responsible Entrepreneurship Award (AREA) in the Green Leadership Category for its signature environmental conservation initiative – ecoCare Programme. The ceremony took place in Macau.

FUELLING SUSTAINABLE DEVELOPMENT

At PCG, sustainability is pursued in a holistic way, balancing the needs of people and environment. We operate in a way that contributes to a better society and environmental conservation, delivering sustainable development while being considerate towards the interests of a diverse range of stakeholders.

We embrace responsible management and operational practices, policies and procedures that complement as well as accelerate business performance and delivery. PCG promotes sustainable development through close engagements with the local agencies and communities as well as the utilisation of innovative technologies for pollution control. The following are the sustainable development programmes conducted throughout the year under review:

PCG Be Green Campaign

Be Green Campaign is an exclusive Corporate Social Responsibility (CSR) initiative for PCG which was launched in conjunction with World Earth Day. The objective of the campaign is to reinforce knowledge among staff on PCG's sustainable products and the benefits of green practices.

It also advocates product stewardship and creates awareness among staff on PCG's ongoing efforts in championing environmental-friendly products, in line with our role as a responsible corporate citizen.

Program Cintai Sungai in Kuantan

PCG, through our subsidiary, PETRONAS Chemicals MTBE (PC MTBE), held the annual river conservation initiative *Program Cintai Sungai* at Jeti Nelayan Kampung Balok Pantai in Kuantan. This was carried out in collaboration with Kuantan Municipal Council with the aim of creating awareness among the communities near Balok river about the importance of environmental conservation.

Among the activities organised were *gotong-royong*, throwing of pollution-absorbing mud balls and 3R (reduce, reuse and recycle) awareness competition.

PCG 3R Camp and Contests

PCG through our subsidiary, ASEAN Bintulu Fertilizer (ABF) organised a 3R Camp as part of its environmental conservation efforts by encouraging the public to "Reduce, Reuse and Recycle". Held at the Advanced Technology Training Center in Bintulu, the camp saw a total of 110 students from nine secondary schools being enlightened on the importance of conserving the environment through various fun programmes such as 3R Explorace – a treasure hunt based on environmental conservation; Eco Band – a musical competition with instruments made from recycled materials; and a home composting demonstration.

Subsequently, ABF also organised a competition titled "Inspiring Innovation and Music with Nature", to promote 3R at Dinner World, Bintulu, Sarawak.

The annual competition was divided into two categories and received overwhelming response with more than 800 participants showcasing their skills and imagination to create useful items and perform musical performances using instruments made from recycled materials.

The "Inspiring Innovation" category received 30 entries from primary and secondary schools students as well as institutions of higher learning. Meanwhile, the "Music with Nature" category saw the participation of 17 groups from secondary schools, public and private higher learning institutions, as well as representatives from government agencies and the private sector.

Both the 3R camp and competition were organised in collaboration with the Natural Resources and Environment Board, Bintulu Development Authority and Bintulu District Education Office.

ecoCare Programme

Initiated in 2005, the ecoCare programme is fully funded by PCG and managed by the Malaysian Nature Society (MNS). At the initial stage, the programme saw the reforestation and rehabilitation of the riverbanks along the Kertih River as well as the implementation of ecosystem management activities whereby 250 volunteers from neighbouring villages participated.

In 2013, the programme was intensified with the setting up of the ecoCare Environmental Education Centre (ecoCare EEC) in Kertih that enables more environment-related programmes to be carried out. The first-of-its-kind in the East Coast of Peninsular Malaysia, the ecoCare EEC provides an integrated environmental education avenue to increase public awareness, understanding and care for nature, especially among local communities through programmes related to the river's ecosystem and Kertih's unique coastal terrain and biodiversity.

The ecoCare programme also promotes the establishment of an environmental club called MNS School Nature Club at selected schools around ecoCare EEC.

To-date, 162 organisations have visited the centre making the total number of local and global visitors 6,320 thus far who were keen to learn more about the preservation of the ecologically sensitive mangrove habitat. Over 11,000 square metres of mangrove forest along the Kertih River have been replanted with more than 9,000 mangrove seedlings.

Aligned with our aim to structure our business in accordance with sustainable practices that add long term value to the Group, ecoCare EEC is certainly at the forefront of all our CSR efforts as it drives various initiatives which uphold the virtues of a clean and safe environment.

Besides providing a living experience that allows one to be close to nature, ecoCare EEC also hosts an array of exciting activities for visitors. They include a guided tour of the centre, river cruise, mangrove replanting, seedling collection, bird watching, fireflies tour, night walk, paper recycling and nature craft. The forest ecology activity is also a hit with visitors.

By increasing local awareness on the importance of mangrove rehabilitation, ecoCare EEC is also instrumental in driving community participation through the ecoCare volunteer programme which includes weekly activities such as seed collection and mangrove replanting along the banks of Kertih River.

For the year under review, ecoCare EEC among others hosted visits from representatives of numerous organisations and authorities namely Terengganu government officials, Institut Teknologi Petroleum PETRONAS (INSTEP), Universiti Teknologi PETRONAS (UTP) and PCG shareholders.

PCG and UTP Collaborate to Enhance Environment-Related Competencies

During the year under review, PCG signed a Memorandum of Understanding with UTP for the development and implementation of environment-related competencies in UTP's curriculum through PCG's CSR programme.

The partnership enables both parties to collaborate in various areas. These include the development and implementation of environment-related competencies as part of UTP's curriculum; exposure for UTP students to mangrove rehabilitation at ecoCare EEC; collaboration in CSR activities; exposure to plant operations through internship opportunities at PCG's facilities in Kertih; opportunities for research and development for undergraduate and/or postgraduate students; evaluation of UTP students' final projects by PCG as external examiners, as well as career motivational talks.

GROWING IN THE MARKETPLACE

PCG strives to create value for our stakeholders through a business model that is aligned with our aspiration to deliver innovative customer solutions. To this end, we are focused on strengthening our market reach and offering innovative solutions in the most efficient, effective and sustainable manner, whilst maintaining our Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness.

INNOVATIVE & SUSTAINABLE SOLUTIONS

PCG sees the importance of looking outward to our customers and the competitive market to deliver sustainable products and solutions whilst maximising returns to our stakeholders.

As South East Asia's largest integrated gas-based petrochemical producer, PCG continues to expand its footprint in ASEAN and other key markets such as China with a competitive business value proposition:

1) Outstanding functional capabilities across the value chain, enabling production and operational efficiency;
2) Proximity to key growth markets in Asia Pacific, enabling competitive logistics costs and reliable product delivery in terms of timing to our customers;
3) Flexibility of logistics services including catering for smaller parcel sizes, enabling lower inventory levels for our customers;
4) High quality products with competitive prices, enabling us to increase value for our customers;
5) Diversified product offering, enabling us to deliver innovative customer solutions;
6) Fully integrated company from production to delivery and after sales support, enabling timely delivery of products and services to customers at competitive prices; and
7) Profound understanding of customer needs, growth aspiration and culture, enabling us to grow together.

We recognise innovation as one of the Company's key drivers for growth and we consistently conduct improvement projects. This includes improvements in product quality, product delivery, existing business models as well as identifying new value-added applications, processes and products.

PCG continues to be a market-oriented organisation which provides products that match customer needs, resulting in the birth of new ideas and solutions to grow our respective businesses. In understanding customer needs and requirements, PCG has initiated various projects and activities to improve PCG's capacity and capability in shipment parcel size flexibility, improvement in delivery efficiency as well as development and enhancement of product offerings and quality.

PCG actively canvasses customers for their feedback on all aspects of customer expectations. Opportunities for improvement are acted upon and monitored to ensure customer experience is enhanced. PCG prides itself in providing customers with exemplary after sales support, both technical and non-technical in nature, which serves to add value to the total offerings.

PCG CONTINUES TO BE A MARKET-ORIENTED ORGANISATION WHICH PROVIDES PRODUCTS THAT MATCH CUSTOMER NEEDS, RESULTING IN THE BIRTH OF NEW IDEAS AND SOLUTIONS TO GROW OUR RESPECTIVE BUSINESSES.

In addition, PCG has also conducted frequent engagements with customers and other stakeholders to better understand their requirements. This is aligned with PCG's aim to increase our presence in ASEAN and Asia Pacific where petrochemical products are in high demand.

To enhance our market reach and presence, PCG has set up marketing and sales subsidiaries in Thailand and China. The subsidiaries are established to strengthen customer relationships, develop and create new customer base as well as gather market intelligence in a timely manner.

Furthermore, PCG is always committed and shall continue to strengthen our presence to meet the increasing market demands by improving delivery, enhancing product quality, working on new business models and strategic collaborations for new applications, processes and products. PCG is also venturing into new markets for some of our products such as Australia and New Zealand for ammonia and fertilisers.

In line with PCG's effort for growth and profitability improvement, we continue to improve our market savviness and expertise with the right systems and tools that enhance our ability to capture better value.

PCG has also embarked on several growth projects to realise our growth aspiration while contributing towards Malaysia's long-term development. With SAMUR Project completion, we will increase our existing urea capacity to 2.6 million metric tons per annum (mtpa), propelling PCG's stature from the fourth to the second largest producer of granular urea in South East Asia.

Apart from our continuous effort to meet the increasing demand for urea, PCG is also active in searching for opportunities to establish our presence in North and South America and the Indian Subcontinent.

In addition to strengthening our existing portfolio of products, PCG will be expanding our portfolio and market reach to include the opportunity to produce and market citral, citronellol and L-menthol aroma products which will come on-stream in phases from late 2016 onwards. These specialty aroma ingredients are widely used in the flavour and fragrance industry and will be produced at the Company's existing BASF joint venture site in Gebeng, Pahang.

The 2-Ethylhexanoic Acid (2-EH Acid) production plant is expected to be commissioned in 2016 while the Highly Reactive Polyisobutene (HR-PIB) world-scale plant at the same production site is expected to come on-stream in late 2017. The 2-EH Acid and the HR-PIB plants, which will be the first of their kind in South East Asia, will allow PCG to further diversify our portfolio and enter the high performance lubricant and additives market.

Upon completion of the RAPID Petrochemical Projects in 2019, PCG's portfolio of products is expected to increase in size and complexity resulting in PCG taking selected market leadership positions in South East Asia. The smooth execution of these projects will indeed accelerate the realisation of PCG's vision.

QUALITY PRODUCTS

At PCG, we aim to fulfil the highest standards and expectations for our petrochemical products. Relevant PCG's manufacturing facilities are certified with ISO 9001: Quality Management System through the establishment of dedicated quality control units and quality management systems. Our internal quality assurance is complemented by external certification to ensure compliance, effectiveness and enhancement.

Product quality is assured through vigorous testing throughout the production covering feedstock, intermediate and final product.

All tests performed are in accordance with internal quality based on international and national standards. Several PCG products, namely methanol, polyethylene and polyethylene glycols have been certified *halal* by the Department of Islamic Development Malaysia (JAKIM). *Halal* certification is part of PCG's objective in strengthening our brand value and creating a niche for our products in the *halal* industry.

As part of JAKIM's requirement, all *halal* certificate holders need to establish *Halal* Assurance System (HAS). To fulfil this, PCG has formed an Internal Halal Committee (IHC) to coordinate structured activities that support HAS. The main objective of HAS is to preserve the integrity of *halal* products and maintain consistent compliance with *Shariah* principles.

CREATING A GREAT WORKPLACE

The Company's success depends largely on the talents and efforts of highly skilled individuals. Our future success depends on our continued ability to identify, attract, develop, motivate and retain talents.

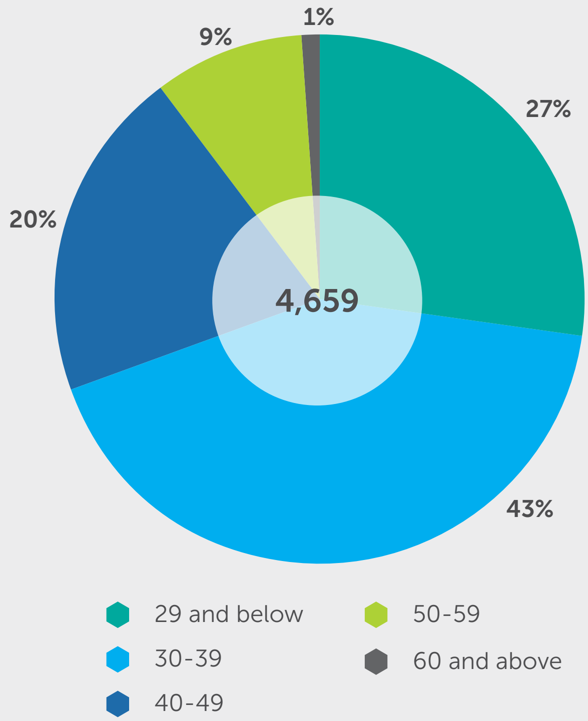
PCG is committed to providing challenging and fulfilling career opportunities for our people while maintaining a conducive working environment, supporting our aspiration to build a high performing workforce within the organisation.

Workforce

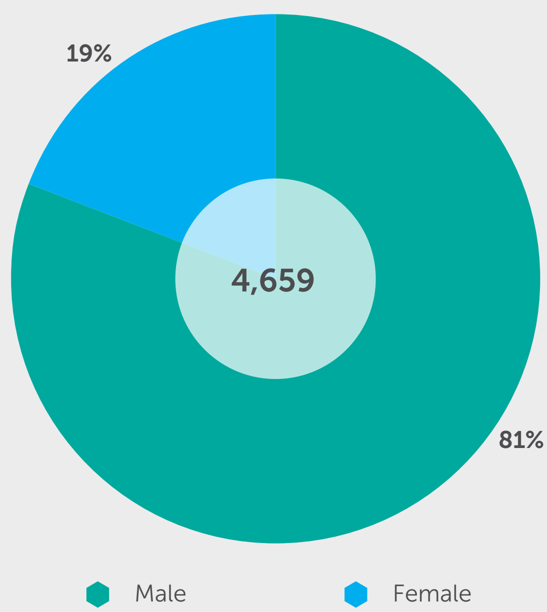
As of 31 December 2015, PCG had 4,659 employees in seven countries, who are mostly located across our operations and office sites in Malaysia. Of these, 76% and 24% were technical and non-technical respectively.

Employee Subgroup	Category	Number of employees	%
Executive	Non-Technical	703	15%
	Technical	1,192	26%
Non-Executive	Non-Technical	433	9%
	Technical	2,331	50%
	Total Staff	4,659	100%

Percentage of Employees by Age Group



Percentage of Employees by Gender



4,659 EMPLOYEES IN SEVEN COUNTRIES, WHO ARE MOSTLY LOCATED ACROSS OUR OPERATIONS AND OFFICE SITES IN MALAYSIA

Central to our business operations are our employees and their dedication to integrity and commitment to business ethics. In 2015, we continued our commitment to invest in leadership and capability development with the aspiration to maximise our people's potential, in our efforts to be an innovative solutions provider.

Human Resource Awards

PCG's parent company, PETRONAS, won the Graduate Employer of the Year Award 2015 organised by gradMalaysia. The award, supported by the Malaysian Higher Education Ministry and TalentCorp Malaysia, celebrates the country's most popular graduate recruiters. PCG is proud to be part of this achievement which reinforces the Company's position as an employer of choice, thus contributing to sustaining its talent stream.

PETRONAS Cultural Beliefs

PCG subscribes to PETRONAS Cultural Beliefs, a set of beliefs and actions designed and rolled out by PETRONAS Group in 2015 to achieve breakthrough results. The basis of this set of values is anchored in PETRONAS' Shared Values, and serves as the catalyst for PCG to stay on course in achieving its target to increase profitability and successfully deliver growth strategies.

The PETRONAS Cultural Beliefs are:

Results Matter

I stretch my limits to deliver superior results

Own It!

I own the results and don't blame others

Focused Execution

I plan, commit, and deliver with discipline

Nurture Trust

I always keep my promise and build mutual trust

Tell Me

I seek, give, and act positively on feedback

Shared Success

I collaborate for the greater good of PETRONAS

Code of Conduct & Business Ethics

While PCG maintains flexibility to adapt to changing conditions, its business naturally requires a focused, long-term approach and the need to balance risks and rewards. PCG aspires to achieve superior results while adhering to the highest standards of business conduct.

To achieve this, the Company adopts the PETRONAS Code of Conduct and Business Ethics (CoBE), which is a general reference used by PETRONAS operations worldwide.

CoBE is part of the PETRONAS Group's overall corporate enhancement programme. It reflects the increasing need for effective corporate governance compliance measures in the Group's conduct of domestic and overseas business.

CoBE emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of PETRONAS Group. It contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual to whom it applies.

CoBE applies to all employees and directors in PETRONAS Group worldwide. PETRONAS also expects contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of PETRONAS to comply with the relevant parts of CoBE when performing such work or services. In particular, CoBE expressly prohibits

improper solicitation, bribery and other corrupt activities not only by employees and directors, but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group (see *www.petronaschemicals.com*).

Whistleblowing & No Gift Policies

PCG is committed to the highest standard of integrity, accountability and openness in the conduct of its business and operations. We aspire to conduct business affairs in an ethical, responsible and transparent manner.

Recognising this and in line with PETRONAS Whistleblowing Policy, PCG provides an avenue for all our employees and members of the public to disclose any improper conduct (misconduct or criminal offence) within the Company through an internal channel. A whistleblower will be accorded with protection of confidentiality in identity, and an employee who whistleblows internally will also be protected against any adverse and detrimental actions, to the extent that is reasonably practicable.

PCG also requires all our employees to act in the best interest of the Company and to refrain from engaging in conduct which may affect the best interest of the Company. Therefore, in accordance with PETRONAS' No Gift Policy, PCG's employees shall not accept personal gifts from external parties, nor give personal gifts to external parties. The aim of this policy is to avoid conflicts of interest or the appearance of conflicts of interest in any ongoing or potential business dealings with the Company (see *www.petronaschemicals.com*).

Leadership & Capability Development

Efficient and effective execution of PCG's business strategy and operations depends on the capabilities of its employees. Capability development is crucial to organisational performance and requires a systematic approach to learning and development.

In 2015, PCG saw the implementation of our customised leadership framework, known as Integrated Leadership Development Opportunities framework (iDO), which summarises the leadership development approach of on-the-job learning, learning from other staff and formal learning.

These approaches have been enhanced to reduce individual leadership gaps identified based on the organisational culture, as well as feedback on leadership behaviours and values.

On-the-job learning through job assignment and mobility remains the most effective development approach for all staff, while learning from others complements and helps to accelerate the development of an individual's capability. For formal learning, two newly customised development programmes have been specifically created to address varying needs.

In PCG, functional capability development for each employee is based on their capability gaps with capability development interventions through on-the-job learning, learning from other staff in the form of coaches, facilitators and peers, and formal learning such as training programmes. Effective capability development results in the right people with the right skills at the right time for the Group to achieve its business objectives and future outcomes.

Technical Competency

The Group's capability development framework, such as Accelerated Capability Development (ACD) programme has been implemented as a standard mechanism to monitor and accelerate the capability development of technical executives. The assessments within the programme form a criterion for their progression to a higher grade. With the ACD programme in place, PCG has developed several Technical Professionals comprising Principals and Staff Engineers.

Similarly, all technicians and plant operators are also subjected to competency development and assessment. The PETRONAS Competency-Based Assessment System has been implemented to ensure all technicians and operators achieve the level of competency required by their respective jobs through proper hands-on experience. The system is designed as such that all tasks are assessed based on the PETRONAS Occupational Skill Standard. All technicians and plant operators must be certified based on this assessment system before progressing to the next level of their careers.

Marketing & Sales Competency

In 2015, the Marketing & Sales (M&S) Capability Team kickstarted the pricing excellence journey to enhance value capture through disciplined pricing, with a pilot programme featuring the use of a price management tool.

The programme involved the design of a comprehensive pricing system model and prototype, followed by a series of data collection exercises, which were then advanced through to testing and deployment.

Concurrently, selected staff were trained to utilise the system through a series of design workshops, pricing seminars and hands-on training.

In the pilot programme, 15 independently-certified pricing system expert users were successfully deployed. PCG is set to roll out the programme to other businesses and create additional pricing experts in 2016.

