PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

The Board of Directors of PETRONAS Chemicals Group Berhad ("PCG" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 September 2010 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 26.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RM Mil	Note	Individual quarter ended 30 September 2010	Individual quarter ended 30 September 2009 (Restated)	Cumulative quarter ended 30 September 2010	Cumulative quarter ended 30 September 2009 (Restated)
Revenue		3,170	2,883	6,335	5,221
Cost of revenue		(2,405)	(2,127)	(4,616)	(3,774)
Gross profit		765	756	1,719	1,447
Selling and distribution		(103)	(82)	(189)	(159)
Administration expenses		(120)	(86)	(197)	(156)
Other expenses		(13)	(8)	(55)	(20)
Other income		43	234	162	295
Operating profit		572	814	1,440	1,407
Financing costs		(24)	(8)	(39)	(24)
Share of profit after tax and minority interests of equity accounted associates and jointly controlled entities		156	16	286	74
Profit before taxation		704	822	1,687	1,457
Tax expense	B5	(132)	(164)	(385)	(297)
PROFIT FOR THE PERIOD		572	658	1,302	1,160
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		-	(3)	2	2
Share of other comprehensive income of associates and jointly controlled entities		1	(4)	9	(4)
		1	(7)	11	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		573	651	1,313	1,158

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In RM Mil	Note	Individual quarter ended 30 September 2010	Individual quarter ended 30 September 2009 (Restated)	Cumulative quarter ended 30 September 2010	Cumulative quarter ended 30 September 2009 (Restated)
Profit attributable to:					
Shareholders of the Company		503	552	1,188	980
Minority interests		69	106	114	180
PROFIT FOR THE PERIOD		572	658	1,302	1,160
Total comprehensive income attributable to:					
Shareholders of the Company		504	545	1,199	978
Minority interests		69	106	114	180
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		573	651	1,313	1,158
Earnings per share attributable to shareholders of the Company					
Based on shares in issue after the reorganisation (RM)	B16	0.07	0.08	0.16	0.13

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 30 September 2010	As at 31 March 2010 (Restated)
ASSETS			
Property, plant and equipment		12,889	12,992
Investments in associates		872	822
Investments in jointly controlled entities		74	107
Intangible assets	A12	1,997	1,211
Long term receivables		30	32
Deferred tax assets		497	491
TOTAL NON-CURRENT ASSETS		16,359	15,655
Trade and other inventories		1,241	1,231
Trade and other receivables		1,634	2,237
Tax recoverable		153	212
Fund and other investments		20	25
Cash and cash equivalents		3,462	7,532
TOTAL CURRENT ASSETS		6,510	11,237
TOTAL ASSETS		22,869	26,892
EQUITY			
Share capital		730	1
Reserves		13,658	17,068
Total equity attributable to shareholders of the Company		14,388	17,069
Minority shareholders' interests		1,341	1,979
TOTAL EQUITY		15,729	19,048
LIABILITIES			
Borrowings	B10	3,261	1,254
Deferred tax liabilities		1,434	1,167
Other long term liabilities and provisions		27	28
TOTAL NON-CURRENT LIABILITIES		4,722	2,449
Trade and other payables		1,740	4,734
Borrowings	B10	447	623
Taxation		231	38
TOTAL CURRENT LIABILITIES		2,418	5,395
TOTAL LIABILITIES		7,140	7,844
TOTAL EQUITY AND LIABILITIES		22,869	26,892

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM Mil	*Attributable to shareholders of the Company*			
	Share Capital	**Share Premium**	**Foreign Currency Translation Reserve**	**Merger Reserve**
Cumulative quarter ended 30 September 2009 (Restated)				
Balance at 1 April 2009	1	-	-	4,481
Total comprehensive income	-	-	2	-
Additional equity interest in subsidiaries	-	-	-	2,336
Pre-merger dividends	-	-	-	-
Others	-	-	-	(200)
Balance at 30 September 2009	1	-	2	6,617
Cumulative quarter ended 30 September 2010				
Balance at 1 April 2010	1	-	(3)	5,925
Total comprehensive income	-	-	2	-
Adjustment arising from settlement of debt	-	-	-	-
Effect on common control transfer of subsidiaries, associates and jointly controlled entities	729	4,561	-	(6,129)
Additional equity interest in subsidiaries	-	-	-	-
Pre-merger dividends	-	-	-	-
Others	-	-	-	-
Balance at 30 September 2010	730	4,561	(1)	(204)