A customised in-house M&S training programme was also tailored under the Enhanced M&S Capability Framework to specifically meet the functional competencies defined for staff. To-date, about 100 M&S executives have been exposed to the 11 modules.

In 2016, the programme will be extended to staff at our overseas subsidiaries, representative offices and at Refinery and Petrochemical Integrated Development (RAPID) Project.

Employee Wellbeing

PETRONAS Leading Women Network

PETRONAS Leading Women Network was launched in June 2015, with the theme "Thriving Passion and Profession". Subsequent forums were also held in East Malaysia and East Coast Peninsular Malaysia in October 2015, which saw the involvement of all PCG's subsidiaries in East Malaysia and the East Coast, respectively.

PETRONAS Leading Women Network provides female employees with continuous learning opportunities, apart from building a supportive work environment and complementing other avenues for women to connect, such as the Association of Women and Wives of PETRONAS (PETRONITA). Aligned with PETRONITA, the context of the Network shapes the retention strategy for female employees, considering that some may choose to leave employment after a certain career phase, take time off due to family matters, and/or seek to learn the art of work-life balance.

The Network capitalises on the Leaders-Develop-Leaders engagement as a platform where knowledge and wisdom of female leaders are shared.

Mothers' Room for PCG Corporate Office and Operating Plants

In catering to working mothers' needs and the growing importance of managing the well-being of female employees, PCG provides mothers' rooms or appropriate facilities at the corporate office and operating plants.

In 2015, two mothers' rooms in PCG's corporate office were upgraded in line with PETRONAS Enhanced Mothers' Room initiative to enable working mothers' welfare to be further safeguarded at the workplace. The objective of this initiative is to provide more space to address the increasing number of young mothers in PETRONAS. The enhanced mothers' rooms are hygienic, comfortable and equipped to be fit-for-purpose with proper amenities such as refrigerators and power points.

Flexible Annual Leave

PCG recognises the importance of providing flexibility in the implementation of our core people policies in line with the need to adapt to the generational shift among talents and their needs. Such flexibility will allow employees to achieve a better work-life balance.

Industrial Training

PCG provides university students with the opportunity to explore their potential through industrial training attachments. This allows students to prepare themselves for a job in their chosen field upon graduation.

Throughout 2015, a total of 312 students had undergone industrial training in PCG.

OCCUPATIONAL SAFETY

Occupational safety is a key focus area for PCG. Robust systems and initiatives have been developed and implemented to ensure the safety of our workplace. For the year under review, PCG maintained its efforts to achieve sustainable occupational safety performance through the continuation of the following initiatives:

1. **Plant Turnaround Health, Safety & Environment (HSE) Programme**

   PCG conducts periodic planned turnaround (TA) at its facilities, where they are shut down for major maintenance works. The programmes implemented by PCG to enhance HSE performance during TA period include:

   (a) Development of a standardised TA HSE Plan;

   (b) Daily safety briefings by PCG management and various TA contractors;

   (c) Management-led safety walkabouts and audits;

   (d) Mobilisation of PCG employees from other facilities to manage contractors' HSE performance at facilities that are undergoing TA; and

   (e) Management of working hours to prevent excessive fatigue among the workforce.

   In addition, PCG also implemented an initiative to assess how well each of PCG's main mechanical TA contractors manage their HSE performance. This was done by conducting a detailed audit of each contractor's HSE management system. As a result of these audits, PCG proposed recommendations for the contractors to further improve their management system in order to enhance their HSE performance. For the year under review, PCG completed HSE audits for all of our main mechanical TA contractors.

2. **Enhanced Contractor HSE Management**

   PCG utilises term contractors to provide some of the necessary manpower and skills required to ensure our facilities are operated efficiently. PCG develops the HSE capability of these contractors through:

   (a) Regular engagement with the management of various contractors to ensure they are aligned with PCG's HSE expectations and requirements;

   (b) Monitoring each contractor's HSE performance and participation in PCG's HSE activities; and

   (c) Sharing PCG's HSE best practices, systems and experiences with the contractors.

3. **Strengthen Preventive HSE Programmes**

   HSE programmes are regularly rolled out to PCG's staff to enhance their awareness of the most common hazards which result in workplace injuries. These include:

   (a) Hazard awareness programmes that focus on issues such as hand injuries, lifting operations, working at height, management of change and road safety; and

   (b) Training on safety systems such as Permit to Work system, Management of Change procedures, Job Hazard Analysis and various PETRONAS Technical Standards.

TRANSPORTATION SAFETY

Transportation safety is a key area for PCG to continuously improve on, in order to avoid harm to the public, assets and the environment associated with land transportation activities.

PCG products are delivered by 25 transport companies, making PCG one of the largest users of heavy vehicles in Malaysia. Recognising the importance of transportation safety performance and the upward trend of future expectations of risk exposure, PCG has executed several programmes.

In sharing its transportation safety focus for 2015, PCG organised the inaugural "Transporter Forum" where all appointed transport companies came together to exchange knowledge, information and best practices in terms of HSE and operational excellence. In this forum, PCG management showcased its pledge and commitment to the PCG HSE transportation focus for 2015 to achieve Zero Incident.

At the same time, PCG introduced the "Good Day Great Day" programme as a reward scheme that spurs the performance of driver management improvement, as the drivers are the main players in road transport activities. "Good Day Great Day" is designed to promote driver safety mindset and behaviours to conform to PCG's transportation safety standards.

Due to the large number of transport companies engaged by PCG, progressive steps have been taken in standardising driver monitoring into one common accredited telematics technology system to enhance drivers monitoring and management. The new features include automatic driver's score and performance calculation which reflects the weighted average of several driving exceptional metrics and enhanced sensor to detect harsh driving. This has helped to identify drivers that may require further attention based on the driving risk level.

Registration of drivers is controlled by the issuance of the Driver Safety Passport (DSP) booklet, where names and details are also captured electronically in e-DSP system. This will provide a transparent platform to assess and monitor whether drivers are fit and allowed to drive as per PCG mandatory requirements.

When the driver tags his driver identification document, the e-DSP system will show whether the driver is accepted based on a traffic light mechanism to alert security checks on the validity status of all the mandatory requirements. If any of these critical items are indicated as red, the driver is not allowed to perform his duties.

PCG's assurance programme not only covers directly contracted transport companies, but also includes the monitoring of sub-contractors management for back-to-back contract compliance. To-date, PCG has audited 20% of appointed sub-contractors.

The common findings were then translated into preventive actions which were cascaded to all sub-contractors to build transporters' safety awareness, management practices and capabilities.

EMERGENCY PREPAREDNESS

While PCG carries out considerable efforts to prevent the occurrence of safety incidences, we are also prepared to manage all significant emergency/crisis situations at our facilities. This is done by conducting regular emergency exercises based on various potential emergency situations.

Large scale exercises were also conducted with neighbouring facilities and relevant government agencies to ensure good coordination of joint emergency responses.

These exercises assisted our facilities to maintain the readiness of our Emergency Management Team, while also identifying areas of improvements. The observations from these exercises are used by PCG to further improve our emergency response capabilities and procedures.

This will ensure that each facility will be able to manage any potential crisis situation that may occur.

"BINTULU II" Joint Emergency Exercise

On 14 August 2015, ASEAN Bintulu Fertilizer Sdn Bhd (ABF) conducted a large scale emergency exercise to test the effectiveness of its emergency response system. This exercise also served to enhance ABF's emergency management process with government agencies and local authorities.

The exercise simulated a fire at ABF's facility, which resulted in the release of ammonia vapour. ABF's internal Emergency Response Team (ERT) was activated to address the simulated emergency with the assistance of various government agencies. As part of ABF's mutual aid agreement, ERTs from neighbouring facilities were also engaged to provide additional support during the exercise. The exercise was successfully executed, and valuable experience was obtained in the areas of fire-fighting, emergency evacuation, search and rescue, and crisis management.

Through the collaboration with various external organisations during this exercise, ABF was able to identify opportunities to strengthen cooperation among the respondents. This will allow potential major emergencies to be addressed effectively by all parties.

CARING FOR THE COMMUNITY

Corporate Social Responsibility (CSR) is about how an organisation assumes responsibility for the impact of its actions and operations on customers, suppliers, employees, shareholders, local communities and other stakeholders, as well as the environment.

It stems from an organisation's commitment to operate in an economically, socially and environmentally sustainable manner, often going beyond statutory obligations to enhance the well-being of society, and nation, and in the process gain greater stakeholder trust and confidence.

At PCG, our core business of manufacturing, marketing and selling a diversified range of chemical products, fulfils basic socio-economic needs. Hence all our efforts to improve the efficiency of our operations necessarily enhances the way we fulfil our social contribution to the communities where we operate.

To ensure that our CSR efforts produce the best of results, our concept of holistic corporate citizenry focuses on meaningful as well as sustainable impact on all the lives that we touch via education and community outreach programmes. Our initiatives continue to evolve as we strive to implement global best practices.

In that regard, PCG has a tradition of promoting education and aiding the underprivileged in the country. We embrace a variety of initiatives that elevate community safety and wellbeing.

We are committed to building a sustainable future for all levels of society by increasing education standards among underprivileged children through *Program Sentuhan Ilmu* and addressing poverty effects through *Program Sentuhan Kasih*. We also encourage our workforce to internalise the culture of volunteerism in various CSR efforts.

PCG remains steadfast in our efforts to propel the stature of our corporate citizenship to greater heights by lending strong support to PETRONAS' signature community programmes and spearheading wholesome community initiatives that have widespread benefit, especially to those in need.

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 PETRONAS operates.

In addition, the PSIP is held in support of the Government's efforts to help improve the overall academic performance of rural schoolchildren in English, Science and Mathematics.

Since its inception in 2002, a total of 53 primary schools and 13 secondary schools nationwide have been adopted under the programme benefiting over 35,000 students.

Throughout the year, PCG's subsidiaries organise various educational programmes that suit and cater to the communities where we operate.

For instance, PETRONAS Chemicals Fertiliser Kedah (PC Fertiliser Kedah) hosted *Hari Anugerah Kecemerlangan 2015* in collaboration with its adopted school, Sekolah Kebangsaan Pokok Tai, Pendang. PC Fertiliser Kedah has taken the school under its wings for seven years in line with its support towards PSIP.

Back-to-School Programme

The Back-to-School programme falls under the ambit of PSIP that aims to promote human capital development in the communities where we operate. Under the programme, underprivileged schoolchildren from schools in the areas where we operate receive school supplies. The annual assistance is designed to alleviate the financial burden of parents besides bringing cheer to the students as they start the new academic year.

For the year under review, PCG organised a total of six Back-to-School Programmes at various locations nationwide benefiting some 1,400 underprivileged students. Among others, PCG's Back-to-School Programme took place in PETRONAS Chemicals Methanol (PC Methanol) complex in Rancha-Rancha Industrial Estate where some 85 underprivileged schoolchildren from 17 primary schools in Labuan received school supplies.

PCG ORGANISED A TOTAL OF SIX BACK-TO-SCHOOL PROGRAMMES AT VARIOUS LOCATIONS NATIONWIDE BENEFITING SOME 1,400 UNDERPRIVILEGED STUDENTS

PCG, through our subsidiary PETRONAS Chemicals Fertiliser Sabah (PC Fertiliser Sabah) also presented back-to-school items to some 600 underprivileged schoolchildren from various primary schools at Sekolah Menengah Kebangsaan Padang Berampah in Sipitang. SMK Padang Berampah is one of 13 schools in Sabah adopted under PSIP.

In a separate event, PC Fertiliser Kedah hosted an education-based CSR programme, *Seminar Motivasi Perdana 2015*. About 150 students from 14 selected secondary schools in Jerai constituency attended the event.

About 190 students from 16 secondary schools located within a five-kilometre radius of PC Fertiliser Kedah as well as the children of PETRONAS Northern Region staff also benefited from the *Bengkel Kecemerlangan SPM* held at Dewan Sahara, SMK Gurun.

The two-day education-based CSR programme served as an avenue for students to enhance their knowledge and understanding in two core Sijil Pelajaran Malaysia (SPM) subjects, namely English and Modern Mathematics.

Breaking new ground, the seminar also introduced education and learning opportunities from PETRONAS Education & Learning Division and the Ministry of Education (MoE).

Program Sentuhan Kasih PETRONAS

The *Sentuhan Kasih* programme is a signature PETRONAS community outreach initiative that empowers the well-being of the community besides easing the burdens of those in need during festive seasons.

In line with this, PCG through its subsidiary, PC Fertiliser Sabah presented donations at an *iftar* session in Sipitang, to aid single mothers and underprivileged children of Kg Kuala Mengalung, which is located within the vicinity of the SAMUR Project site. About 100 community members, made up of mostly single mothers and underprivileged children, attended the *iftar* session.

PC Fertiliser Kedah also hosted *Majlis Penyampaian Sumbangan Kemasyarakatan PETRONAS 2015* at Dewan Wawasan Gemilang, Sik, Kedah. Some 150 underprivileged families in Sik comprising single mothers, senior citizens and the disabled were presented with donations at the community-based CSR programme which was organised in conjunction with the Hari Raya Aidiladha celebrations.

PCG also feted some 3,000 community members in a special *Hari Raya Aidilfitri* celebration in Sipitang, Sabah to strengthen the rapport between PETRONAS and the folk in Sipitang, including community leaders and local authorities. It also serves as a gesture of appreciation for their support towards the ongoing SAMUR Project.

During the event, donations were handed over to 7 *surau* in the vicinity of Sipitang. School bags containing stationery and other supplies were also given to 48 students from four schools in Sipitang.

PCG also contributed to the less fortunate through a charity bazaar held at Dewan Rampaisari in PETRONAS Twin Towers to celebrate the spirit of giving that prevails in the holy month of Ramadan. The objective of the event was to aid the underprivileged through the sale of new and pre-loved goods, besides strengthening the rapport among staff.

Sales proceeds and donations from PCG staff were then given to a charity home, Rumah Titian Kaseh in Taman Tasik Titiwangsa, Kuala Lumpur, which houses single mothers, orphans, elderly folks and people with disabilities.

Charity Run

PCG made its maiden debut at the Bursa Bull Charge 2015 at the Bursa Exchange Square. Underpinned by the intention to affect positive social change, the Bursa Bull Charge benefits the underprivileged and under-represented groups who need assistance to build, alleviate and sustain their lives.

This annual event aims to support seven beneficiaries (see *bullcharge.bursamarketplace.com*).

In an atmosphere charged with fun and excitement, 15 PCG runners came to the fore in their coveralls, showcasing their organisation's identity in a creative way.

The event culminated in a prize for the PCG team, who won second place in the Best Dressed category.

In support of the chemical industry's continuous commitment towards the improvement of Health, Safety and Environment (HSE), PCG became the Silver Sponsor of the Chemical Industries Council of Malaysia (CICM)'s Responsible Care Run for the fifth consecutive year.

The annual race, drew about 500 participants nationwide, with 25 runners representing PCG. The CICM Responsible Care Run illustrates the intention to promote a healthy lifestyle, aligned with PCG's bid to strengthen its efforts in building a healthy workforce that cultivates a positive mindset.

Community Outreach Programmes

In upholding its mission to contribute to the well-being of the people and the nation by hosting various community-based CSR programmes, PCG through its subsidiary, PC Fertiliser Kedah hosted *Program Bersama Komuniti 2015* at Dewan Agrenas, PC Fertiliser Kedah.

With more than 500 participants, the half-day event kicked off with the sharing of PC Fertiliser Kedah's efforts on Control of Industrial Major Accident Hazards (CIMAH) Regulations and Reed Bed Facilities. This was followed by a motivational talk for the underprivileged and educational activities for more than 50 Tadika KEMAS kids.

In line with nurturing community-building through various ways, PCG's subsidiary ASEAN Bintulu Fertilizer Sdn Bhd (ABF), organised a two-day community outreach programme at Sekolah Kebangsaan Sengian, Sebauh. The initiative was carried out by 60 volunteers from the Tanjung Kidurong residential area, to enhance the school's facilities and its general atmosphere.

The activities carried out by the volunteers together with the locals and members of the Parent-Teacher Association included construction of a 50-metre wooden walkway to access the school, repair works on the grandstand, refurbishment of the library with additional 150 reading materials and new book racks, classroom repair and new computers and printers for the resource centre.

The ABF team also held a demonstration on the proper usage of fire extinguishers to longhouse residents and teachers to emphasise the importance of safety, besides setting up 3R bins in the school in an effort to promote awareness in reducing, reusing and recycling waste.

Apart from this, the school also received a new PA system while bags of AGRENAS fertiliser were distributed to the longhouse residents.

In supporting PCG's CSR initiatives, 65 staff from PETRONAS Chemicals Olefins (PC Olefins), PETRONAS Chemicals Glycols (PC Glycols) and PETRONAS Chemicals Derivatives (PC Derivatives) and their families participated in a community outreach programme at Rumah Ehsan, Bukit Besi, Bandar Al Muktafi Bilah Shah, Dungun, a charity home managed by the Department of Social Welfare that houses approximately 100 senior citizens.

The volunteers cleaned up the homes and planted trees. They also handed donations to aid the elderly folk with their needs.

As part of its role to strengthen HSE, PCG organised *Hari Kesedaran HSE Bersama PETRONAS* SMK Rantau PETRONAS in Kertih, Terengganu. Besides reinforcing the importance of HSE, the initiative also supports PCG's CSR efforts by engaging the community to adopt an environmental-friendly lifestyle. It also creates awareness among the younger generation of the potential dangers in their surroundings and how best to counter such threats. Among activities organised were talk on personal protection, fire prevention, first aid, drugs misuse and safety and hazards.

In recognition from the Kedah Education Department for the various educational-based programmes that have been organised for the community since 2003, PC Fertiliser Kedah received the *Anugerah Sumbangsih 2014* at the *Pelancaran Perayaan Hari Guru Peringkat Negeri Kedah* hosted by Kedah Education Department in collaboration with Kedah *Menteri Besar's* Office at Dewan Seri Negeri, Wisma Darul Aman, Alor Setar.

PC Fertiliser Kedah also received the *Rakan Akrab 2014* Award from Kedah Department of Environment. The accolade served to recognise PC Fertiliser Kedah's numerous efforts in protecting the environment, in conjunction with *Sambutan Hari Alam Sekitar Sedunia Peringkat Negeri Kedah 2015.*

INNOVATIVE SOLUTIONS

Constant collaboration helps us stay ahead of the game. We work closely with our customers to develop customised solutions. We understand the value of innovation and constantly strive to meet the demands of the industry and our customers.

OUR GOVERNANCE

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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 below:

i) Malaysian Code on Corporate Governance 2012 (MCCG 2012);

ii) Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia).

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 relations 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 eight members, comprising one Executive Director and seven Non-Executive Directors. Four of the Non-Executive Directors fulfil the criteria of independence as defined in the MMLR of Bursa Malaysia. The balanced proportion of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

As at the date of this report, the percentage of the Board composition is as follows:

Executive Director (also the President/ Chief Executive Officer)	1 out of 8 (12.5%)
Independent Non-Executive Directors	4 out of 8 (50%)
Non-Independent Non-Executive Directors (including Chairman)	3 out of 8 (37.5%)

The current composition of the Board is in compliance with Paragraph 15.02 of the MMLR as more than one-third of its members are independent directors.

During the year under review, there were changes in the Board composition whereby Md Arif bin Mahmood was appointed as a new Chairman on 1 May 2015 in place of Datuk Wan Zulkiflee bin Wan Ariffin who is now the President and Group Chief Executive Officer of Petroliam Nasional Berhad (PETRONAS).

On 31 July 2015, Zakaria bin Kasah and Freida binti Amat were appointed as Non-Independent and Non-Executive Directors in place of Datuk Ir Kamarudin bin Zakaria and Rashidah binti Alias respectively.

The Board members are persons of high calibre with vast experience and are professionals in their respective fields. Together, the Board members bring a wide range of business and financial experience, skills and technical expertise, diversity in terms of gender, ethnicity and age 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. The profile of each Director is presented on page 034 to page 041 of this Annual Report.

The Board practices a clear division of duties and responsibilities between the Chairman, President/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 positions of Chairman and President/CEO are held by two different individuals. 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 PCG and do not engage in any business dealing or other relationship with any companies within PCG except for Dong Soo Kim who was engaged by PETRONAS, the parent company, to provide coaching to selected plant personnel within PETRONAS Group of Companies including PCG up to end of March 2015. PCG believes that the engagement does not compromise the independence of Dong Soo Kim's judgment. The Independent Non-Executive Directors play a significant role in providing unbiased and independent views, advice and judgment taking into account the interest of relevant stakeholders including minority shareholders of the Group.

Vimala a/p V.R. Menon, Chairman of the Board Audit Committee who is also the Senior Independent Director 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. All queries relating to the Group can be channeled to the Senior Independent Director's email address, vimala.menon@petronas.com.my or directed to the following address:

Vimala a/p V.R. Menon
Senior Independent Director
PETRONAS Chemicals Group Berhad
Level 15, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

Board Meetings

The Board meets at least quarterly with additional meetings convened as and when necessary. Board meetings for 2015 were scheduled in November 2014 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 year ended 31 December 2015, the Board met a total of six times. Details of attendance of the Board members are as follows:

	Name of Directors	No. of meetings attended
1	Md Arif bin Mahmood[1]	4 out of 4
2	Datuk Wan Zulkiflee bin Wan Ariffin[2]	2 out of 2
3	Datuk Sazali bin Hamzah	6 out of 6
4	Vimala a/p V.R. Menon	6 out of 6
5	Ching Yew Chye	6 out of 6
6	Dong Soo Kim	6 out of 6
7	Datuk Toh Ah Wah	6 out of 6
8	Zakaria bin Kasah[3]	2 out of 2
9	Freida binti Amat[3]	2 out of 2
10	Datuk Ir Kamarudin bin Zakaria[4]	4 out of 4
11	Rashidah binti Alias[4]	2 out of 4

1 *Appointed as Chairman and Director on 1 May 2015*
2 *Resigned as Chairman and Director on 1 May 2015*
3 *Appointed as Director on 31 July 2015*
4 *Resigned as Director on 31 July 2015*

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 not less than five business days before the meeting dates. 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, strategic fit[1], 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 online 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 and MMLR of Bursa Malaysia. The functions and terms of reference of the Board Committees, as well as authority delegated by the Board to these Board Committees, are reviewed and updated from time to time.

(a) Board Audit Committee

The Board Audit Committee is made up of four Independent Non-Executive Directors and one 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 and 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 Board Audit Committee Report is presented on page 146 to page 149 and the Summary of Board Audit Committee's Terms of Reference is included on page 150.

(b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises exclusively Independent Non-Executive Directors. This composition surpasses the requirement of Paragraph 15.08A(1) of MMLR of Bursa Malaysia as well as recommendation 2.1 of MCCG 2012 where the committee must comprise exclusively Non-Executive Directors with majority being Independent Directors.

The Nomination and Remuneration Committee ensures that the Board comprises members with relevant expertise and experiences from various business, financial and technical backgrounds. The wide spectrum

1 *Applicable only for investment decision papers*

of skills, experiences and diversity in terms of gender, ethnicity and age has added strength in terms of leadership and management. In this regard, the Nomination and Remuneration Committee reviews the skill and experience matrix of the Board members on an annual basis.

The Nomination and Remuneration Committee Report is presented on page 151 to page 153 and the Summary of Nomination and Remuneration Committee's Terms of Reference is included on page 154.

Continuing Development Programme for Directors

All the Directors have attended the Mandatory Accreditation Programme (MAP) as required under the MMLR of Bursa Malaysia. The newly appointed Chairman, Md Arif bin Mahmood completed the MAP in June 2009 when he was appointed as Non-Executive Non-Independent Director of PETRONAS Dagangan Berhad. The newly appointed Non-Executive Non-Independent Directors, Zakaria bin Kasah and Freida binti Amat completed the MAP in January 2014 and August 2015 respectively.

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 observe Principle 4 of MCCG 2012 and 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 update and global business developments which they considered as useful in contributing to the effective discharge of their duties as Directors. The Directors also participated in the familiarisation visits to the Group's plants.

During the year, the Directors participated in seminars and training programmes in various capacities such as delegates and/or speakers as per details below:

Directors	Training/Seminar/Forum/Conference
Md Arif bin Mahmood	• PETRONAS Strategic Research Insight Forum "Outlook and Lookout" – Engagement with Wharton MBA Students • PETRONAS Strategic Insight Day • PETRONAS Senior Management Development Programme • PETRONAS Top Management Team Engagement • PETRONAS Leading Women Network
Datuk Sazali bin Hamzah	• Communication Session on Chartered Chemical Engineer • The 3rd Hazards Asia Pacific Symposium • Briefing on Securities Commission Malaysia Annual Report 2014 • Invest Malaysia 2015 ASEAN's Multinational Market Place • Invitation to Lead the Change Event – Getting Women on Boards (PEMANDU) • Meeting Industry Advisory Panel (IAP) 2015 • New Companies Bills & Boardroom War
Vimala a/p V.R. Menon	• Board Chairman Series Part 2 – Leadership Excellence from the Chair • Khazanah Mega Trends • Global Transformation Conference

Directors	Training/Seminar/Forum/Conference
Ching Yew Chye	• BNM – FIDE Forum Dialogue with the Governor: Economic and Financial Services Sector – Trends and Challenges Moving Forward • Audit Committee Conference – Rising to New Challenges (by The Institute of Internal Auditors Malaysia and Malaysia Institute of Accountants) • New Companies Bills & Boardroom War
Datuk Toh Ah Wah	• Corporate Governance of Public Listed Companies – A Guide for the Board Members • Roles & Responsibilities of the Board of PLC in respect of Risk Management & Internal Audit
Dong Soo Kim	• Korea Nuclear Energy Safety Technology • Korean Management Registration (on safety)
Zakaria bin Kasah	• New Companies Bills & Boardroom War • Seminar on Business Opportunities in Sarawak Oil & Gas Industry
Freida binti Amat	• Mandatory Accreditation Programme • New Companies Bills & Boardroom War

Re-election 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 years and shall be eligible for re-election. Directors who are appointed by the Board during the year are subject to re-election by shareholders at the next AGM held following their appointments.

As per recommendations 3.2 and 3.3 of MCCG 2012, the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the directors' re-designation as a non-independent director. The Board must justify and seek shareholders' approval in the event it retains the director as an independent director.

Currently, none of the Independent Non-Executive Directors of the Company has served the Board for more than nine years.

Board Effectiveness Evaluation

Since December 2010, the Company has been conducting effectiveness evaluations for its Board and Sub-Committees. These evaluations comprise a Board Evaluation, a Committee Evaluation, Board Skills and Experience Matrix and Individual Director Self and Peer Evaluation. The purpose of these evaluations is to measure the effectiveness and performance of the Board and Sub-Committees as well as to address the Board's and Sub-Committees' attention on areas for improvement as part of discharging his/her role as Director of the Company.

The questionnaires on the Board Effectiveness Evaluation are prepared internally incorporating applicable best practices. The indicators for the performance of the Board include among others the Board's composition, planning, process, conduct, communication with the management and stakeholders as well as strategy and planning for the Company. The performance indicators for individual Directors include the Directors' roles, leadership and contribution to the Company.

Upon completion of the evaluation by the Directors, the Company Human Resource Management Department collates and carries out an analysis on the feedback received. The analysis conducted will be submitted to the Board for deliberation.

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; and
- 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. The shareholders at the Company's AGM held in 2013 approved for the Company to pay Directors' fees of up to RM1.5 million per annum.

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.

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

Name of Directors	Directors' Fee (RM)	Board Meeting Allowance* (RM)	Board Audit Committee Meeting Allowance* (RM)	Nomination and Remuneration Committee Meeting Allowance* (RM)	Total (RM)
Executive Director					
Datuk Sazali bin Hamzah	Nil	Nil	Nil	Nil	Nil
Non-Executive Directors					
Md Arif bin Mahmood[1]	72,000	16,000	–	–	88,000^
Datuk Wan Zulkiflee bin Wan Ariffin[2]	36,000	12,000	–	–	48,000^
Vimala a/p V.R. Menon	72,000	24,500	14,000	14,000	124,500
Ching Yew Chye	72,000	24,500	14,000	14,000	124,500
Dong Soo Kim	216,000	24,500	14,000	14,000	268,500
Datuk Toh Ah Wah	72,000	24,500	14,000	–	110,500
Zakaria bin Kasah[3]	30,194	6,000	–	–	36,194^
Freida binti Amat[3]	30,194	6,000	4,000	–	40,194
Datuk Ir Kamarudin bin Zakaria[4]	42,000	15,000	–	–	57,000^
Rashidah binti Alias[4]	42,000	6,000	2,000	–	50,000
Total	**684,388**	**159,000**	**62,000**	**42,000**	**947,388**

1 *Appointed as Chairman and Director on 1 May 2015*
2 *Resigned as Chairman and Director on 1 May 2015*
3 *Appointed as Director on 31 July 2015*
4 *Resigned as Director on 31 July 2015*
* *Meeting allowances paid are based on the number of meetings attended by the Directors*
^ *Fees paid to PETRONAS*

The remuneration package for the Executive Director of the Company 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.

Datuk Sazali bin Hamzah, President/CEO and an Executive Director of the Company, is an employee of PETRONAS and is seconded to the Company. In consideration for the service, the Company is required to pay PETRONAS a fee to cover all payroll related costs and benefits ordinarily incurred by him in the course of his employment. During the year, the Company paid RM1,284,000 for his services as President/CEO of the Company.

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 Resource Policies and Strategies. The Board ensures that only appropriate personnel with the relevant skills and experiences are appointed to management positions of the Company.

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. Immediately after the conclusion of the AGM, the Company will hold a press conference with the media and any materials distributed during the press conference are published in the Company's website.

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 analyst 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, analyst 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. Communication and feedback from investors can also be directed to email address petronaschemicals_ir@petronas.com.my or alternatively, it can be addressed to:

Edward Ong Hock Soon
Head of Investor Relations
PETRONAS Chemicals Group Berhad
Level 14, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

Annual General Meeting (AGM)

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of AGM together with Forms of Proxy are given to shareholders at least 21 days before the 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.

At each AGM, shareholders are encouraged and given sufficient opportunity as well as time by the Board to raise questions on issues pertaining to the Annual Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval by show of hands from members and proxies on the resolutions. The Board, senior management, external auditors and other advisors, as applicable are present at the AGM to provide answers and clarifications to shareholders. The Chairman informs on the availability of poll voting by shareholders on matters raised during the AGM.

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 157 of this Annual Report.

Related Party Transactions and Conflict of Interest Situations

The Company has established 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.

All related party transactions, except for recurrent related party transactions which are waived by Bursa Malaysia from complying with the requirement of Paragraph 10.09 of the MMLR, are reviewed by the Board Audit Committee and reported to the Board.

The Statement on Risk Management and 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 136 to page 142 of this Annual Report.

Whistleblowing Policy

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

Under the Whistleblowing 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. The whistleblowing policy is accessible to the public for reference on the Company's official website at *www.petronaschemicals.com*.

Code of Conduct and Business Ethics

The Group adopts and practises PETRONAS Code of Conduct and Business Ethics (CoBE) which emphasises and advances the principles 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 contractors, 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. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activities not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group.

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. The CoBE is accessible to the public for reference on the Company's official website at *www.petronaschemicals.com*.

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 and Internal Control which provides an overview of the state of risk management and internal controls within the Group is set out on page 136 to page 142 of this Annual Report.

Relationship with External Auditors

The Company maintains a professional and transparent relationship with its external auditors, Messrs KPMG. The Board Audit Committee met the external auditors twice during the financial year without the presence of the management to review the scope and adequacy of the Group's audit process, the annual financial statements and their audit findings. At the meeting, the external auditors highlighted to the Board Audit Committee on matters that warrant the Committee's attention.

The role of the Board Audit Committee in relation to the external auditors is described in the Board Audit Committee Report on page 146 to page 149 of this Annual Report.

The Malaysian Code on Corporate Governance 2012 (MCCG 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 Group 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 Company's Nomination and Remuneration Committee is chaired by an Independent Director, Ching Yew Chye, who is not the Senior Independent Director identified by the Board. The Senior Independent Director, Vimala a/p V.R. Menon, is currently the Chairman of the Board Audit Committee. The Company elects to have different chairmanships in the 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. 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 representing 25% 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 Company's Directors is competitive and attractive as it has been benchmarked against the industry. A formal written policy and procedures for directors' remuneration will be 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 Board currently has four Independent Non-Executive Directors, three Non-Independent Non-Executive Directors and one Executive Director. The current Board composition is balanced and complies with Paragraph 15.02 of the MMLR, as 50% of the Board members are Independent Directors. The Company intends to maintain the current Board composition.

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

   The Board Audit Committee continues to review and monitor the suitability and independence of external auditors. As part of the annual audit exercise, the Group also obtains assurance from the external auditors confirming their independence throughout the year under review.

The roles and responsibilities of the Directors are documented in the Board Charter which sets out the principles and guidelines that are to be applied by the Board and the Board Committees, as well as identifying their functions in the Company and/or Group. This Board Charter will be reviewed to incorporate updates and enhancement as and when necessary, to ensure it remains relevant to existing rules and regulations. The Board Charter is accessible to the public for reference on the Company's official website at *www.petronaschemicals.com*. The Board Charter is published on page 143 to page 145 of this Annual Report.

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 MMLR of Bursa Malaysia on corporate governance and applicable laws and regulations throughout the year ended 31 December 2015.

This statement is made in accordance with the resolution of the Board of Directors dated 23 February 2016.

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 year ended 31 December 2015 was RM650,000.

2. **Sanction/Penalties**

   During the year, there were no sanctions or material penalties imposed on the Group, 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 year ended 31 December 2015 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

Md Arif bin Mahmood
Chairman

Datuk Sazali bin Hamzah
President/Chief Executive Officer

Statement on Risk Management and Internal Control

The Statement on Risk Management and Internal Control is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) whereby the Board of Directors of public companies are required to publish a statement about the state of the internal control of the listed issuer as a group. The Malaysian Code on Corporate Governance 2012 (MCCG 2012), observance of which is on voluntary basis, requires the Board of Directors of a listed company to establish a sound risk management framework and internal control system. The Group adopts PETRONAS Shared Values of loyalty, integrity, professionalism and cohesiveness which set the tone for a sound system of risk management and internal control.

The Board is committed to maintain and continuously improve the Group's system of risk management as well as internal control as the Group operates in a dynamic and cyclical business environment in which risk management and internal control system must be responsive in order to be able to support its business objective.

The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year under review.

BOARD'S ACCOUNTABILITY

The Board acknowledges the importance of maintaining a sound internal control system and robust risk management practice for good corporate governance with the objective of safeguarding the shareholders' 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.

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 its relevance to ensure sustainability.

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. Hence, it can only provide reasonable but not absolute assurance against material misstatements or losses.

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. The Group has in place a comprehensive Risk Management Framework to guide the implementation of risk management strategies and in inculcating risk management culture for business sustainability.

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, Manufacturing Leadership Team and Commercial Risk Management Committee are in place to actively oversee and 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 and progress of key risk indicators and risk treatments are deliberated at the Risk Management Committee and persented to the Board Audit Committee on a quarterly basis. Each principal risk has a dedicated owner who is responsible for the effective implementation of control measures, monitoring and tracking of key risk indicators performance, identifying additional risk treatments and implementing these treatments. The risks and treatments 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 on 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 Group manages its credit risk in adherence to PETRONAS Corporate Financial Policy and PETRONAS Credit Guidelines that prescribe the credit risk assessment based on the standard PETRONAS Credit Risk Rating System (PCRRS) which is used across the PETRONAS Group of Companies. The system evaluates the credit worthiness and assigns credit risk ratings to all of the Group's third party customers. Periodical reviews are conducted on the credit risk ratings of identified customers based on their latest financial statements to ensure credit exposure due to financial default is minimised.

The Group has established a Competition Act Compliance Committee (CACC) to oversee and deliberate issues related to conduct of business which may infringe the Malaysia Competition Act 2010. Staff awareness programme was held to promote compliance to the said Act.

The Group has in place a Business Continuity Management Framework that provides guidance for building business resilience, hence safeguarding the interests of its key stakeholders, reputation, brand and value-creating activities following a prolonged disruptive incident. The Group has also developed a Business Continuity Plan (BCP) which prescribes how PCG will resume and recover its critical business, and tested the plan during the year.

In addition, the Group adopts the following risk management systems and processes:

- 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. Gap closure plans have been duly incorporated within the HSEMS implementation plan.
- 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.
- Turnaround Risk Assessment (TaRA) to ensure systematic identification, assessment and mitigation for turnaround activities in subsidiaries which are critical for smooth turnaround execution. During the year under review, there were two subsidiaries which conducted planned statutory turnarounds.
- Project Risk Assessment (PRA) to ensure systematic identification, assessment and mitigation to manage risk associated with projects which is in line with PETRONAS Project Management System (PPMS) requirements.

The Group will continue its focus in the implementation of key risk management strategies and initiatives to achieve its risk agenda.

INTERNAL AUDIT

The Board recognises that the internal audit function is an integral part of the governance process. The Group has its own dedicated internal audit function that provides a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes within the Group. It maintains its impartiality, proficiency and due professional care by reporting directly to the Board Audit Committee. Internal audits are undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control.

The Group's internal audit function adopts the Institute of Internal Auditors' International Professional Practices Framework (IPPF) which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

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 key activities of the internal audit function are set out in the Statement on Internal Audit Function on page 155 to page 156.

The interests of the Group in joint ventures and associate companies are primarily served through representations on the Board of Directors of the respective companies. Internal controls of joint ventures and associate companies 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 issues arising from the changes in the business and external environments which may result in significant risks to the Group. 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 MMLR 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 Report as presented on page 146 to page 149 of this Annual Report.

- **Organisation Structure and Management Committee**

  An organisation 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 the 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 exposures are identified and managed.

- **Business Plan and Budget**

  The Group undertakes an annual planning and budgeting 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 adopts and practises PETRONAS Code of Conduct and Business Ethics (CoBE). The CoBE is accessible to the public for reference on the Company's official website at *www.petronaschemicals.com* which emphasises and advances the principles 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 contractors, 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. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activities not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group.

  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. The Whistleblowing Policy is accessible to the public for reference on the Company's official website at *www.petronaschemicals.com*.

  Under the Whistleblowing 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**

  A 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, marketing and sales, 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 MMLR of Bursa Malaysia.

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 Group'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 Group'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 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 their 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/recurrent RPTs (RRPTs) are within normal commercial terms and not detrimental to the Group's minority shareholders;

iv. All RPTs except for RRPTs which are waived by Bursa Malaysia from complying with the requirement of Paragraph 10.09 of the MMLR 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 reviewed by the Board Audit Committee, 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 transaction;

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 Group'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; and

vii. The Legal and Corporate Secretariat Department reviews 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 provide evidence that such transactions have been carried out on normal commercial terms and are not detrimental to the Group's minority shareholders.

The Company has been granted a waiver from complying with the requirement of Paragraph 10.09 of the MMLR of Bursa Malaysia 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 importance to ensure the Group does not experience any potential disruption to its operations.

During the year, the Group appointed an independent advisor to review the policies and procedures pertaining to RPTs and RRPTs for purpose of enhancing the practice and disclosure of the RPTs and COI governance within the Group.

The details of the RRPTs incurred during the year that were waived by Bursa Malaysia are presented on page 142 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. In providing the above assurance by President/CEO and Chief Financial Officer, similar letters of assurance have also been obtained from Management Committee members confirming the adequacy and effectiveness of risk management practice and internal control system within their respective areas.

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 joint ventures and associate companies 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 joint ventures and associate companies and through the review of management accounts received.

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 2015) *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, for inclusion in the Annual Report of the Group for the financial year ended 31 December 2015. The external auditors 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.

ISAE 3000 and RPG 5 (Revised 2015) do 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. The 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. Similarly, external auditors are also 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 23 February 2016.