continue to next page

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company				
In RM Mil	**Other Reserves**	**Retained Profits**	**Total**	**Minority Interest**	**Total Equity**
Cumulative quarter ended 30 September 2009 (Restated)					
Balance at 1 April 2009	195	11,059	15,736	2,082	17,818
Total comprehensive income	(4)	980	978	180	1,158
Additional equity interest in subsidiaries	-	-	2,336	(354)	1,982
Pre-merger dividends	-	(341)	(341)	(112)	(453)
Others	-	-	(200)	-	(200)
Balance at 30 September 2009	191	11,698	18,509	1,796	20,305
Cumulative quarter ended 30 September 2010					
Balance at 1 April 2010	247	10,899	17,069	1,979	19,048
Total comprehensive income	9	1,188	1,199	114	1,313
Adjustment arising from settlement of debt	(83)	-	(83)	-	(83)
Effect on common control transfer of subsidiaries, associates and jointly controlled entities	-	-	(839)	-	(839)
Additional equity interest in subsidiaries	-	-	-	(252)	(252)
Pre-merger dividends	-	(2,962)	(2,962)	(468)	(3,430)
Others	16	(12)	4	(32)	(28)
Balance at 30 September 2010	189	9,113	14,388	1,341	15,729

continued from previous page

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated statements.

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended 30 September	
In RM Mil	**2010**	**2009 (Restated)**
Cash receipts from customers	6,959	5,066
Cash paid to suppliers and employees	(7,561)	(3,232)
	(602)	1,834
Interest income received	82	43
Taxation paid	(119)	(149)
Cash flows (used in)/generated from operating activities	(639)	1,728
Net cash (paid)/acquired resulting from acquisition of shares in subsidiaries	(835)	484
Investment in securities	-	(22)
Purchase of property, plant and equipment	(219)	(340)
Other long term receivables	2	22
Proceeds from disposal of securities	5	135
Cash flows (used in)/generated from investing activities	(1,047)	279
Dividends paid to Petroliam Nasional Berhad ("PETRONAS")	(2,781)	(288)
Dividends paid to minority shareholders	(468)	(112)
Redemption of preference shares:		
- PETRONAS	(48)	-
- Others (third party)	(32)	-
Drawdown of:		
- PETRONAS loans and advances	1,252	-
- revolving credits and bankers' acceptance	1,909	1,114
Repayment of:		
- PETRONAS loans and advances	(5)	(44)
- Islamic financing facilities	(92)	-
- term loans	(30)	(52)
- revolving credits and bankers' acceptance	(2,060)	(1,031)
Interest expense paid	(21)	(11)
Cash flows used in financing activities	(2,376)	(424)
Net (decrease)/increase in cash and cash equivalents	(4,062)	1,583
Net foreign exchange differences	(5)	(4)
Cash and cash equivalents at beginning of the period	7,443	6,926
Cash and cash equivalents at end of the period	3,376	8,505

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	**As at 30 September 2010**	**As at 30 September 2009 (Restated)**
Cash and cash equivalents		
Cash and bank balances and deposits	3,462	8,660
Less: Deposits restricted	(86)	(155)
	3,376	8,505

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with FRS 134, *Interim Financial Reporting* and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements ("Bursa Malaysia Listing Requirements"), and should be read in conjunction with the financial statements of the Group for the year ended 31 March 2010 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and a jointly controlled entity as at and for the period ended 30 September 2010.

Acquisition of subsidiaries under common control (in which all parties involved, being the acquirer, acquiree and seller, are ultimately controlled by the same entity before and after the acquisition) are consolidated using the merger method of accounting. Under the merger method of accounting, the results of subsidiaries acquired during the year are included from the date in which the subsidiaries first came under common control. All relevant comparative financial statements' items are therefore restated to reflect as if the acquisition had been in effect since the date of common control.

On consolidation, the difference between the carrying value of the investment and the nominal value of shares received is treated as a merger reserve or deficit. Merger reserves are classified as equity and included in non-distributable capital reserves.

Other acquisitions of subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired during the year are included in the condensed consolidated financial statements from the date that control commences until the date that control ceases. The purchase method of accounting involves allocating the cost of acquisition to the Group's interest in fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

A2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for the year ended 31 March 2010.