Md Arif bin Mahmood
Chairman

Datuk Sazali bin Hamzah
President/Chief Executive Officer

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

Transacting Parties	Nature of transactions	12 Months Ended 2015 RM'000
	Integrated Operations of Our Group	
PCG Group and PETRONAS and its subsidiaries (PETRONAS Group)	i. Supply of fuel and feedstock (such as ethane, propane, butane, dry gas, naphtha, natural gas) by PETRONAS Group	**4,803,900**
	ii. Supply of utilities, electricity and water by PETRONAS Group	**663,031**
	iii. Upgrading and pipeline works on the Labuan Gas Terminal by PETRONAS Chemicals 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	**2,814**
	vi. Purchase of marine diesel oil from PETRONAS Group	**5,030**
	Services rendered within the PETRONAS Group	
	vii. Provision of vessel screening services by PETRONAS Maritime Sdn Bhd	**15**
	viii. Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries (MISC Group)	**73,317**
	Others	
	ix. Sales of petrochemical products and other related products to PETRONAS Group	**1,023,796**

Board Charter

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.

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.

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 in Malaysia 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/Chief Executive Officer (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 (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia).

BOARD FUNCTIONS

(a) Ethics & Compliance

The Board has adopted the PETRONAS Code of Conduct and Business Ethics (CoBE) that seeks to ensure that the Company's and/or Group's Directors, group employees and third parties which perform works 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 of loyalty, integrity, professionalism, and cohesiveness. 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 shareholders' 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.

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 Articles of Association of the Company. All proceedings in Board meetings are recorded as minutes and signed by the Chairman in accordance with the provisions of the Companies Act 1965 in Malaysia.

(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.

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.

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Board Audit Committee Report

The Board Audit Committee is pleased to present its report for the financial year ended 31 December 2015 in compliance with Paragraph 15.15 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (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) **Datuk Toh Ah Wah**
(Independent Non-Executive Director)

(5) **Freida binti Amat**[1]
(Non-Independent Non-Executive Director)

(6) **Rashidah binti Alias**[2]
(Non-Independent Non-Executive Director)

[1] *Appointed as Board Audit Committee member on 31 July 2015*
[2] *Resigned as Board Audit Committee member on 31 July 2015*

In compliance with the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and Paragraph 15.09(1)(b) of the MMLR of Bursa Malaysia, all five Board Audit Committee members are Non-Executive Directors including four Independent Directors who fulfil the criteria of independence as defined in the MMLR of Bursa Malaysia. None of the Independent Directors have appointed alternate directors.

During the year under review, there was a change in the membership of the Board Audit Committee where Freida binti Amat was appointed as a Board Audit Committee member in place of Rashidah binti Alias.

The Chairman of the Board Audit Committee, Vimala a/p V.R. Menon and Freida binti Amat are both qualified accountants. 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 (ICAEW) whilst Freida binti Amat is a Fellow of the Association of Chartered Certified Accountants (ACCA). In this regard, the Company is in compliance with Paragraph 15.09(c)(i) under the MMLR of Bursa Malaysia which requires at least one member of the Board Audit Committee to be a qualified accountant.

The Board reviews the terms of office of the Board Audit Committee members and assesses the performance of the Board Audit Committee and its members through an annual Board Committee Effectiveness Evaluation. The Board is satisfied that the Board Audit Committee and its members discharged their functions, duties and responsibilities in accordance with its terms of reference.

Vimala a/p V.R. Menon, who satisfies the prescribed criteria of a Senior Independent Director (SID), has been appointed as the SID to act as the representative of the Board to whom any concerns pertaining to the Group may be conveyed by shareholders and other stakeholders. Since 2011, she has been the focal channel between the Independent Directors and the Chairman on matters that may be deemed to be sensitive as well as a channel for the shareholders and stakeholders to convey their issues and concerns, if any.

TERMS OF REFERENCE

The terms of reference sets out the authority, duties and responsibilities of the Board Audit Committee. The Summary of the Board Audit Committee's terms of reference is set out on page 150 of this Annual Report are consistent with the MMLR and the MCCG 2012. All the requirements under the terms of reference are fully complied with.

MEETINGS

The Board Audit Committee met four times during the year ended 31 December 2015. 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
Datuk Toh Ah Wah	4 out of 4
Freida Binti Amat[1]	2 out of 2
Rashidah binti Alias[2]	1 out of 2

[1] *Appointed as Board Audit Committee member on 31 July 2015*
[2] *Resigned as Board Audit Committee member on 31 July 2015*

By invitation, the President/CEO, Chief Financial Officer, Head of Risk Management, Head of Internal Audit and external auditors are invited to attend Board Audit Committee meetings to appropriately brief and furnish the members of the 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.

The Board Audit Committee meets at least quarterly with additional meetings convened as and when necessary. Board Audit Committee meetings for 2015 were scheduled in November 2014 to allow the Directors to plan ahead and fit the meetings into their respective schedules.

The agenda and a set of meeting papers encompassing qualitative and quantitative information relevant to the business of the meeting are distributed via electronic application to the Board Audit Committee members not less than five business days from the meeting dates.

All proceedings of Board Audit Committee meetings are duly recorded in the minutes of each meeting. Signed minutes of each Board Audit Committee meeting are properly kept by the Company Secretary who act as the Board Audit Committee's 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.

During the year under review, the Board Audit Committee had two private sessions with the external auditors without the presence of the management.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

During the year ended 31 December 2015, 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 of external auditors for the 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 and approved the 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 the status of agreed corrective actions for internal audit issues on a quarterly basis.

(f) Reviewed and approved the internal audit charter.

(g) Reviewed the Key Performance Indicators (KPIs) of the Head of Internal Audit for 2015.

Financial Results

(a) Reviewed the quarterly financial results prior to the approval by the Board, to ensure compliance to the MMLR 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 in Malaysia and the applicable financial reporting standards. The review and discussion were conducted with the President/CEO and the Chief Financial Officer of the Company.

(c) 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) Monitored the development in corporate governance standards pursuant to the MCCG 2012 and applicable rules and regulations.

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

(a) Reviewed the policies and procedures pertaining to RPTs and RRPTs.

(b) Ensured that the policies and procedures include 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.

The Statement on Risk Management and Internal Control includes an overview of the Group's policies and procedures on RPTs, including RRPTs, as set out on page 136 to page 142 of the 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 the 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.

Annual Reporting

The Board Audit Committee also reviewed the Board Audit Committee Report, Statement on Risk Management and Internal Control and Statement of Internal Audit Function for the financial year ended 31 December 2015 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

Internal Audit

The internal audit function of the Group, which is currently headed by Zulaini binti Ahmad, reports directly to the Board Audit Committee to ensure impartiality and independence. KPIs of the Head of Internal Audit are reviewed and approved by 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 from the audits covering the following areas:

- Governance
- Regulatory compliance
- Risk management
- Sales and marketing
- Innovation and product development
- Plant operations and maintenance
- Project management
- Logistics and distribution
- Supply chain management
- Human resource management
- Related party transactions and recurring related party transactions

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 the Board Audit Committee reviews the status of audit issues resolutions on a quarterly basis.

The total costs incurred by the internal audit function of the Company and the Group for the financial year was RM5,151,000.

Further details of internal audit activities during the year are presented in the Statement on Internal Audit Function on page 155 to page 156.

REPORTING TO THE EXCHANGE

The Board Audit Committee is of the view that the Group is not in breach of the MMLR 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 members, where majority shall be independent directors. The Committee shall be chaired by an independent director. At least one member should have accounting expertise and experience in the field of finance.

RIGHTS

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

DUTIES AND FUNCTIONS

Duties of the Board Audit Committee among others are to:

External Audit

(a) Review and recommend to the Board, the appointment of external auditors and their fees.

(b) 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.

(c) Review the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.

(d) Review the external auditors' management letter and management's responses.

(e) Establish direct communication channels with the external auditors to ensure full transparency of the audit processes and its findings.

(f) 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

(a) Ensure independence and authority of the internal audit function and that all audits are carried out with impartiality, proficiency and due professional care.

(b) Review the internal audit plan, audit reports and consider the findings of internal audits and management's responses.

(c) Review the adequacy of the scope, functions, competency and resources of the internal audit function.

(d) Direct and, where appropriate, supervise any special project or investigation considered necessary.

Financial Reporting Review

(a) Review the quarterly and yearly financial statements prior to approval by the Board.

(b) Ensure fair and transparent reporting and prompt publication of the financial accounts.

Internal Control

(a) Review the adequacy and effectiveness of internal control systems.

Risk Management

(a) Review the adequacy and effectiveness of risk management practices and procedures.

(b) Review on quarterly basis, the risk profile of the Group.

Related Party Transaction

(a) Review all related party transactions and conflict of interest situations 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 terms of reference.

Nomination and Remuneration Committee Report

The Nomination and Remuneration Committee is pleased to present its report for the year ended 31 December 2015 in compliance with Paragraph 15.08A of Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (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)
Male, age 62, Ethnicity: Chinese

(2) **Vimala a/p V.R. Menon**
(Independent Non-Executive Director)
Female, age 61, Ethnicity: Indian

(3) **Dong Soo Kim**
(Independent Non-Executive Director)
Male, age 69, Ethnicity: Korean

The composition of the Nomination and Remuneration Committee complies with the requirements of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) where its members are exclusively non-executive directors. MCCG 2012 requires a majority to be independent. All members of the Nomination and Remuneration Committee are independent directors who fulfil the criteria of independence as defined in Paragraph 15.08A of the MMLR of Bursa Malaysia.

TERMS OF REFERENCE

The summary terms of reference of the Nomination and Remuneration Committee as set out on page 154 of this Annual Report are consistent with the MMLR 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 times during the year ended 31 December 2015 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 Human Resource Management are invited to attend the meetings to appropriately brief and furnish the members of Nomination and Remuneration Committee with the necessary information and clarification to relevant items on the agenda.

At a meeting of the Nomination and Remuneration Committee held on 4 August 2015 where performance of the key management personnel are deliberated, Datuk Toh Ah Wah, an Independent Director who is not a member of Nomination and Remuneration Committee was invited to provide his input and views on the performance of the key management personnel.

The Nomination and Remuneration Committee meetings for financial year 2015 were scheduled in November 2014 to facilitate the Directors to plan ahead and fit the Nomination and Remuneration Committee meetings into their respective schedules. This is also to provide the members with ample notice of the meetings.

The agenda and a set of meeting papers relevant to the business of the meeting are distributed via electronic application to the Nomination and Remuneration Committee members not less than 5 business days from the meeting dates.

All proceedings of Nomination and Remuneration Committee meetings are duly recorded in the minutes of each meeting. Signed minutes of each Nomination and Remuneration Committee meeting are properly kept by the Secretary. The draft minutes of meetings are circulated to the Nomination and Remuneration Committee members subsequent to a Committee meeting but prior to 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. The minutes of the Nomination and Remuneration Committee meetings are also distributed to members of the Board of Directors for their notation.

BOARD APPOINTMENT PROCESS

The Company practises a formal and transparent procedure for appointment of new directors. Nomination of directors to the Board is made either by Petroliam Nasional Berhad (PETRONAS) being the majority shareholder or through engagement of a professional recruitment firm to find suitable candidates to fill the positions of the Independent Non-Executive Directors.

All nominees to the Board are first considered by the Nomination and Remuneration Committee, taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. Board diversity is important to facilitate optimal decision making by harnessing different insights and perspectives.

BOARD EFFECTIVENESS EVALUATION

Every year, under the purview of the Nomination and Remuneration Committee, a Board Effectiveness Evaluation is undertaken to assess the effectiveness of the following:

(a) The Board as a whole and the various Board Committees.

(b) Contribution of each individual director.

(c) Independence of the independent directors.

On 15 February 2016, the Nomination and Remuneration Committee reviewed the results of the latest Board Effectiveness Evaluation and noted on areas which necessitate further improvements.

DIRECTORS' RE-ELECTION

The Nomination and Remuneration Committee is responsible for recommending to the Board, directors who are eligible to stand for re-election at the AGM of the Company. The recommendation is based on among others, the performance of the directors, contribution to the Board, skills, experience, qualities, level of independence and ability to act in the best interest of the Company.

The directors may seek re-election at the AGM of the Company pursuant to Article 93 and Article 99 of the Company's Articles of Association (AA).

Article 93 of the AA, provides that one third of the directors of the Company shall retire by rotation at the AGM and being eligible may offer themselves for re-election. With the current composition of eight directors, two directors are to retire at the next AGM pursuant to this Article.

Article 99 of the AA, provides that the Board shall have the power to appoint any person to be a director to fill a vacancy or as an addition to the existing Board, and that any director so appointed shall hold office until the next following AGM and may offer him/herself for re-election. During the year under review, Md Arif bin Mahmood, Zakaria bin Kasah and Freida binti Amat were appointed as Non-Independent Non-Executive Directors of the Company. Md Arif bin Mahmood was appointed on 1 May 2015 while Zakaria bin Kasah and Freida binti Amat were appointed on 31 July 2015.

The Nomination and Remuneration Committee at its meeting held on 23 November 2015, recommended the re-elections of the following Directors who had expressed their intention to seek for re-election at the forthcoming AGM for approval of the Board:

(a) Datuk Sazali bin Hamzah and Dong Soo Kim who are retiring pursuant to Article 93 of the AA.

(b) Md Arif bin Mahmood, Zakaria bin Kasah and Freida binti Amat who are retiring pursuant to Article 99 of the AA.

SUMMARY OF ACTIVITIES OF THE NOMINATION AND REMUNERATION COMMITTEE

During the year ended 31 December 2015, 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 as a whole, its sub-committees and its members during the year ended 31 December 2015 through the Board Effectiveness Evaluation exercise.

ii. Board Membership

- Reviewed the Board Skills Matrix and Competency of the Board members.
- Recommended Board members standing for re-election at the AGM.
- Recommended the nomination of a director to fill in the vacancies.

iii. Performance Management

- Reviewed the objectives and KPIs of President/CEO and key senior management at the onset of the year 2015.
- Reviewed the mid-year and year end performance scorecards of President/CEO and key senior management.
- Reviewed the overall performance distribution of workforce and deliberated on individual development plans for President/CEO and key senior management team members.
- Endorsed PCG senior management succession plan.
- Endorsed the nomination of the new Chief Financial Officer of the Company.
- Reviewed the Directors' training attendance.
- Endorsed the Skill and Experience Matrix of the Board of Directors as per recommendation of the MCCG 2012.

Ching Yew Chye
Chairman
Nomination and Remuneration Committee

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 Board membership, identifying qualified individuals and reviewing the performance of the Directors and senior management.

COMPOSITION

The Nomination and Remuneration Committee shall have at least three members who are appointed by the Board from amongst the Directors of the Company and shall exclusively comprise 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 the scope of its assigned duties is authorised to seek any information it requires from the 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.

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**
  - Recommend prospective candidates, as required, to provide an appropriate balance of knowledge, experience and capability from a diverse background, including gender, age and ethnicity to complement the Board.
  - 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 the 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 performances as measured against the goals and objectives of the Company.

Statement on Internal Audit Function

The Board Audit Committee is supported by an in-house internal audit function, the Internal Audit Department (IAD), in discharging its governance responsibilities stated in the Board Audit Committee's terms of reference. IAD undertakes a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes within the Group.

The Head of IAD reports directly to the Board Audit Committee. The Board Audit Committee approves the internal audit plan and the Key Performance Indicators (KPIs) of the Head of IAD and reviews IAD's annual budget and resource requirements. Quarterly, the Head of IAD communicates the results of internal audit engagements performed to the Board Audit Committee, as well as reports on IAD's performance against the approved internal audit plan.

IAD adopts the Institute of Internal Auditors' International Professional Practices Framework (IPPF) which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. In performing the audit engagements, the internal auditors adhere to IAD's established procedures and guidelines, as well as relevant policies and procedures adopted by the Group.

IAD continues to adopt a risk-based approach to ensure that the audit plans are prioritised based on the Group's key risks. In deriving the audit plan, IAD gathers input from various sources including the risk profile of the Group, business plans and strategies, past audit issues and feedbacks from external auditors, Board Audit Committee and management.

In the year under review, IAD performed reviews on various key business and risk areas of the Group and presented the results for the following audits to the Board Audit Committee:

- Audit on PETRONAS Chemicals Methanol Sdn Bhd on plant maintenance management and procurement activities
- Audit on Supply & Distribution Department's sourcing activities
- Audit on PETRONAS Chemicals Ethylene/PETRONAS Chemicals Polyethylene Sdn Bhd on plant maintenance management and technical services activities
- Audit on PETRONAS Chemicals MTBE Sdn Bhd on plant maintenance management and technical services activities
- Audit on Vinyl Chloride (M) Sdn Bhd's decommissioning activities
- Audit on Innovation and Technology Department
- Audit on staff claims and benefits across PETRONAS Chemicals Group Berhad
- Audit on procurement activities across PETRONAS Chemicals Group Berhad
- Audit on Asean Bintulu Fertilizer Sdn Bhd on plant maintenance management and compliance to shareholders' agreement
- Audit on PETRONAS Chemicals Fertiliser Sabah Sdn Bhd on project management activities
- Audit on Information System Department
- Audit on technical competency and capability framework across PETRONAS Chemicals Group Berhad
- Audit on BASF PETRONAS Chemicals Sdn Bhd on plant maintenance management, risk management and compliance to shareholders' agreement
- Audit on project management activities for Aroma Chemicals Project
- Audit on policies and procedures pertaining to related party transactions and recurrent related party transactions
- Review on change order for provision of turnaround main mechanical works for PETRONAS Chemicals Group Berhad
- Review on PETRONAS Chemicals Marketing (Labuan) Ltd on sales and marketing activities
- Review on PETRONAS Chemicals LDPE Sdn Bhd relating to payments and claims processes

In its internal audit reports, IAD highlights to the Board Audit Committee the key control issues, significant risks and relevant recommendations for improvement, along with the agreed corrective actions. IAD monitors the progress of these corrective actions and reports the status to the Board Audit Committee on a quarterly basis.

IAD continues its commitment to equip the internal auditors with adequate knowledge and proficiencies to discharge their duties and responsibilities. Annually, internal auditors go through individual functional competency assessment to determine the learning and development programme necessary to further enhance their competency. The functional competency assessment adopted by IAD is part of PETRONAS capability development programme for internal auditors, which takes into consideration the Institute of Internal Auditors Global Internal Audit Competency Development Framework's core competencies including:

- Internal audit delivery
- Personal skills
- Technical expertise
- Internal audit management
- Professional ethics

As part of its quality assurance and improvement programme, IAD underwent an external quality assurance review during the year to provide assurance to the Board Audit Committee that the activities and conduct of IAD met the stakeholders' expectations and are in conformance to the requirements set in the IPPF.

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

Zulaini binti Ahmad
Head
Internal Audit Department

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 166 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 2015 and of the results of its operations and cash flows for the year ended on that date.

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

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgments and estimates have been made;
- all Malaysian Financial Reporting Standards and the Companies Act, 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.

HIGH PERFORMANCE CULTURE

Our employees are ready to meet challenges head-on. We continue to invest in the development of our people's capabilities to build a high performing merit-based workforce within the organisation.

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Directors' Report

For the Year Ended 31 December 2015

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 2015.

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, joint ventures and associates are stated in Note 26 to Note 28 to the financial statements.

RESULTS

	Group RM Mil	Company RM Mil
Profit for the year	3,091	2,930
Attributable to:		
Shareholders of the Company	2,782	2,930
Non-controlling interests	309	–

DIVIDENDS

During the financial year, the Company:

(i) as proposed in last year's Directors' report, paid a second interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2014 on 24 March 2015; and

(ii) paid a first interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2015 on 9 September 2015.

The Directors have declared a second interim dividend of 10 sen per ordinary share amounting to RM800 million in respect of the financial year ended 31 December 2015 which is payable on 23 March 2016. The dividend will be recognised and accounted for in equity as an appropriation of retained profits 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:

Md Arif bin Mahmood *(appointed on 1 May 2015)*
Datuk Sazali bin Hamzah
Vimala a/p V.R. Menon
Ching Yew Chye
Dong Soo Kim
Datuk Toh Ah Wah
Zakaria bin Kasah *(appointed on 31 July 2015)*
Freida binti Amat *(appointed on 31 July 2015)*
Datuk Wan Zulkiflee bin Wan Ariffin *(resigned on 1 May 2015)*
Datuk Ir Kamarudin bin Zakaria *(resigned on 31 July 2015)*
Rashidah binti Alias @ Ahmad *(resigned on 31 July 2015)*

In accordance with Article 93 of the Company's Articles of Association, Datuk Sazali bin Hamzah and Dong Soo Kim retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Md Arif bin Mahmood, Zakaria bin Kasah and Freida binti Amat who were appointed during the year retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors in office at the end of the 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			
Name	**Balance at 1.1.2015/ date of appointment**	**Bought**	**Sold**	**Balance at 31.12.2015**
Direct interest in the Company				
Md Arif bin Mahmood	20,000	–	–	20,000
Vimala a/p V.R. Menon	20,000	–	–	20,000
Ching Yew Chye	20,000	–	–	20,000
Dong Soo Kim	20,000	–	–	20,000
Zakaria bin Kasah	6,000	–	–	6,000
Freida binti Amat	6,000	–	–	6,000

DIRECTORS' INTERESTS (CONTINUED)

Name	Balance at date of appointment	Bought	Sold	Balance at 31.12.2015
	Number of ordinary shares of RM1.00 each			
Indirect interest in PETRONAS Gas Berhad, a subsidiary of PETRONAS				
Freida binti Amat	**1,000[1]**	**–**	**–**	**1,000**

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

None of the other Directors holding office at 31 December 2015 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, except for Dong Soo Kim who has been engaged by Petroliam Nasional Berhad ("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 the amount of emoluments or benefits included in the aggregate amount 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 be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group 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 of the Company for the financial year ended 31 December 2015 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 re-appointment.

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

Md Arif bin Mahmood

Datuk Sazali bin Hamzah

Kuala Lumpur,
Date: 23 February 2016

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 166 to 225, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the 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 2015 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 38 on page 226 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:

Md Arif bin Mahmood

Datuk Sazali bin Hamzah

Kuala Lumpur,
Date: 23 February 2016

Statutory Declaration

I, Rashidah binti Alias @ Ahmad, 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 166 to 226, 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
Rashidah binti Alias @ Ahmad at Kuala Lumpur
in Wilayah Persekutuan on 23 February 2016

BEFORE ME:

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Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
ASSETS					
Property, plant and equipment	3	**16,597**	14,255	**13**	14
Investments in subsidiaries	4	**–**	–	**16,188**	15,975
Investments in joint ventures and associates	5	**1,280**	866	**1,075**	791
Intangible asset	6	**5**	7	**–**	–
Long term receivables	7	**8**	9	**–**	1,807
Deferred tax assets	8	**389**	475	**–**	–
TOTAL NON-CURRENT ASSETS		**18,279**	15,612	**17,276**	18,587
Trade and other inventories	9	**1,404**	1,239	**–**	–
Trade and other receivables	10	**1,692**	1,674	**4,381**	302
Tax recoverable		**129**	131	**7**	1
Fund investments	12	**622**	–	**622**	–
Cash and cash equivalents	13	**8,707**	9,807	**1,793**	3,169
TOTAL CURRENT ASSETS		**12,554**	12,851	**6,803**	3,472
TOTAL ASSETS		**30,833**	28,463	**24,079**	22,059
EQUITY					
Share capital	14	**800**	800	**800**	800
Reserves	15	**23,983**	21,922	**22,222**	20,572
Total equity attributable to shareholders of the Company		**24,783**	22,722	**23,022**	21,372
Non-controlling interests	16	**1,807**	1,755	**–**	–
TOTAL EQUITY		**26,590**	24,477	**23,022**	21,372
LIABILITIES					
Deferred tax liabilities	8	**814**	941	**2**	2
Other long term liabilities and provisions	17	**355**	567	**165**	305
TOTAL NON-CURRENT LIABILITIES		**1,169**	1,508	**167**	307
Borrowings	18	**30**	–	**–**	–
Trade and other payables	19	**2,902**	2,395	**890**	380
Current tax payables		**142**	83	**–**	–
TOTAL CURRENT LIABILITIES		**3,074**	2,478	**890**	380
TOTAL LIABILITIES		**4,243**	3,986	**1,057**	687
TOTAL EQUITY AND LIABILITIES		**30,833**	28,463	**24,079**	22,059

The notes set out on pages 173 to 226 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2015

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
Revenue	20	**13,536**	14,597	**2,796**	2,004
Cost of revenue		**(8,989)**	(10,150)	**–**	–
Gross profit		**4,547**	4,447	**2,796**	2,004
Selling and distribution expenses		**(615)**	(603)	**–**	–
Administration expenses		**(582)**	(551)	**(194)**	(292)
Other expenses		**(391)**	(471)	**(6)**	(178)
Other income		**798**	609	**346**	467
Operating profit	21	**3,757**	3,431	**2,942**	2,001
Net financing (costs)/income	22	**(11)**	(46)	**2**	(22)
Share of profit of equity-accounted joint ventures and associates, net of tax		**87**	166	**–**	–
Profit before taxation		**3,833**	3,551	**2,944**	1,979
Tax expense	23	**(742)**	(825)	**(14)**	(13)
PROFIT FOR THE YEAR		**3,091**	2,726	**2,930**	1,966
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**362**	71	**–**	–
Share of other comprehensive income of equity-accounted joint ventures and associates		**197**	41	**–**	–
		559	112	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,650**	2,838	**2,930**	1,966
Profit attributable to:					
Shareholders of the Company		**2,782**	2,465	**2,930**	1,966
Non-controlling interests		**309**	261	**–**	–
PROFIT FOR THE YEAR		**3,091**	2,726	**2,930**	1,966
Total comprehensive income attributable to:					
Shareholders of the Company		**3,341**	2,577	**2,930**	1,966
Non-controlling interests		**309**	261	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,650**	2,838	**2,930**	1,966
Basic earnings per ordinary share (sen)	24	**35**	31	**–**	–

The notes set out on pages 173 to 226 are an integral part of these financial statements.

Statements of Changes in Equity

For the Year Ended 31 December 2015

Group	Share Capital (Note 14) RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve (Note 15) RM Mil	Merger Reserve (Note 15) RM Mil	Other Reserves (Note 15) 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 2014	800	8,071	4	(204)	131	12,934	21,736	1,653	23,389
Foreign currency translation differences	–	–	71	–	–	–	71	–	71
Share of other comprehensive income of equity-accounted joint ventures and associates	–	–	–	–	41	–	41	–	41
Total other comprehensive income for the year	–	–	71	–	41	–	112	–	112
Profit for the year	–	–	–	–	–	2,465	2,465	261	2,726
Total comprehensive income for the year	–	–	71	–	41	2,465	2,577	261	2,838
Dividends to shareholders of the Company (Note 25)	–	–	–	–	–	(1,600)	(1,600)	–	(1,600)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(157)	(157)
Others	–	–	(1)	–	(34)	44	9	(2)	7
Total transactions with equity holders of the Group	–	–	(1)	–	(34)	(1,556)	(1,591)	(159)	(1,750)
Balance at 31 December 2014	800	8,071	74	(204)	138	13,843	22,722	1,755	24,477

The notes set out on pages 173 to 226 are an integral part of these financial statements.

Statements of Changes in Equity
For the Year Ended 31 December 2015 (continued)

Group	Share Capital (Note 14) RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve (Note 15) RM Mil	Merger Reserve (Note 15) RM Mil	Other Reserves (Note 15) 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 2015	800	8,071	74	(204)	138	13,843	22,722	1,755	24,477
Foreign currency translation differences	–	–	362	–	–	–	362	–	362
Share of other comprehensive income of equity-accounted joint ventures and associates	–	–	–	–	197	–	197	–	197
Total other comprehensive income for the year	–	–	362	–	197	–	559	–	559
Profit for the year	–	–	–	–	–	2,782	2,782	309	3,091
Total comprehensive income for the year	–	–	362	–	197	2,782	3,341	309	3,650
Redemption of redeemable preference shares in subsidiaries	–	–	–	–	152	(152)	–	(111)	(111)
Dividends to shareholders of the Company (Note 25)	–	–	–	–	–	(1,280)	(1,280)	–	(1,280)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(146)	(146)
Others	–	–	–	–	–	–	–	–	–
Total transactions with equity holders of the Group	–	–	–	–	152	(1,432)	(1,280)	(257)	(1,537)
Balance at 31 December 2015	800	8,071	436	(204)	487	15,193	24,783	1,807	26,590

The notes set out on pages 173 to 226 are an integral part of these financial statements.

Statements of Changes in Equity

For the Year Ended 31 December 2015 (continued)

	Attributable to shareholders of the Company				
	Non-Distributable			*Distributable*	
Company	**Share Capital (Note 14) RM Mil**	**Share Premium RM Mil**	**Merger Relief (Note 15) RM Mil**	**Retained Profits RM Mil**	**Total Equity RM Mil**
Balance at 1 January 2014	800	8,071	7,176	4,959	21,006
Profit and total comprehensive income for the year	–	–	–	1,966	1,966
Dividends to shareholders of the Company (Note 25)	–	–	–	(1,600)	(1,600)
Balance at 31 December 2014/1 January 2015	**800**	**8,071**	**7,176**	**5,325**	**21,372**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**2,930**	**2,930**
Dividends to shareholders of the Company (Note 25)	**–**	**–**	**–**	**(1,280)**	**(1,280)**
Balance at 31 December 2015	**800**	**8,071**	**7,176**	**6,975**	**23,022**

The notes set out on pages 173 to 226 are an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended 31 December 2015

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**13,965**	14,743	**140**	69
Cash paid to suppliers and employees		**(9,257)**	(10,065)	**(104)**	(194)
		4,708	4,678	**36**	(125)
Interest income received		**350**	398	**91**	153
Taxation paid		**(724)**	(881)	**(21)**	(16)
Net cash generated from operating activities		**4,334**	4,195	**106**	12
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in investment in subsidiaries		**–**	–	**(738)**	(59)
Increase in investment in an associate		**(284)**	(172)	**(284)**	(172)
Redemption of preference shares in subsidiaries		**–**	–	**309**	40
Dividends received from:					
– joint ventures and associates		**154**	257	**154**	255
– subsidiaries		**–**	–	**2,642**	1,749
Purchase of property, plant and equipment		**(2,858)**	(2,818)	**(7)**	(3)
Proceeds from disposal of property, plant and equipment		**3**	3	**–**	–
Islamic deposits with licensed financial institutions		**(622)**	–	**(622)**	–
Net cash (used in)/generated from investing activities		**(3,607)**	(2,730)	**1,454**	1,810
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
– PETRONAS		**(824)**	(1,030)	**(824)**	(1,030)
– others (third parties)		**(456)**	(570)	**(456)**	(570)
– non-controlling interests		**(146)**	(157)	**–**	–
Payment to non-controlling interests on redemption of shares		**(111)**	–	**–**	–
Drawdown of revolving credit		**30**	30	**–**	–
Balance carried forward		**(1,507)**	(1,727)	**(1,280)**	(1,600)

The notes set out on pages 173 to 226 are an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended 31 December 2015 (continued)

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
CASH FLOWS FROM FINANCING ACTIVITIES (continued)					
Balance brought forward		**(1,507)**	(1,727)	**(1,280)**	(1,600)
Repayment of:					
– finance lease liabilities		**(55)**	(55)	**–**	–
– revolving credit		**–**	(30)	**–**	–
Payment for onerous contract		**–**	(13)	**–**	–
Loan to a subsidiary		**–**	–	**(1,771)**	(1,695)
Loan repayment by subsidiaries		**–**	–	**7**	80
Interest income from loans to subsidiaries		**–**	–	**108**	25
Proceeds from finance lease receivables		**–**	3	**–**	–
Net cash used in financing activities		**(1,562)**	(1,822)	**(2,936)**	(3,190)
Net cash flows from operating, investing and financing activities		**(835)**	(357)	**(1,376)**	(1,368)
Effect of foreign currency translation difference		**(383)**	–	**–**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,218)**	(357)	**(1,376)**	(1,368)
NET FOREIGN EXCHANGE DIFFERENCE ON CASH HELD		**118**	9	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**9,807**	10,155	**3,169**	4,537
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**8,707**	9,807	**1,793**	3,169
CASH AND CASH EQUIVALENTS					
Cash and bank balances and deposits	13	**8,707**	9,807	**1,793**	3,169

The notes set out on pages 173 to 226 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 of 1 January 2015, the Group and the Company have adopted amendments to MFRS and IC Interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 33.

The adoption of these pronouncements does 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 and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 35.

These financial statements were approved and authorised for issue by the Board of Directors on 23 February 2016.

1.2 Basis of measurement

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

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are 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. All financial information have 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 estimates are revised and in any future years affected.

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

(i) Note 3 : Property, plant and equipment; and

(ii) Note 17 : 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

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

Under the merger method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts in the consolidated statements of financial position. The difference between the cost of acquisition and the nominal value of the shares acquired 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.

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 acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

Non-controlling interests

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

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

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. 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.

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 or the Company has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.1(iii).

(iii) Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(iii) Associates (continued)

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

When the Group's share of post-acquisition losses exceeds its interest in an equity-accounted associate, the carrying amount of that interest (including any long term investments) 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 re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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

2.2 Property, plant and equipment and depreciation

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

Cost includes expenditures that are directly attributable to the acquisition of the 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Property, plant and equipment and depreciation (continued)

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.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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	3 – 67 years
Office equipment, furniture and fittings	5 – 7 years
Computer software and hardware	5 years
Motor vehicles	3 – 5 years
Expendable capital improvement	3 years

Property, plant and equipment individually costing less than RM10,000 for manufacturing subsidiaries and RM5,000 for other subsidiaries 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 the end of each reporting period to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

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 statements of financial position as long term liabilities and other payables.

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's and the Company's statements 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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.4 Investments

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

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

2.5 Intangible asset

Intangible asset which comprises a license obtained from a third party, is measured on initial recognition at cost.

Following initial recognition, intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible asset 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 asset are reviewed at each reporting date. Intangible asset is 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 asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments

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

(i) Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, or loans and receivables, 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 transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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.

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

The Group's and the Company's financial assets include cash and cash equivalents, fund investments, 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 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.

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 method (see Note 2.6(v)).

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

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(iv) Offsetting of financial instruments

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

(v) Amortised cost of financial instruments

Amortised cost is computed using the effective interest 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 equity is recognised in the profit or loss.

Financial liabilities

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

2.7 Fair value measurements

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Fair value measurements (continued)

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

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

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

2.8 Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, and investments in subsidiaries, joint ventures and associates) 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. If any such objective evidence exists, then the financial asset's recoverable amount is estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

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.

(ii) Other assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(ii) Other assets (continued)

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

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 a weighted average basis.

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

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

2.10 Cash and cash equivalents

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

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group 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. Future operating losses are not provided for. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

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

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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.

2.13 Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Foreign currency transactions

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

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

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

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

2.15 Revenue

Revenue from the sale of petrochemical products and their related products in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Dividend income is recognised in the profit or loss 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Interest income

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

2.17 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.

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.

2.18 Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2.19 Basic earnings per ordinary share

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

Basic earnings per share is calculated by dividing the profit 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, and for which discrete financial information is available) whose operating results are reviewed regularly by the chief operating decision maker, which in this case is the President/CEO, to make decisions about resources to be allocated to the segments and to assess the performance of the Group.

3. PROPERTY, PLANT AND EQUIPMENT

Group 2015	At 1.1.2015 RM Mil	Additions RM Mil	Disposals/ write-offs RM Mil	Transfers/ reclassification RM Mil	Translation exchange difference RM Mil	At 31.12.2015 RM Mil
At cost:						
Leasehold land	291	–	–	–	–	291
Buildings	1,396	1	(9)	8	–	1,396
Plant and equipment	21,445	121	(42)	635	–	22,159
Office equipment, furniture and fittings	91	2	(1)	10	–	102
Computer software and hardware	243	4	(5)	34	–	276
Motor vehicles	36	6	(1)	–	–	41
Projects-in-progress	4,376	2,760	(1)	(687)	745	7,193
	27,878	2,894	(59)	–	745	31,458

Included in projects-in-progress is an amount of RM6,108 million relating to the construction of Sabah Ammonia and Urea Project ("SAMUR") plant on a piece of land owned by Sipitang Oil & Gas Development Corporation ("SOGDC") for which the lease agreement is currently being finalised.

Group 2015	At 1.1.2015 RM Mil	Charge for the year RM Mil	Disposals/ write-offs RM Mil	Transfers/ reclassification RM Mil	Translation exchange difference RM Mil	At 31.12.2015 RM Mil
Accumulated depreciation and impairment losses:						
Leasehold land	73	4	–	–	–	77
Buildings	553	32	(3)	–	–	582
Plant and equipment	12,728	1,207	(29)	–	–	13,906
Office equipment, furniture and fittings	69	10	(1)	–	–	78
Computer software and hardware	165	23	(5)	–	–	183
Motor vehicles	35	1	(1)	–	–	35
	13,623	1,277	(39)	–	–	14,861

Included in the accumulated depreciation and impairment losses of plant and equipment are impairment losses carried forward of RM266 million (2014: RM266 million).

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2014	At 1.1.2014 RM Mil	Additions RM Mil	Disposals/ write-offs RM Mil	Transfers/ reclassification RM Mil	At 31.12.2014 RM Mil
At cost:					
Leasehold land	291	–	–	–	291
Buildings	1,378	9	–	9	1,396
Plant and equipment	21,215	60	(958)	1,128	21,445
Office equipment, furniture and fittings	135	3	(1)	(46)	91
Computer software and hardware	178	19	(3)	49	243
Motor vehicles	36	–	–	–	36
Projects-in-progress	3,119	2,398	–	(1,141)	4,376
	26,352	2,489	(962)^	(1)	27,878

^ Included in disposals/write-offs are derecognition of previous turnaround costs and catalyst of RM685 million, and write-off of plant and equipment relating to the Group's decision to discontinue its vinyl business as disclosed in 2012 of RM249 million.

Group 2014	At 1.1.2014 RM Mil	Charge for the year RM Mil	Disposals/ write-offs RM Mil	Transfers/ reclassification RM Mil	Impairment losses RM Mil	At 31.12.2014 RM Mil
Accumulated depreciation and impairment losses:						
Leasehold land	68	5	–	–	–	73
Buildings	525	28	–	–	–	553
Plant and equipment	12,235	1,154	(958)	35	262	12,728
Office equipment, furniture and fittings	100	8	(1)	(38)	–	69
Computer software and hardware	145	20	(3)	3	–	165
Motor vehicles	34	1	–	–	–	35
	13,107	1,216	(962)^	–	262	13,623

^ Included in disposals/write-offs is derecognition of accumulated depreciation for previous turnaround costs and catalyst of RM685 million. In addition, the Group derecognised accumulated depreciation and impairment losses on plant and equipment of RM121 million and RM128 million respectively relating to the Group's decision to discontinue its vinyl business as disclosed in 2012.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	2015 RM Mil	2014 RM Mil
Carrying amounts:		
Leasehold land		
– with unexpired lease period of more than 50 years	**78**	79
– with unexpired lease period of less than 50 years	**136**	139
	214	218
Buildings	**814**	843
Plant and equipment	**8,253**	8,717
Office equipment, furniture and fittings	**24**	22
Computer software and hardware	**93**	78
Motor vehicles	**6**	1
Projects-in-progress	**7,193**	4,376
	16,597	14,255

Included in the property, plant and equipment of the Group are plant and equipment with carrying amount of RM162 million (2014: RM197 million) under finance lease arrangement.

Impairment review

During the year, an impairment test was performed on one of the Group's methane value chain which comprises a plant currently under construction and classified as projects-in-progress amounting to RM6,108 million as at 31 December 2015. The recoverable value of this plant was arrived at using value-in-use method, determined by discounting future cash flows projected to be generated by the plant based on various assumptions. While the estimated recoverable value is higher than the carrying value of the plant, there are inherent uncertainties over the assumptions since the plant has not commenced its operations.

The assumptions include the following which are particularly sensitive, uncertain or require significant judgment and hence have significant risk which could result in a material adjustment to the carrying amount of the plant within the next financial year:

i. A discount rate of 8.6% was applied in determining the recoverable value of the plant. An increase of 2% in the discount rate would result in an impairment loss of approximately RM350 million; and

ii. A decline of 10% of the projected production or sales volume would result in an impairment loss of approximately RM230 million.

However, the cash flows projections also used product price assumptions which are lower than that quoted by external sources by approximately 5% to 20%.

Impairment losses

In the previous year, the Group recognised an impairment loss of RM262 million on plant and equipment at its butane-MTBE value chain within the Olefins and Derivatives segment, following lower expectation of the assets' value-in-use in line with weaker market conditions.