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

As of 1 April 2010, the Group and the Company have adopted the following FRSs and Amendments to FRSs which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated):

FRS 8	*Operating Segments (effective for annual periods beginning on or after 1 July 2009)*
FRS 101	*Presentation of Financial Statements (Revised)*
FRS 123	*Borrowing Costs (Revised)*
Amendment to FRS 107	*Cash Flow Statements*
Amendment to FRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors*
Amendment to FRS 116	*Property, Plant and Equipment*
Amendment to FRS 117	*Leases*
Amendment to FRS 118	*Revenue*
Amendment to FRS 119	*Employee Benefits*
Amendment to FRS 127	*Consolidated and Separate Financial Statements*
Amendment to FRS 128	*Investments in Associates*
Amendment to FRS 131	*Interests in Joint Ventures*
Amendment to FRS 132	*Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation / Separation of Compound Instruments)*
Amendment to FRS 134	*Interim Financial Reporting*
Amendment to FRS 136	*Impairment of Assets*
Amendments to FRS 139, FRS 7 and IC Interpretation 9	*Financial Instruments: Recognition and Measurement; Financial Instruments: Disclosures; and Reassessment of Embedded Derivatives*

The adoption of the above FRSs and Amendments to FRSs other than FRS 8, FRS 101 and Amendment to FRS 117, did not have a material impact on the Group financial statements.

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has adopted FRS 8, which replaces FRS 114_{2004} Segment Reporting. FRS 8 requires the Group to determine and present operating segments based on the information that is internally provided to the Group's Chief Operating Decision Maker for the purpose of allocating resources to the segments and assessing their performance. It also sets out the required disclosures for operating segments. The adoption of FRS 8 has no effect on the Group's reported income or net assets, other than extended disclosures on operating segment results.

The Group has also adopted revised FRS 101 which requires the Group to present all non-owner changes in equity in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is in conformity with the revised standard.

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

Prior to the adoption of Amendment to FRS 117, the Group had previously classified leases of land as operating leases and had recognised the amount of payments made on entering into or acquiring the land as prepaid lease payments. These land are amortised over the lease term in accordance with the pattern of benefits provided. On adoption of Amendment to FRS 117, the Group treats such leases of land that meets the definition of finance leases as property, with the unamortised carrying amount classified as leasehold land within property, plant and equipment. These land are then accounted for in these financial statements in accordance with the accounting policy for property, plant and equipment. The effects of adopting Amendment to FRS 117 had been accounted for retrospectively in accordance with the transitional provisions of the standard. This change in accounting policy does not have material impact on the Group's reported income and net assets.

A3. AUDIT QUALIFICATION

The separate audited financial statements of PCG and its subsidiaries for the year ended 31 March 2010 were not subject to any audit qualification.

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134 (continued)

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by periods of tight supply, leading to high capacity utilisation rates and margins, followed by periods of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period ended 30 September 2010.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 March 2010 that may have a material effect in the current financial period results.

A7. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 30 September 2010, except for the following:

Subdivision of shares:

Share subdivision of every 1 existing ordinary share of RM1,000.00 each in PCG to 10,000 of ordinary shares of RM0.10 each. Following the subdivision of shares, the number of issued and paid up share capital of PCG increased from 1,000 ordinary shares of RM1,000.00 each to 10,000,000 ordinary shares of RM0.10 each.

Issuance of shares:

Between 30 August 2010 and 20 September 2010, 7,290 million ordinary shares at RM0.10 each were issued for the acquisitions of subsidiaries, associates and jointly controlled entities as a result of the reorganisation (details of reorganisation are set out in Note B8).

A8. DIVIDENDS PAID

There were no dividends paid during the current quarter by the Company.

A9. SEGMENT RESULTS AND REPORTING

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

9.1 Revenue

	Cumulative quarter ended 30 September					
	External customers		Inter segment		Gross total revenue	
In RM Mil	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Olefins and Polymers	4,828	3,880	3	5	4,831	3,885
Fertilisers and Methanol	1,471	1,309	30	-	1,501	1,309
Others	36	32	20	21	56	53
Total	6,335	5,221	53	26	6,388	5,247

9.2 Profit for the period

	Cumulative quarter ended 30 September	
In RM Mil	2010	2009 (Restated)
Olefins and Polymers	1,164	818
Fertilisers and Methanol	120	114
Others	18	228
Total	1,302	1,160

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134 (continued)

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluation of property, plant and equipment during the period under review. As at 30 September 2010, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the period under review except for the issuance of the Group's prospectus on 1 November 2010 and the listing and quotation of PCG's shares on 26 November 2010 on the Main Market of Bursa Malaysia Securities Berhad.