In arriving at the impairment loss recognised, the carrying amount of the butane-MTBE value chain is compared with its recoverable amount of RM188 million which was determined using cash flow projections taking into consideration best available information on prices, volumes and costs, discounted using a discount rate of 8.6%.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2015	At 1.1.2015 RM 000	Additions RM 000	Disposals/ write-offs RM 000	Transfers/ reclassification RM 000	At 31.12.2015 RM 000
At cost:					
Office equipment, furniture and fittings	27	59	–	627	713
Computer software and hardware	12,485	–	–	1,316	13,801
Motor vehicles	369	–	–	–	369
Expendable capital improvement	–	–	–	283	283
Projects-in-progress	3,518	12,098	–	(12,062)	3,554
	16,399	12,157	–	(9,836)^	18,720

^ Relates to software development expenditure backcharged to subsidiaries of RM8,637,000 and expensed off of RM1,199,000 during the year.

Company 2015	At 1.1.2015 RM 000	Charge for the year RM 000	Disposals/ write-offs RM 000	Transfers/ reclassification RM 000	At 31.12.2015 RM 000
Accumulated depreciation:					
Office equipment, furniture and fittings	1	53	–	–	54
Computer software and hardware	2,142	2,644	–	–	4,786
Motor vehicles	323	46	–	–	369
Expendable capital improvement	–	94	–	–	94
	2,466	2,837	–	–	5,303

Company 2014	At 1.1.2014 RM 000	Additions RM 000	Disposals/ write-offs RM 000	Transfers/ reclassification RM 000	At 31.12.2014 RM 000
At cost:					
Office equipment, furniture and fittings	–	27	–	–	27
Computer software and hardware	386	129	–	11,970	12,485
Motor vehicles	369	–	–	–	369
Projects-in-progress	59,614	7,462	–	(63,558)	3,518
	60,369	7,618	–	(51,588)^	16,399

^ Relates to software development expenditure backcharged to subsidiaries of RM50,790,000 and expensed off of RM798,000 during the year.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2014	At 1.1.2014 RM 000	Charge for the year RM 000	Disposals/ write-offs RM 000	Transfers/ reclassification RM 000	At 31.12.2014 RM 000
Accumulated depreciation:					
Office equipment, furniture and fittings	–	1	–	–	1
Computer software and hardware	60	2,082	–	–	2,142
Motor vehicles	231	92	–	–	323
	291	2,175	–	–	2,466

Company	2015 RM 000	2014 RM 000
Carrying amounts:		
Office equipment, furniture and fittings	**659**	26
Computer software and hardware	**9,015**	10,343
Motor vehicles	**–**	46
Expendable capital improvement	**189**	–
Projects-in-progress	**3,554**	3,518
	13,417	13,933

4. INVESTMENTS IN SUBSIDIARIES

Company	2015 RM Mil	2014 RM Mil
Investments in unquoted shares, at cost	**16,610**	16,361
Less: Impairment losses	**(422)**	(386)
	16,188	15,975

During the year, the Group acquired 100% equity of three companies (PRPC Glycols Sdn. Bhd., PRPC Polymers Sdn. Bhd. and PRPC Elastomers Sdn. Bhd.) which will undertake petrochemical projects as part of the Refinery and Petrochemical Integrated Development ("RAPID") project in Johor, Malaysia.

Summarised financial information of non-controlling interests has not been included as the non-controlling interests of the subsidiaries are not individually material to the Group.

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

Notes to the Financial Statements
For the Year Ended 31 December 2015

5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Group		Company	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Investments in unquoted shares, at cost	**944**	660	**1,075**	791
Share of post-acquisition profits and reserves	**336**	206	**–**	–
	1,280	866	**1,075**	791

Summarised financial information has not been included as the joint ventures and associates are not individually material to the Group.

Details of joint ventures and associates are stated in Note 27 and Note 28 to the financial statements respectively.

6. INTANGIBLE ASSET

Group	At 1.1.2014 RM Mil	Addition/ charge for the year RM Mil	At 31.12.2014/ 1.1.2015 RM Mil	Addition/ charge for the year RM Mil	At 31.12.2015 RM Mil
Licence					
– At cost	23	–	23	–	23
– Accumulated amortisation	13	3	16	2	18

	2015 RM Mil	2014 RM Mil
Carrying amount	**5**	7

7. LONG TERM RECEIVABLES

	Note	Group		Company	
		2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Loans and advances due from subsidiaries	7.1	**–**	–	**–**	1,807
Others		**8**	9	**–**	–
		8	9	**–**	1,807

7.1 Loans and advances due from subsidiaries

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
Receivable within twelve months	10	**–**	–	**4,215**	8
Receivable after twelve months		**–**	–	**–**	1,807

The Company's loans and advances due from subsidiaries bear interest rates ranging from 2.59% to 4.52% (2014: 1.02% to 4.52%) per annum.

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	2015 RM Mil	2014 RM Mil
Deferred tax assets		
Deferred tax liabilities	**408**	789
Deferred tax assets	**(797)**	(1,264)
	(389)	(475)
Deferred tax liabilities		
Deferred tax liabilities	**1,387**	1,080
Deferred tax assets	**(573)**	(139)
	814	941

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

Group 2015	At 1.1.2015 RM Mil	Charged/ (credited) to profit or loss RM Mil (Note 23)	Translation exchange difference RM Mil	At 31.12.2015 RM Mil
Deferred tax liabilities				
Property, plant and equipment	**1,867**	**(72)**	**–**	**1,795**
Others	**2**	**(2)**	**–**	**–**
	1,869	**(74)**	**–**	**1,795**
Deferred tax assets				
Property, plant and equipment	**(68)**	**1**	**–**	**(67)**
Unused reinvestment allowances	**(8)**	**–**	**–**	**(8)**
Unused investment tax allowances	**(1,078)**	**35**	**–**	**(1,043)**
Unused tax losses	**(160)**	**44**	**–**	**(116)**
Unabsorbed capital allowances	**(15)**	**15**	**–**	**–**
Others	**(74)**	**(58)**	**(4)**	**(136)**
	(1,403)	**37**	**(4)**	**(1,370)**
Net deferred tax liabilities	**466**	**(37)**	**(4)**	**425**

8. DEFERRED TAX (CONTINUED)

Group 2014	**At 1.1.2014 RM Mil**	**Charged/ (credited) to profit or loss RM Mil (Note 23)**	**At 31.12.2014 RM Mil**
Deferred tax liabilities			
Property, plant and equipment	1,776	91	1,867
Others	7	(5)	2
	1,783	86	1,869
Deferred tax assets			
Property, plant and equipment	(6)	(62)	(68)
Unused reinvestment allowances	(8)	–	(8)
Unused investment tax allowances	(1,149)	71	(1,078)
Unused tax losses	(108)	(52)	(160)
Unabsorbed capital allowances	(5)	(10)	(15)
Others	(32)	(42)	(74)
	(1,308)	(95)	(1,403)
Net deferred tax liabilities	475	(9)	466

Unrecognised deferred tax assets

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

Group	**2015 RM Mil**	**2014 RM Mil**
Unused tax losses	**492**	630
Unused investment tax allowance	**38**	–

The unused tax losses and unused investment tax allowance do not expire under the 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 subsidiaries can utilise the benefits.

Company 2015	**At 1.1.2015 RM Mil**	**Charged/ (credited) to profit or loss RM Mil (Note 23)**	**At 31.12.2015 RM Mil**
Deferred tax liabilities			
Others	**2**	**–**	**2**

Company 2014	**At 1.1.2014 RM Mil**	**Charged/ (credited) to profit or loss RM Mil (Note 23)**	**At 31.12.2014 RM Mil**
Deferred tax liabilities			
Others	–	2	2

9. TRADE AND OTHER INVENTORIES

Group	2015 RM Mil	2014 RM Mil
Petrochemical products:		
Raw materials	**14**	49
Finished goods	**530**	507
Stores, spares and others	**860**	683
	1,404	1,239

10. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Trade receivables*		**1,220**	1,231	**–**	–
Amount due from PETRONAS#					
– Non-trade^		**108**	36	**1**	3
Amount due from subsidiaries					
– Non-trade#		**–**	–	**81**	284
– Loans and advances	7.1	**–**	–	**4,215**	8
Amount due from joint ventures and associates#					
– Trade		**83**	189	**–**	–
– Non-trade		**2**	–	**1**	–
Amount due from related companies#					
– Trade		**103**	111	**–**	–
– Non-trade		**6**	13	**1**	4
Other receivables, deposits and prepayments		**162**	83	**82**	3
Derivative asset	11	**9**	13	**–**	–
		1,693	1,676	**4,381**	302
Less: Impairment losses					
– Trade receivables		**–**	(1)	**–**	–
– Other receivables, deposit and prepayments		**(1)**	(1)	**–**	–
		1,692	1,674	**4,381**	302

* Included in trade receivables is an amount due from corporate shareholders of subsidiaries of RM55 million (2014: RM25 million).

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

^ Included in amount due from PETRONAS is GST recoverable of RM86 million (2014: Nil).

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

11. DERIVATIVE ASSET/(LIABILITY)

		Group		Company	
	Note	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Derivative asset					
Current					
Forward foreign exchange		**9**	13	**–**	–
Included within:					
Trade and other receivables	10	**9**	13	**–**	–
Derivative liability					
Non-current					
Forward foreign exchange		**–**	(97)	**–**	(97)
Current					
Forward foreign exchange		**(720)**	(21)	**(715)**	(1)
Included within:					
Other long term liabilities and provisions	17	**–**	(97)	**–**	(97)
Trade and other payables	19	**(720)**	(21)	**(715)**	(1)
		(720)	(118)	**(715)**	(98)

Included in the Group's and the Company's derivative liability is forward foreign exchange entered in relation to loan due from a subsidiary amounting to RM4,215 million (2014: RM1,807 million).

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

The fair values of forward foreign exchange contracts are estimated based upon the difference between the year end forward exchange rates and contracted rates for the residual maturity of the contracts.

12. FUND INVESTMENTS

	Group		Company	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Loans and receivables				
Islamic deposits with licensed financial institutions	**622**	–	**622**	–

Fund investments arise from transactions with government related financial institutions have original maturities of more than three months.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Islamic deposits with licensed financial institutions	**309**	760	**309**	760
Cash with PETRONAS Integrated Financial Shared Service Centre ("IFSSC")	**8,368**	9,020	**1,484**	2,409
Cash and bank balances	**30**	27	**–**	–
	8,707	9,807	**1,793**	3,169

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

Included in cash with IFSSC and cash and bank balances for the Group and the Company are interest-bearing balances amounting to RM8,395 million (2014: RM9,043 million) and RM1,484 million (2014: RM2,409 million) respectively.

14. SHARE CAPITAL

	Group and Company	
	2015 RM Mil	2014 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

15. 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 in Malaysia.

Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are not Ringgit Malaysia.

Other reserves

Other reserves comprise primarily capital redemption reserve created upon redemption of preference shares, and the Group's share of its joint venture and associate companies' reserves.

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16. NON-CONTROLLING INTERESTS

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

17. OTHER LONG TERM LIABILITIES AND PROVISIONS

		Group		Company	
	Note	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Finance lease liabilities	17.1	**183**	226	**–**	–
Provisions	17.2	**162**	234	**165**	208
Other payables		**10**	107	**–**	97
		355	567	**165**	305

17.1 Finance lease liabilities

Group	2015 Minimum Lease Payments RM Mil	2015 Interest RM Mil	2015 Principal RM Mil	2014 Minimum Lease Payments RM Mil	2014 Interest RM Mil	2014 Principal RM Mil
Less than 1 year (Note 19)	**55**	**11**	**44**	55	13	42
Between 1 to 2 years	**55**	**9**	**46**	55	11	44
Between 2 to 5 years	**142**	**13**	**129**	161	21	140
More than 5 years	**8**	**–**	**8**	45	3	42
	260	**33**	**227**	316	48	268

17.2 Provisions

Group	2015 RM Mil	2014 RM Mil
Non-current	**162**	234
Current (Note 19)	**45**	86
	207	320

The movement of the provisions is as follows:

	RM Mil
At 1 January 2015	**320**
Provisions reversed	**(65)**
Provisions utilised	**(64)**
Unwinding of discount factor	**16**
At 31 December 2015	**207**

17. OTHER LONG TERM LIABILITIES AND PROVISIONS (CONTINUED)

17.2 Provisions (continued)

The Group's provisions comprise:

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

ii. Provision for onerous contracts for 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 ranging from 2 to 6 years (2014: 7 years) using a discount rate of 8.6% (2014: 8.6%).

Company	2015 RM Mil	2014 RM Mil
Non-current	**165**	208
Current (Note 19)	**32**	78
	197	286

The movement of the provisions is as follows:

	RM Mil
At 1 January 2015	**286**
Provisions reversed	**(29)**
Provisions utilised	**(76)**
Unwinding of discount factor	**16**
At 31 December 2015	**197**

The Company's provision comprises provision for financial assistance has been made through issuance of redeemable preference shares ("RPS") to meet a subsidiary's obligation in respect of decommissioning activities and other related expenses. 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 6 years (2014: 7 years) using a discount rate of 8.6% (2014: 8.6%).

18. BORROWINGS

	Group		Company	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Revolving credit – unsecured	**30**	–	**–**	–

Revolving credit relates to a facility granted by a licensed financial institution to a subsidiary, which bears interest at an average rate of 4.45% per annum.

19. TRADE AND OTHER PAYABLES

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
Trade payables		**155**	122	**–**	–
Other payables*		**956**	1,272	**43**	75
Amount due to PETRONAS#					
– Trade		**288**	345	**–**	–
– Non-trade^		**240**	171	**58**	6
Amount due to subsidiaries#					
– Non-trade		**–**	–	**37**	213
Amount due to related companies#					
– Trade		**258**	323	**–**	–
– Non-trade		**240**	55	**5**	7
Provisions	17	**45**	86	**32**	78
Derivative liability	11	**720**	21	**715**	1
		2,902	2,395	**890**	380

* Included in other payables for the Group is the current portion of finance lease liabilities amounting to RM44 million (2014: RM42 million).

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

^ Included in amount due to PETRONAS is GST payable of RM11 million (2014: Nil).

20. REVENUE

	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
Sales of petrochemical products, net	**13,490**	14,556	**–**	–
Dividend income	**–**	–	**2,796**	2,004
Others	**46**	41	**–**	–
	13,536	14,597	**2,796**	2,004

21. OPERATING PROFIT

		Group		Company	
	Note	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Included in operating profit are the following charges:					
Auditors' remuneration*		**3**	2	**1**	1
Amortisation of intangible assets	6	**2**	3	**–**	–
Depreciation of property, plant and equipment	3	**1,277**	1,216	**3**	2
Loss on foreign exchange:					
– Realised		**374**	80	**2**	–
– Unrealised		**67**	50	**–**	–
Loss on disposal of property, plant and equipment		**13**	–	**–**	–
Loss on derivative financial instruments		**–**	98	**–**	98
Rental of plants, machineries, equipment and motor vehicles		**50**	48	**2**	3
Rental of land and buildings		**49**	23	**15**	18
Staff costs:					
– Wages, salaries and others		**714**	793	**109**	159
– Contributions to Employees Provident Fund		**103**	104	**18**	21
Impairment losses on:					
– Property, plant and equipment	3	**–**	262	**–**	–
– Investment in subsidiaries		**–**	–	**76**	279
Inventories written down to net realisable value		**21**	54	**–**	–
Property, plant and equipment written off	3	**5**	–	**–**	–
Provisions for plant decommissioning and onerous contracts	17	**–**	14	**–**	–
Provision for financial assistance to a subsidiary	17	**–**	–	**–**	25

21. OPERATING PROFIT (CONTINUED)

	Note	Group 2015 RM Mil	Group 2014 RM Mil	Company 2015 RM Mil	Company 2014 RM Mil
and credits:					
Gain on foreign exchange:					
– Realised		**361**	133	**–**	28
– Unrealised		**36**	34	**–**	99
Dividend income:					
– Subsidiaries		**–**	–	**2,642**	1,749
– Joint ventures and associates		**–**	–	**154**	255
Interest income:					
– Others		**360**	390	**101**	136
– Subsidiaries		**–**	–	**108**	25
Management fee		**–**	–	**66**	124
Reversal of:					
– Impairment losses on investment in a subsidiary		**–**	–	**40**	–
– Provision for obsolete inventories		**–**	37	**–**	–
– Provisions for plant decommissioning and onerous contracts	17	**65**	23	**–**	–
– Provision for financial assistance to a subsidiary	17	**–**	–	**29**	80
Gain on disposal of property, plant and equipment		**2**	3	**–**	–
Gain on derivative financial instruments		**5**	2	**–**	–

* The auditors' remuneration includes the following:

	Group 2015 RM 000	Group 2014 RM 000	Company 2015 RM 000	Company 2014 RM 000
Statutory audit				
KPMG Malaysia	**788**	791	**150**	126
Other auditors	**469**	425	**–**	–
Non-audit fees				
KPMG Malaysia	**650**	460	**650**	460
Other auditors	**1,000**	472	**–**	–

22. NET FINANCING COSTS/(INCOME)

	Group		Company	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Unwinding of discount factor for other long term liabilities and provisions	**29**	45	**16**	22
Unrealised loss on forward exchange contract	**618**	–	**618**	–
Gain on unrealised foreign exchange on loan to a subsidiary	**(636)**	–	**(636)**	–
Revolving credits	**–**	1	**–**	–
	11	46	**(2)**	22

Unrealised loss on forward exchange contract arise from forward exchange contracts entered in relation to loan due from a subsidiary.

23. TAX EXPENSE

	Group		Company	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Current tax expense				
– Current year tax	**841**	864	**28**	15
– Over provision in respect of prior years	**(62)**	(30)	**(14)**	(4)
	779	834	**14**	11
Deferred tax expense				
– Origination and reversal of temporary differences	**(74)**	(14)	**–**	2
– Under provision in respect of prior years	**37**	5	**–**	–
	(37)	(9)	**–**	2
	742	825	**14**	13

23. TAX EXPENSE (CONTINUED)

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 is as follows:

Group	%	2015 RM Mil	%	2014 RM Mil
Profit before taxation		**3,833**		3,551
Taxation at Malaysian statutory tax rate	**25**	**958**	25	888
Net non-deductible expense	**2**	**61**	3	107
Tax exempt income and incentives	**(2)**	**(83)**	(3)	(90)
Effects of change in tax rate*	**–**	**(5)**	–	(1)
Effects of lower tax rate under Global Incentive for Trading ("GIFT")	**(3)**	**(114)**	(2)	(55)
Effect of net deferred tax benefits not recognised	**–**	**3**	1	27
Recognition of previously unrecognised tax losses	**(1)**	**(27)**	–	–
Others	**(1)**	**(26)**	(1)	(26)
	20	**767**	23	850
Over provision in prior years, net		**(25)**		(25)
Tax expense		**742**		825

* 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.

Company	%	2015 RM Mil	%	2014 RM Mil
Profit before taxation		**2,944**		1,979
Taxation at Malaysian statutory tax rate	**25**	**736**	25	495
Net (non-assessable income)/non-deductible expenses	**–**	**8**	2	46
Tax exempt income	**(24)**	**(716)**	(26)	(524)
	1	**28**	1	17
Over provision in prior years		**(14)**		(4)
Tax expense		**14**		13

24. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for year ended 31 December 2015 was based on the profit attributable to shareholders of the Company and number of ordinary shares of the Company as follows:

Group	2015	2014
In RM millions		
Profit for the year attributable to shareholders of the Company	**2,782**	2,465
In millions of shares		
Number of shares issued at 31 December	**8,000**	8,000
In sen		
Basic earnings per ordinary share	**35**	31

Diluted earnings per ordinary share

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

25. DIVIDENDS

Group and Company	Sen per share	Total amount RM Mil	Date of payment
2015			
Second interim ordinary for financial year ended 31.12.2014	**8**	**640**	24 March 2015
First interim ordinary for financial year ended 31.12.2015	**8**	**640**	9 September 2015
		1,280	
2014			
Second interim ordinary for financial year ended 31.12.2013	12	960	18 March 2014
First interim ordinary for financial year ended 31.12.2014	8	640	12 September 2014
		1,600	

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

	Sen per share	Total amount RM Mil
Second interim dividend for financial year ended 31.12.2015	**10**	**800**

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

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

26. SUBSIDIARIES AND ACTIVITIES

The Group includes the following subsidiaries:

Name of company	Effective ownership interest (%) 2015	Effective ownership interest (%) 2014	Principal activities
PETRONAS Chemicals Ammonia Sdn. Bhd.*	**100**	100	Production and sale of ammonia, syngas and carbon monoxide
PETRONAS Chemicals Derivatives Sdn. Bhd.*	**100**	100	Production and sale of ethylene oxide derivatives, propylene derivatives and related chemical products
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.*	**100**	100	Production and sale of urea, ammonia and methanol
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	**100**	100	Production and sale of ammonia and urea. The company is currently constructing its plant and has not commenced operation
PETRONAS Chemicals Glycols Sdn. Bhd.*	**100**	100	Production and sale of ethylene oxide, ethylene glycol and other related by-products
PETRONAS Chemicals Marketing Sdn. Bhd.	**100**	100	Marketing of petrochemical products
PETRONAS Chemicals Marketing (Labuan) Ltd.	**100**	100	Marketing of petrochemical products
PCM (Thailand) Company Limited*	**100**	100	Marketing of petrochemical products
PCM (China) Company Limited**	**100**	100	Marketing of petrochemical products
PETRONAS Chemicals Methanol Sdn. Bhd.	**100**	100	Production and sale of methanol
PETRONAS Chemicals MTBE Sdn. Bhd.	**100**	100	Production and sale of methyl tertiary butyl ether (MTBE), propylene and n-butane
PETRONAS Chemicals Polyethylene Sdn. Bhd.	**100**	100	Production and sale of polyethylene
Kertih Port Sdn. Bhd.*	**100**	100	Owning, operating and managing the Kertih Marine Facilities
Polypropylene Malaysia Sdn. Bhd.	**100**	100	Production and sale of polypropylene and its derivatives. The company has ceased production
Vinyl Chloride (Malaysia) Sdn. Bhd.*	**100**	100	Production and sale of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC). The company has ceased production
PRPC Glycols Sdn. Bhd.	**100**	–	Production and sale of products within ethane derivatives. The company has yet to construct its plant
PRPC Polymers Sdn. Bhd.	**100**	–	Production and sale of products within ethane and propane chains. The company has yet to construct its plant

26. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest (%) 2015	2014	Principal activities
PRPC Elastomers Sdn. Bhd.	**100**	–	Production and sale of a mix of rubber products. The company has yet to construct its plant
PETRONAS Chemicals Olefins Sdn. Bhd.*	**88**	88	Production and sale of ethylene, propylene and other hydrocarbon by-products
PETRONAS Chemicals Ethylene Sdn. Bhd.	**87.50**	87.50	Production and sale of ethylene
PETRONAS Chemicals Aromatics Sdn. Bhd.	**70**	70	Production and sale of paraxylene, benzene and other by-products
ASEAN Bintulu Fertilizer Sdn. Bhd.	**63.47**	63.47	Processing of natural gas into urea and ammonia
PETRONAS Chemicals LDPE Sdn. Bhd.*	**60**	60	Production and sale of low-density polyethylene pellets (LDPE)
PCM Chemical India Private Limited*	**0.01**	0.01	Marketing and business promotional services

* Audited by firms of auditors other than KPMG.
** Audited by a member firm of KPMG International.

All subsidiaries are incorporated in Malaysia except for PCM Chemical India Private Limited (incorporated in India), PCM (Thailand) Company Limited (incorporated in Thailand) and PCM (China) Company Limited (incorporated in China).

During the year, ASEAN Bintulu Fertilizer Sdn. Bhd. had changed its principal activities from production and sale of ammonia and urea to processing of natural gas into urea and ammonia.

27. JOINT VENTURES AND ACTIVITIES

The Group includes the following joint ventures:

Name of company	Effective ownership interest (%) 2015	2014	Country of incorporation	Nature of relationship
Kertih Terminals Sdn. Bhd.	**40**	40	Malaysia	Provides bulk chemical storage and handling services to the Group
BP PETRONAS Acetyls Sdn. Bhd.*	**30**	30	Malaysia	Purchases carbon monoxide feedstock from the Group for production and sale of acetic acid

* Audited by firms of auditors other than KPMG.

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28. ASSOCIATES AND ACTIVITIES

The Group includes the following associates:

Name of company	Effective ownership interest (%) 2015	Effective ownership interest (%) 2014	Country of incorporation	Nature of relationship
BASF PETRONAS Chemicals Sdn. Bhd.	**40**	40	Malaysia	Purchases propylene and n-butane feedstock from the Group for production, marketing and sale of acrylic, oxo and butanediol products
Idemitsu SM (Malaysia) Sdn. Bhd.*	**30**	30	Malaysia	Purchases ethylene feedstock from the Group for production, marketing and sale of styrene monomer
Malaysian NPK Fertilizer Sdn. Bhd.*	**20**	20	Malaysia	Purchases urea feedstock and utilities from the Group for production and sale of NPK fertiliser products

* Audited by firms of auditors other than KPMG.

29. CAPITAL COMMITMENTS

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

Group	2015 RM Mil	2014 RM Mil
Property, plant and equipment		
Approved and contracted for	**7,843**	1,417
Approved but not contracted for	**9,401**	1,940
	17,244	3,357

Included in the capital commitments are RM14,666 million (2014: Nil) relating to development of petrochemical plants which are part of the Refinery and Petrochemical Integrated Development ("RAPID") project in Pengerang, Johor and RM1,458 million (2014: RM1,841 million) for a new world scale fertiliser plant in Sipitang, Sabah.

30. RELATED PARTIES DISCLOSURES

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

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

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

(a) Key management personnel compensation

	Group and Company	
	2015 RM 000	2014 RM 000
Directors		
– Fees	**718**	735

The Company paid management fee to the ultimate holding company in relation to services of key management personnel of the Company as disclosed below.

(b) Significant transactions with related parties

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

		Transaction amount for the year	
Group	**Note**	**2015 RM Mil**	**2014 RM Mil**
PETRONAS:			
Purchase of processed gas and natural gas		**(3,015)**	(3,427)
Fees for representation in the Board of Directors*	30.1	**–**	–
Management fees**		**(10)**	(7)
Centralised management services		**(37)**	(52)
Security charges		**(16)**	(21)
Information, communication and technology charges		**(57)**	(60)
Rental of office space		**(22)**	(18)
Interest income from PETRONAS IFSSC		**328**	340
Project expenses		**(401)**	–

30. RELATED PARTIES DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

Group	Note	Transaction amount for the year 2015 RM Mil	2014 RM Mil
Subsidiaries of PETRONAS:			
Sales of petrochemical products		**1,024**	1,013
Purchase of heavy naphtha		**(1,706)**	(2,040)
Purchase of processed gas and natural gas		**(82)**	(206)
Purchase of utilities and materials and supplies		**(663)**	(679)
Training and development related costs		**(28)**	(28)
Purchase of warehouse and transportation services		**(73)**	(59)
Provision of operating and maintenance services		**(3)**	(4)
Purchase of marine diesel		**(5)**	(10)
Technical retainer fee		**(38)**	(33)
Project expenses		**(273)**	–
Joint ventures and associates of the Group:			
Sales of petrochemical products		**1,316**	1,976
Rendering of services		**14**	13
Purchase of petrochemical products		**(34)**	(49)
Purchase of warehouse and transportation services		**(210)**	(211)
Corporate shareholders of the Group[1]:			
Sales of petrochemical products		**603**	599
Purchase of petrochemical products		**(10)**	(39)
Management fee		**(1)**	(1)
Government related entities:			
Sales of petrochemical products		**104**	101
Interest income		**13**	12
Purchase of electricity		**(100)**	(88)

Note 30.1

Fees for representation in the Board of Directors are RM229,000 (2014: RM243,000).

[1] All the amounts outstanding are unsecured and expected to be settled with cash. The balances may also be subjected to interest rate at 8.35% (2014: 8.35%) per annum.

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

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

30. RELATED PARTIES DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

Company	Transaction amount for the year 2015 RM 000	2014 RM 000
PETRONAS:		
Fees for representation in the Board of Directors*	**(229)**	(243)
Management fees**	**(1,513)**	(1,097)
Centralised management services	**(753)**	(6,885)
Information, communication and technology charges	**(5,682)**	(9,277)
Rental of office space	**(14,307)**	(17,172)
Interest income from PETRONAS IFSSC	**68,168**	93,950
Subsidiaries:		
Interest income	**107,920**	25,010
Dividend income	**2,642,570**	1,749,039
Management fee income	**66,350**	124,371
Loan and advances	**(1,771,119)**	(1,694,720)
Joint ventures and associates:		
Dividend income	**153,699**	254,462
Government related entities:		
Interest income	**13,359**	12,063

* 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 relate to payment for services of certain key management personnel of the Company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2015 is disclosed in Note 7, 10, 12, 13, 17 and 19.

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

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

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31. OPERATING SEGMENTS

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

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

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. 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 ("CEO"), who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

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

Other non-reportable segment comprises operations related to investment holding company and port services which provide product distribution infrastructure to the Group, which only contributes 0.3% (2014: 0.3%) of the Group's revenue and represents 9.0% (2014: 9.7%) of the Group's assets.

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/CEO. 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.

31. OPERATING SEGMENTS (CONTINUED)

2015	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	**1,993**	**1,059**	**39**	**–**	**3,091**
Included in the measure of segment profit are:					
Revenue from external customers	**9,495**	**3,995**	**46**	**–**	**13,536**
Inter-segment revenue	**12**	**192**	**40**	**(244)**	**–**
Depreciation and amortisation	**(800)**	**(459)**	**(20)**	**–**	**(1,279)**
Interest income	**158**	**98**	**212**	**(108)**	**360**
Financing costs	**(25)**	**(4)**	**18**	**–**	**(11)**
Share of profit of joint ventures and associates	**32**	**13**	**42**	**–**	**87**
Tax expense	**(645)**	**(75)**	**(22)**	**–**	**(742)**
Segment assets	**14,808**	**13,279**	**2,780**	**(34)**	**30,833**
Included in the measure of segment assets are:					
Investments in joint ventures and associates	**1,072**	**110**	**98**	**–**	**1,280**
Additions to non-current assets other than financial instruments and deferred tax assets	**896**	**1,985**	**13**	**–**	**2,894**

2014	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	1,813	898	15	–	2,726
Included in the measure of segment profit are:					
Revenue from external customers	10,510	4,046	41	–	14,597
Inter-segment revenue	8	197	33	(238)	–
Depreciation and amortisation	(811)	(393)	(15)	–	(1,219)
Interest income	163	90	162	(25)	390
Financing costs	(45)	(4)	–	3	(46)
Share of profit of joint ventures and associates	115	12	39	–	166
Tax expense	(580)	(223)	(22)	–	(825)
Segment assets	14,382	11,367	2,765	(51)	28,463
Included in the measure of segment assets are:					
Investments in joint ventures and associates	672	93	101	–	866
Additions to non-current assets other than financial instruments and deferred tax assets	615	1,868	6	–	2,489

31. OPERATING SEGMENTS (CONTINUED)

Geographical information

Geographical revenue is determined based on location of customers. The amounts presented in non-current assets are based on the geographical location of the assets and do not include financial instruments (including long term receivables, investment in joint ventures and associates) and deferred tax assets.

	Revenue RM Mil	Non-current assets RM Mil
2015		
Malaysia	**4,989**	**16,599**
Asia:		
– China	**2,179**	**2**
– Indonesia	**1,599**	**–**
– Thailand	**1,261**	**1**
– Others	**3,111**	**–**
Rest of the world	**397**	**–**
	13,536	**16,602**
2014		
Malaysia	5,596	14,262
Asia:		
– China	3,049	–
– Indonesia	1,177	–
– Thailand	1,000	–
– Others	3,474	–
Rest of the world	301	–
	14,597	14,262

Major customers

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

32. 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").

32. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Group	Note	2015 L&R/(L&B) RM Mil	2015 FVTPL – HFT RM Mil	2015 Total carrying amount RM Mil	2014 L&R/(L&B) RM Mil	2014 FVTPL – HFT RM Mil	2014 Total carrying amount RM Mil
Financial assets							
Trade and other receivables*	10	**1,576**	**9**	**1,585**	1,650	13	1,663
Fund investments	12	**622**	**–**	**622**	–	–	–
Cash and cash equivalents	13	**8,707**	**–**	**8,707**	9,807	–	9,807
		10,905	**9**	**10,914**	11,457	13	11,470
Financial liabilities							
Other long term liabilities	17	**(183)**	**–**	**(183)**	(226)	(97)	(323)
Borrowings	18	**(30)**	**–**	**(30)**	–	–	–
Trade and other payables*	19	**(2,059)**	**(720)**	**(2,779)**	(2,265)	(21)	(2,286)
		(2,272)	**(720)**	**(2,992)**	(2,491)	(118)	(2,609)

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

Company	Note	2015 L&R/(L&B) RM Mil	2015 FVTPL – HFT RM Mil	2015 Total carrying amount RM Mil	2014 L&R/(L&B) RM Mil	2014 FVTPL – HFT RM Mil	2014 Total carrying amount RM Mil
Financial assets							
Long term receivables	7	**–**	**–**	**–**	1,807	–	1,807
Trade and other receivables*	10	**4,298**	**–**	**4,298**	299	–	299
Fund investments	12	**622**	**–**	**622**	–	–	–
Cash and cash equivalents	13	**1,793**	**–**	**1,793**	3,169	–	3,169
		6,713	**–**	**6,713**	5,275	–	5,275
Financial liabilities							
Other long term liabilities	17	**–**	**–**	**–**	–	(97)	(97)
Trade and other payables*	19	**(143)**	**(715)**	**(858)**	(301)	(1)	(302)
		(143)	**(715)**	**(858)**	(301)	(98)	(399)

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

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

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

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

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

Credit risk

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

Intercompany loans and advances

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

As at the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Receivables (continued)

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

Group	2015 RM Mil	2014 RM Mil
Olefins and Derivatives	**1,133**	1,098
Fertilisers and Methanol	**349**	537
Others	**94**	15
	1,576	1,650

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 At net	2015 RM Mil	2014 RM Mil
Current	**1,406**	1,529
Past due 1 to 30 days	**–**	1
	1,406	1,530

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, other than those that are impaired.

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk (continued)

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
2015							
Financial liabilities							
Finance lease liabilities	**227**	**5.00**	**260**	**55**	**55**	**142**	**8**
Borrowings	**30**	**4.45**	**31**	**31**	**–**	**–**	**–**
Trade and other payables	**2,015**	**–**	**2,015**	**2,015**	**–**	**–**	**–**
Derivative liabilities	**720**	**–**	**720**	**720**	**–**	**–**	**–**
	2,992	**–**	**3,026**	**2,821**	**55**	**142**	**8**
2014							
Financial liabilities							
Finance lease liabilities	268	5.00	316	55	55	161	45
Trade and other payables	2,223	–	2,223	2,223	–	–	–
Derivative liabilities	118	–	118	21	97	–	–
	2,609	–	2,657	2,299	152	161	45

Company	Carrying amount RM Mil	Contractual interest rates per annum %	Contractual cash flows RM Mil	Within 1 year RM Mil	1-2 years RM Mil
2015					
Financial liabilities					
Trade and other payables	**143**	**–**	**143**	**143**	**–**
Derivative liabilities	**715**	**–**	**715**	**715**	**–**
	858	**–**	**858**	**858**	**–**
2014					
Financial liabilities					
Trade and other payables	301	–	301	301	–
Derivative liabilities	98	–	98	1	97
	399	–	399	302	97

32. FINANCIAL INSTRUMENTS (CONTINUED)

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, includes 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 instruments are exposed to a risk of change in cash flows due to changes in interest rates whilst fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rate. Short term receivables and payables are not significantly exposed to interest rate risk.

In managing interest rate risk, the Group and the Company maintain 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.

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	
	2015 RM Mil	2014 RM Mil	2015 RM Mil	2014 RM Mil
Fixed rate instruments				
Financial assets	**961**	787	**4,397**	2,455
Financial liabilities	**(257)**	(268)	**–**	–
	704	519	**4,397**	2,455
Floating rate instruments				
Financial assets	**8,368**	9,020	**1,484**	2,416

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

Foreign exchange risk

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

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

32. 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	2015 Denominated in USD RM Mil	2015 Denominated in EURO RM Mil	2015 Denominated in JPY RM Mil	2014 Denominated in USD RM Mil	2014 Denominated in EURO RM Mil	2014 Denominated in JPY RM Mil
Financial assets						
Long term receivables*	**–**	**–**	**–**	1,807	–	–
Trade and other receivables*	**5,373**	**–**	**–**	1,238	1	–
Cash and cash equivalents	**5**	**–**	**–**	141	–	–
	5,378	**–**	**–**	3,186	1	–
Financial liabilities						
Other long term liabilities*	**–**	**–**	**–**	(1,807)	–	–
Trade and other payables*	**(558)**	**(7)**	**(4)**	(1,094)	(6)	(4)
	(558)	**(7)**	**(4)**	(2,901)	(6)	(4)
Derivative asset/liability at nominal value	**(4,751)**	**–**	**–**	(2,120)	–	–
Net exposure	**69**	**(7)**	**(4)**	(1,835)	(5)	(4)

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

Company	Denominated in USD 2015 RM Mil	Denominated in USD 2014 RM Mil
Financial assets		
Trade and other receivables	**4,215**	8
Long term receivables	**–**	1,807
	4,215	1,815
Derivative liability at nominal value	**(4,215)**	(1,831)
Net exposure	**–**	(16)

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Price risk

The Group is exposed to price risks that include feedstock and product price risk and basis risk which may affect the value of the Group's assets, liabilities or expected future cash flows. Price risk is the risk of financial loss due to fluctuation and volatility of feedstock prices on purchases and product prices on trades. Basis risk, on the other hand, is the risk of financial loss as a result of different pricing term of trades.

The Group is guided by industry practices and minimises its price risk exposure by proactively and continuously identifying, measuring, monitoring, mitigating and reporting price risk within the context of a comprehensive risk management framework.

Fair value information

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

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2015	Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil	Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil	RM Mil	RM Mil
Group										
Financial asset										
Forward foreign exchange	–	9	–	9	–	–	–	–	9	9
Financial liabilities										
Forward foreign exchange	–	(720)	–	(720)	–	–	–	–	(720)	(720)
Finance lease liabilities	–	–	–	–	–	–	(183)	(183)	(183)	(183)
Company										
Financial liabilities										
Forward foreign exchange	–	(715)	–	(715)	–	–	–	–	(715)	(715)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

2014	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil	Level 1 RM Mil	Level 2 RM Mil	Level 3 RM Mil	Total RM Mil	RM Mil	RM Mil
Group										
Financial asset										
Forward foreign exchange	–	13	–	13	–	–	–	–	13	13
Financial liabilities										
Forward foreign exchange	–	(118)	–	(118)	–	–	–	–	(118)	(118)
Finance lease liabilities	–	–	–	–	–	–	(229)	(229)	(229)	(226)
Company										
Financial asset										
Long term receivables	–	–	–	–	–	–	1,784	1,784	1,784	1,807
Financial liabilities										
Forward foreign exchange	–	(98)	–	(98)	–	–	–	–	(98)	(98)

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 liabilities

The fair values of finance lease 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2015				2014			
Group	**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	**360**	**–**	**707**	**1,067**	390	–	31	421
Financial instruments at fair value through profit or loss								
– Held for trading	**–**	**–**	**(608)**	**(608)**	–	–	(96)	(96)
Loans and borrowings	**–**	**–**	**(120)**	**(120)**	–	(1)	6	5
	360	**–**	**(21)**	**339**	390	(1)	(59)	330

	2015				2014			
Company	**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	**209**	**–**	**636**	**845**	161	–	127	288
Financial instruments at fair value through profit or loss								
– Held for trading	**–**	**–**	**(618)**	**(618)**	–	–	(98)	(98)
Loans and borrowings	**–**	**–**	**(2)**	**(2)**	–	–	–	–
	209	**–**	**16**	**225**	161	–	29	190

Others relate to gains and losses arising from financial instruments such as impairment loss, realised and unrealised foreign exchange gains or losses and fair value gains or losses.

33. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2015, the Group and the Company adopted the following pronouncements that are applicable and have been issued by the Malaysian Accounting Standards Board ("MASB") as listed below:

Effective for annual periods beginning on or after 1 July 2014

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 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)*

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

34. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

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

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	*Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 7	*Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 11	*Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 101	*Presentation of Financial Statements – Disclosure Initiative*
Amendments to MFRS 116 and MFRS 138	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 119	*Employee Benefits (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 127	*Separate Financial Statements: Equity Method in Separate Financial Statements*
Amendments to MFRS 134	*Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	*Financial Instruments (2014)*
MFRS 15	*Revenue from Contracts with Customers*

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:

i. MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

ii. MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*.

Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared to current practices.

The Group and the Company are currently assessing the impact of adopting the above pronouncements.

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

The MASB has issued pronouncements which are not yet effective, but for which are 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 2016

Amendments to MFRS 10, MFRS 12 and MFRS 128	*Investment Entities: Applying the Consolidation Exception*
MFRS 14	*Regulatory Deferral Accounts*
Amendments to MFRS 116	*Property, Plant and Equipment – Agriculture: Bearer Plants*
Amendments to MFRS 141	*Agriculture – Agriculture: Bearer Plants*

Effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

36. CAPITAL MANAGEMENT

The Group defines capital as the total equity and debt of the Group. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and 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's 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.

37. HOLDING COMPANY

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

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38. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, is as follows:

	Group		Company	
	2015 RM Mil	**2014 RM Mil**	**2015 RM Mil**	**2014 RM Mil**
Total retained profits/(losses) of the Company and its subsidiaries:				
– realised	**19,348**	17,925	**6,975**	5,324
– unrealised	**(518)**	(642)	**–**	1
	18,830	17,283	**6,975**	5,325
Total retained profits/(losses) from joint ventures and associates:				
– realised	**199**	290	**–**	–
– unrealised	**(19)**	(44)	**–**	–
	180	246	**–**	–
Total realised and unrealised	**19,010**	17,529	**6,975**	5,325
Less: Consolidation adjustments	**(3,817)**	(3,686)	**–**	–
Total Group retained profits as per consolidated accounts	**15,193**	13,843	**6,975**	5,325

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 2015 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 166 to 225.

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 judgment, 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 2015 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.

Independent Auditors' Report

to the members of PETRONAS Chemicals Group Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 38 on page 226 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

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
Firm Number: AF 0758
Chartered Accountants

Thong Foo Vung
Approval Number: 2867/08/16(J)
Chartered Accountant

Petaling Jaya, Selangor
Date: 23 February 2016

List of Properties

No.	Name of registered owner/ Beneficial owners Lot number Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & building (Years)	NBV as at 31/12/2015 (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)**					317,646
	H.S.(D) 3385, PT No. 10535, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – TNB sub-station	3,886	15	
	H.S.(D) 3316, PT No. 9015, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – Waste water and treatment substation	260,469	15	
	Pajakan Negeri No. Hakmilik 7594, No. Lot 8068, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – Plant for production of ethylene derivatives	611,075	15	
2	**PETRONAS Chemicals Methanol Sdn Bhd** No. 205350607, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring on 31 December 2082	31.08.2004	Industrial land – Plant for production of methanol	14 hectares	11	1,414,249
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	24	482,589

No.	Name of registered owner/ Beneficial owners Lot number Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & building (Years)	NBV as at 31/12/2015 (RM '000)
4	**PETRONAS Chemicals MTBE Sdn Bhd** H.S.(D) 9688 P.T. No. 4538, Mukim Sungai Karang, Daerah Kuantan, Pahang Leasehold for 66 years, expiring on 14 July 2058	17.11.1992	Industrial land – Plant for production of MTBE	36 hectares	23	130,753
5	**PETRONAS Chemicals MTBE Sdn Bhd** H.S.(D) 34911, No. P.T. 15128, Mukim Sungai Karang, Daerah Kuantan, Pahang Leasehold for 99 years, expiring on 8 January 2100	09.01.2001	Industrial land – Propane dehydrogenation plant	34 acres	15	536,742
6	**PETRONAS Chemicals MTBE Sdn Bhd** H.S.(D) 34912, No.P.T. 15129, Mukim Sungai Karang, Daerah Kuantan, Pahang Leasehold for 99 years, expiring on 8 January 2100	09.01.2001	Emergency response building	15 acres	15	6,798
7	**Polypropylene Malaysia Sdn Bhd** H.S. (D) 9686, No. Lot P.T. 4536, Mukim Sungai Karang, Daerah Kuantan, Pahang Leasehold for 66 years, expiring on 14 July 2058	15.07.1992	Industrial land – Plant for production of polypropylene	20 hectares	23	10,829
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	16	323,595

No.	Name of registered owner/ Beneficial owners Lot number Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & building (Years)	NBV as at 31/12/2015 (RM '000)
9	**PETRONAS Chemicals Fertiliser Kedah Sdn Bhd** Pajakan Negeri No. Hakmilik 3396 – 3399, No. Lot 174 – 177, Seksyen 6, Bandar Gurun, Daerah Kuala Muda, Kedah Leasehold for 99 years expiring on 12 February 2105	01.11.1999	Commercial/ industrial land – Plant for production of urea and ammonia	201,233	16	93,146
10	**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	33	205,974
11	**ASEAN Bintulu Fertilizer Sdn Bhd** No.321, Lot 2233-2239, 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	8,298	11	1,476
12	**PETRONAS Chemicals Ethylene Sdn Bhd, PETRONAS Chemicals Polyethylene Sdn Bhd** Pajakan Negeri No. Hakmilik 6282, No. Lot 8075, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 51 years, expiring on 16 June 2052	02.04.1993	Industrial land – Plant for production of ethylene/ polyethylene	567,800	23	498,964
13	**PETRONAS Chemicals Ethylene Sdn Bhd** Pajakan Negeri No. Hakmilik 3939, No. Lot 5217, Daerah Kemaman, Mukim Kertih, Terengganu Leasehold for 60 years, expiring on 23 October 2054	31.05.1995	Industrial land – Storage facility for water	191,200	21	5,007

No.	Name of registered owner/ Beneficial owners Lot number Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & building (Years)	NBV as at 31/12/2015 (RM '000)
14	**PETRONAS Chemicals Ammonia Sdn Bhd** Pajakan Negeri No. Hakmilik 7588, No. Lot 8066, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 19 August 2060	01.08.2000	Industrial land – Plant for production of ammonia and any other related gas	98,490	15	376,055
15	**PETRONAS Chemicals Ammonia Sdn Bhd** PT 15786, Lot 5276, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 8 January 2058	30.12.2011	Industrial land – KIPC Shared Facilities which includes the administrative, laboratory and workshop buildings	96,208	4	31,978
16	**PETRONAS Chemicals LDPE Sdn Bhd** Pajakan Negeri No. Hakmilik 7593, No. Lot 8073, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 19 August 2060	20.08.2000	Industrial land – Plant for production of LDPE	184,700	15	117,058
17	**Kertih Port Sdn Bhd** Pajakan Negeri No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land – Operations of Kertih Port (jetty and marine related facilities)	43,100	15	352,586
18	**Kertih Port Sdn Bhd** Pajakan Negeri No. Hakmilik 4696, No. Lot 7121, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land – Gas and oil pipelines (reclamation area land and coastal strip land)	41,400	15	441

No.	Name of registered owner/ Beneficial owners Lot number Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & building (Years)	NBV as at 31/12/2015 (RM '000)
19	**Kertih Port Sdn Bhd** Pajakan Negeri No. Hakmilik 6280, No. Lot 8077, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 51 years, expiring on 16 June 2052	31.03.1993	Industrial land – administration complex and other related facilities	58,570	23	17,526
20	**Vinyl Chloride (Malaysia) Sdn Bhd** Pajakan Negeri No. Hakmilik 3331, No. Lot 5276, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 8 January 2055	01.09.1998	Industrial land – Integrated PVC manufacturing plant	187,958	17	4,012
	Pajakan Negeri No. Hakmilik 7394, No. Lot 6058, Mukim Kertih, Daerah Kemaman, Terengganu Leasehold for 60 years, expiring on 18 December 2056	01.09.1998	Industrial land – Integrated PVC manufacturing plant	121,400	17	

Analysis of Shareholdings

As at 19 February 2016

Size of Holdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	120	0.65	1,086	0.00
100 – 1,000	6,276	33.91	5,566,638	0.07
1,001 – 10,000	9,713	52.49	40,505,782	0.51
10,001 – 100,000	1,680	9.08	48,510,906	0.61
100,001 to less than 5% of issued shares	715	3.86	1,975,762,988	24.70
5% and above of issued shares	2	0.01	5,929,652,600	74.12
Total	**18,506**	**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	Md Arif bin Mahmood (shares held under own name)	20,000	0.00
2	Datuk Sazali bin Hamzah	–	–
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	Datuk Toh Ah Wah	–	–
7	Zakaria bin Kasah (shares held under own name)	6,000	0.00
8	Freida binti Amat (shares held under own name)	6,000	0.00

	No. of Shareholders		% of Shareholders		No. of Shares		% of Total Shareholdings	
Category of Shareholders	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual	14,697	140	79.42	0.76	65,178,026	1,328,141	0.81	0.02
Body Corporate								
Bank/Finance Companies	78	–	0.42	–	861,864,010	–	10.77	–
Investments Trusts/ Foundation/Charities	3	–	0.02	–	470,000	–	0.01	–
Other types of companies	254	8	1.37	0.04	10,435,000	92,000	0.13	–
Government Agencies/ Institutions	4	–	0.02	–	1,250,000	–	0.02	–
Nominees	2,603	719	14.07	3.88	6,261,130,663	798,252,160	78.26	9.98
Others	–	–	–	–	–	–	–	–
Total	**17,639**	**867**	**95.32**	**4.68**	**7,200,327,699**	**799,672,301**	**90.00**	**10.00**

LIST OF TOP 30 HOLDERS

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	781,652,600	9.77
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	341,032,600	4.26
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	241,708,500	3.02
5	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AND FOR STATE STREET BANK & TRUST COMPANY (WEST CLTOD67)	74,760,900	0.93
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	65,511,700	0.82
7	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	45,261,522	0.57
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	40,000,000	0.50
9	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSICIATION (U.S.A)	37,286,787	0.47
10	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	35,174,700	0.44
11	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENT BERHAD	34,460,800	0.43
12	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	32,509,500	0.41
13	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	32,429,200	0.41
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND	26,000,000	0.33
15	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	24,451,100	0.31
16	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	19,918,367	0.25
17	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	19,612,300	0.25
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN AB (SWEDISH CLIENTS)	19,030,100	0.24
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N140119490100)	18,513,500	0.23

No.	Name	No. of Shares	%
20	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	16,144,800	0.20
21	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR ABU DHABI INVESTMENT AUTHORITY (AGUS)	15,542,195	0.19
22	HSBC NOMINEES (ASING) SDN BHD EXEMPT FOR AN JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (JPMELAB AIF APG)	15,341,200	0.19
23	PERMODALAN NASIONAL BERHAD	14,510,600	0.18
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	14,098,800	0.18
25	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT FOR AN CITIBANK NEW YORK (NORGES BANK 14)	14,031,700	0.18
26	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	14,001,800	0.18
27	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR SAUDI ARABIAN MONETARY AGENCY	13,905,200	0.17
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	13,300,000	0.17
29	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR ABU DHABI INVESTMENT AUTHORITY (TRANG)	12,835,700	0.16
30	CARTABAN NOMINEES (ASING) SDN BHD RBC INVESTOR SERVICES BANK FOR ROBECO CAPITAL GROWTH FUNDS	12,440,900	0.16

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		809,670,600	10.12
	– EMPLOYEES PROVIDENT FUND BOARD	781,652,600		
	– EMPLOYEES PROVIDENT FUND BOARD (ARIM)	800,000		
	– EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	2,620,000		
	– EMPLOYEES PROVIDENT FUND BOARD (AM INV)	4,610,500		
	– EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	2,000,000		
	– EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	13,300,000		
	– EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,950,000		
	– EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	385,000		
	– EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC)	617,300		
	– EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	735,200		

Corporate Directory

WHOLLY-OWNED SUBSIDIARIES

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

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 : +609 830 5000
Fax : +609 830 5150

PETRONAS Chemicals Derivatives Sdn Bhd

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

PETRONAS Chemicals Glycols Sdn Bhd

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

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 Methanol Sdn Bhd

Kawasan Perindustrian Rancha-Rancha
P.O.Box 80079, 87010
Federal Territory Labuan
Tel : +6087 594000
Fax : +6087 413 921

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 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 2051 5000
Fax : +603 2051 1501

PETRONAS Chemicals Marketing Sdn Bhd

Level 15, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088, Kuala Lumpur
Tel : +603 2331 5000
Fax : +603 2331 3074

Kertih Port Sdn Bhd

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

PETRONAS Chemicals Marketing (Labuan) Ltd

Level 15, Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 2331 5000
Fax : +603 2331 3074

PRPC Polymers Sdn Bhd

PRPC Glycols Sdn Bhd

PRPS Elastomers Sdn Bhd

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 2858 2174
Fax : +603 2858 2444

PCM (China) Company Limited
Room 10-011, 10th Floor
No. 1000 Lujiazui Ring Road
Hang Seng Bank Tower
Pudong New Area
Shanghai 200120, China
Tel : +8621 6887 1445
Fax : +8621 6887 1445 ext 205

PCM (Thailand) Company Limited
5th Floor, Bangkok City Tower
179 South Sathorn Road
Kwaeng Tungmahamek
Khet Sathorn Bangkok
10120 Thailand
Tel : +66 2679 5600
Fax : +66 2679 5511

PARTLY-OWNED SUBSIDIARIES

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 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 Aromatics Sdn Bhd
Level 1, Administration Building
PETRONAS Penapisan Trengganu Sdn Bhd
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 3000
Fax : +609 830 3188

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

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

PCM Chemical India Private Limited
704, Tolstoy House
14-15, Tolstoy Marg
New Delhi-110001
Tel : +0091 11 2 3738715
Fax : +0091 11 2 3738712

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

ASSOCIATES

Malaysian NPK Fertilizer Sdn Bhd
P.O. Box 24, 08300, Gurun
Kedah Darul Aman
Tel : +604 468 4075
Fax : +604 468 4619

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 18th Annual General Meeting of the Company will be held at Tamingsari Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Thursday, 28th April 2016 at 10.30 a.m. to transact the following businesses:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.

   Please refer to Explanatory Note A.

2. To re-elect the following Directors who retire by rotation pursuant to Article 93 of the Company's Articles of Association and being eligible, offer themselves for election:

   (a) Datuk Sazali bin Hamzah **(Resolution 1)**

   (b) Dong Soo Kim **(Resolution 2)**

   Please refer to Explanatory Note B.

3. To re-elect the following Directors who retire in accordance with Article 99 of the Company's Articles of Association and being eligible, offer themselves for election:

   (a) Md Arif bin Mahmood **(Resolution 3)**

   (b) Zakaria bin Kasah **(Resolution 4)**

   (a) Freida binti Amat **(Resolution 5)**

   Please refer to Explanatory Note B.

4. To approve re-appointment of Messrs. KPMG as auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

   Please refer to Explanatory Note C. **(Resolution 6)**

5. To transact any other business of which due notice has been given.

By Order of the Board

Syed Marzidy bin Syed Marzuki (MACS 01703)
Kang Shew Meng (MAICSA 0778565)
Company Secretaries

Kuala Lumpur
30 March 2016

NOTES:

1. *Only depositors whose names appear in the Record of Depositors as at Wednesday, 20 April 2016 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 proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.

3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal, or under the hand of its officer or its duly authorised attorney.*

5. *If the instrument appointing a proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the instrument appointing a proxy is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the instrument appointing a proxy.*

6. *The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia at least 48 hours before the meeting, or if the meeting is adjourned at least 48 hours before the time fixed for the adjourned meeting.*

7. ***Explanatory Notes***

   Note A

   The audited financial statements are laid before the shareholders pursuant to the provisions of Section 169(1) and (3) of the Companies Act 1965. The same is for discussion and not put forward for voting.

   Note B

   Re-election of Directors who retire in accordance with Article 93 and Article 99 of the Company's Articles of Association ("AA")

   1. *Article 93 of the AA provides that one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to one-third with a minimum of one, shall retire from office and an election of Directors shall take place PROVIDED ALWAYS that each Director shall retire at least once in every three years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not. With current Board size of eight, two Directors are to retire in accordance with Article 93 of the AA.*

      Article 99 of the AA provides amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition, to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

   2. *The Nomination and Remuneration Committee of the Company has considered the following in determining the eligibility of each director standing for re-election at the AGM:*

      i. *Assessment on the independence of Dong Soo Kim who is seeking re-election at the forthcoming 18th AGM of the Company. The Board is satisfied that the incumbent has complied with the independence criteria as set out in the Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

      The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 034 to 041 inclusive, of the Annual Report.

      The Board endorsed the NRC's recommendation that the Directors who retire in accordance with Article 93 and Article 99 of the AA are eligible to stand for re-election.

   Note C

   The Board at its meeting held on 23 February 2016 recommended the re-appointment of Messrs. KPMG as external Auditors of the Company for the financial year ending 31 December 2016 for approval of the shareholders.

   Messrs. KPMG has met the criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of 18th Annual General Meeting

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The following are Directors retiring pursuant to Articles 93 and 99 of the Company's Articles of Association:

1. The Directors who are standing for re-election pursuant to Article 93 of the Articles of Association of the Company are as follows:

• Datuk Sazali bin Hamzah	Resolution 1
• Dong Soo Kim	Resolution 2

2. The Directors who are standing for re-election pursuant to Article 99 of the Articles of Association of the Company are as follows:

• Md Arif bin Mahmood	Resolution 3
• Zakaria bin Kasah	Resolution 4
• Freida binti Amat	Resolution 5

The profiles of the respective Directors who are standing for re-election as stated in the Notice of 18th AGM are set out in the Profile of the Board of Directors on pages 034 to 041 inclusive, of this Annual Report.

The details of the Directors' interests in the securities of the Company as at 19 February 2016 are stated on page 234 of this Annual Report.

Administrative Details of PETRONAS Chemicals Group Berhad 18th Annual General Meeting

REGISTRATION

(1) Registration will start at 8.15 a.m. on 28 April 2016 in front of the Tamingsari Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur, Malaysia.

(2) Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.

(3) Upon verification, you are required to write your name and sign on the attendance list placed on the registration table.

(4) You will also be given an identification tag. No person will be allowed to enter the meeting room without the identification tag. There will be no replacement in the event that you lose or misplace the identification tag.

(5) No person will be allowed to register on behalf of another person even with the original IC of that person.

(6) The registration counter will handle only verification of identity and registration.

HELP DESK

(7) Please proceed to the Help Desk for any clarification or enquiry.

(8) The Help Desk will also handle revocation of proxy's appointment.

TRANSPORTATION

(9) Please take note that transportation is at attendees' own cost.

(10) There is no dedicated parking space for AGM attendees. However, you may park your vehicle at parking area located at The Royale Chulan Hotel Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur, Malaysia.

ANNUAL REPORT

(11) PCG's Annual Report for financial year 2015 is available on:

http://www.bursamalaysia.com

http://www.petronaschemicals.com

Proxy Form

PETRONAS Chemicals Group Berhad (Company No: 459830-K)

PETRONAS

No. of shares held	
CDS Account No.	

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 18th Annual General Meeting of the Company to be held at Tamingsari Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Thursday, 28th April 2016 at 10.30 a.m. and at any adjournment thereof and to vote as indicated below:-

No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	Re-election of Datuk Sazali bin Hamzah as a Director		
2.	Re-election of Dong Soo Kim as a Director		
3.	Re-election of Md Arif bin Mahmood as a Director		
4.	Re-election of Zakaria bin Kasah as a Director		
5.	Re-election of Freida binti Amat as a Director		
6.	To approve re-appointment of Messrs. KPMG as auditor of the Company for the ensuing year 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 cast. If no specific direction as to voting is given, your proxy will vote or abstain from voting at his/her discretion.

Signed this ________ day of ______________ 2016

____
Signature of Member/Common Seal

* *Strike out whichever not applicable.*

NOTES:

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Fold here

Affix
Stamp

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

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