A12. INTANGIBLE ASSETS

In RM Mil	As at 30 September 2010	As at 31 March 2010 (Restated)
Balance as at 1 April	1,211	53
Goodwill on acquisition of subsidiaries	562	1,159
Recognition of deferred tax liabilities on completion of purchase price allocation arising from acquisition of subsidiaries in prior year	263	-
Transfer from property, plant and equipment	-	2
Translation exchange difference	-	(1)
Less: Amortisation of intangible assets	(39)	(2)
Balance as at 30 September / 31 March	1,997	1,211

A13. CHANGES IN COMPOSITION OF THE GROUP

Other than the common control transfer of subsidiaries, associates and jointly controlled entities which were accounted for under the merger method of accounting as discussed in Note B8, on 2 September 2010, PETRONAS acquired additional equity interests in Ethylene Malaysia Sdn. Bhd. ("Ethylene Malaysia"), and Polyethylene Malaysia Sdn. Bhd. ("Polyethylene Malaysia") and a loan from BP Asia Pacific Malaysia Sdn. Bhd. in Polyethylene Malaysia for a total purchase consideration of USD325.6 million ("BP Cash Consideration").

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134 (continued)

A13. CHANGES IN COMPOSITION OF THE GROUP (continued)

Arising thereof, PETRONAS nominated PCG as the registered owner of the shares in Ethylene Malaysia and Polyethylene Malaysia and PCG will settle the BP Cash Consideration.

As a result, PETRONAS and subsequently PCG increased its equity interest in Ethylene Malaysia from 72.5% to 85.3% while Polyethylene Malaysia which was previously a jointly controlled entity became a wholly-owned subsidiary. The net profit and revenue contributed by the additional equity holdings in Polyethylene Malaysia from the date of acquisition to the period ended 30 September 2010 is not material in relation to the consolidated net profit for the period and is also not material had it been acquired at the beginning of the period.

The net effect of acquisitions of the above companies on the cash flows and values of assets and liabilities acquired are as follows:

In RM Mil	**Carrying amount representing fair value at acquisition date**
Property, plant and equipment	206
Receivables	115
Other assets	65
Cash and cash equivalents	56
Deferred taxation	7
Borrowings	(291)
Other liabilities	(52)
	106
Add : Share of fair value of net identifiable assets relating to additional equity interests in subsidiaries	252
Less : Interests previously held as jointly controlled entity	(29)
	329
Add : Goodwill on acquisition	562
Purchase consideration	891
Less: Cash and cash equivalents of subsidiaries acquired	(56)
Cash flow on acquisition, net of cash acquired	835

The initial accounting for the business combinations of Ethylene Malaysia and Polyethylene Malaysia currently has been determined provisionally. The fair values of the identifiable assets, liabilities and contingent liabilities will only be determined via a purchase price allocation which is expected to be completed on or before 2 September 2011.

A14. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last annual statement of financial position as at 31 March 2010.

A15. CAPITAL COMMITMENTS

Capital expenditures which have not been provided for at the end of each reporting period are as follows:

In RM Mil	**As at 30 September 2010**	**As at 31 March 2010 (Restated)**
Property, plant and equipment:		
Approved and contracted for	290	200
Approved but not contracted for	608	614
	898	814

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE

(A) Performance of the current quarter against the corresponding quarter

Revenue for the Group increased by RM287 million or 10% as compared to the corresponding quarter in 2009 primarily driven by higher realised prices for most products, as demand increased on the back of improved market condition. This is further supported by higher sales volume with improved plant utilisation and additional volume contribution from acquisition of OPTIMAL Chemicals (Malaysia) Sdn. Bhd. ("OPTIMAL Chemicals") in September 2009.

Despite the increase in revenue, the operating profit of the Group declined to RM572 million from RM814 million in corresponding quarter. Operating profit in corresponding quarter includes a once-off negative goodwill of RM175 million arising from the acquisition of OPTIMAL Glycols (Malaysia) Sdn. Bhd. ("OPTIMAL Glycols"). In addition, the consolidation of OPTIMAL Glycols and OPTIMAL Chemicals resulted in higher amortisation and depreciation expense by RM75 million in the current quarter. In combination, these factors resulted in lower operating profit despite improving products spreads in the current quarter.

As a result, profit for the quarter at RM572 million was lower compared to the corresponding quarter at RM658 million.

(B) Performance of the current period against the corresponding period

The Group recorded improved financial performance for the six-month period ended 30 September 2010 compared to the corresponding period last year. The Group generated higher revenue by RM1.1 billion or 21.3% at RM6.3 billion on the back of higher realised prices as demand increased aided by improved market condition as well as higher volume sold. The higher volume was contributed by improved plant utilisation, higher methanol production from the Mega Methanol plant and additional volume from the acquisition of OPTIMAL Chemicals in September 2009.

Operating profit for the Group only increased by RM33 million compared to the increase in revenue, despite the Group's overall spreads between product prices and feedstock prices remaining strong. This was mainly due to inclusion of once off negative goodwill of RM175 million on acquisition of OPTIMAL Glycols in the corresponding period's results and higher amortisation expense in the current period.

Overall, the Group achieved higher profit of RM1.3 billion compared to RM1.16 billion in corresponding period. The Group's result was also supported by share of profits of associates and jointly controlled entities increasing by RM212 million, mainly due to an increase of profits in BASF PETRONAS Chemicals, which recorded increased sales volume and margin.

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

Revenue for the Group at RM3,170 million remains at par with the preceding quarter.

Operating profit of the Group declined by RM296 million compared to preceding quarter mainly due to higher feedstock costs, coupled with a slower price recovery of products and the impact of RM appreciation against USD during the quarter.

Overall, profit for the current quarter was at RM572 million, lower by RM158 million compared to preceding quarter.

B3. CURRENT YEAR PROSPECTS

The results of our operations are expected to be primarily influenced by fluctuations in international petrochemical products prices, global economic conditions and utilisation rate of our production facilities. The Board expects the results of our operations for the financial year ending 31 March 2011 to be satisfactory.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group does not publish any profit forecast.

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B5. TAX EXPENSE

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**2010**	**2009 (Restated)**	**2010**	**2009 (Restated)**
Current tax expenses				
Malaysia	140	134	380	247
Deferred tax expenses Origination and reversal of temporary differences	(8)	30	5	50
	132	164	385	297

The Group's effective tax rates for the 6 months period ended 30 September 2010 and 30 September 2009 are 23% and 20% respectively.

The lower effective tax rates as compared to statutory tax rates of 25% were due to share of profit after tax and minority interests of equity accounted associates and jointly controlled entities, excluding which the effective tax rates are 27% and 21% respectively ("normalised tax rates").

Normalised tax rate for the current period is higher mainly due to non-recognition of deferred tax assets relating to unutilised tax losses while last year's tax rate is lower due to non taxability of negative goodwill arising from acquisition of OPTIMAL Glycols.

B6. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

Save as disclosed in Note B8, there were no other material disposals of unquoted investments or properties by the Group for the current quarter and financial period under review.

B7. QUOTED SECURITIES

There were no material dealings in quoted securities during the financial period under review.

B8. STATUS OF CORPORATE PROPOSALS

In conjunction with the proposed listing of and quotation for the shares of PCG on the main market of Bursa Malaysia Securities Berhad, the Group has carried out the following reorganisation:

Reorganisation:

(i) Common control of subsidiaries, associates and jointly controlled entities

(a) Between 30 August 2010 to 20 September 2010, the Company acquired from PETRONAS, PETRONAS Maritime Services Sdn. Bhd. ("PETRONAS Maritime") and PETRONAS International Corporation Company Limited ("PETRONAS International") shares in the following companies, for a total purchase consideration of RM12,975.8 million, of which RM12,465.9 million was satisfied by the issue of 7,290 million ordinary shares of RM0.10 to PETRONAS and RM509.9 million constituted an amount payable by the Company to PETRONAS Maritime and PETRONAS International ("PETRONAS Cash Consideration") respectively as follows:

Acquiree	[1]Interest acquired	No. of ordinary shares issued	Purchase consideration
	%		RM Mil
Companies acquired from PETRONAS:			
MITCO	100.00	34,184,714	58.5
MTBE Malaysia	100.00	779,447,798	1,332.9
OPTIMAL Chemicals	100.00	633,189,042	1,082.8
Vinyl Chloride (Malaysia) Sdn. Bhd. ("Vinyl Chloride (Malaysia)")	100.00	12,711,163	21.7
PETRONAS Methanol (Labuan) Sdn. Bhd. ("PETRONAS Methanol")	100.00	1,304,225,231	2,230.2
OPTIMAL Glycols	100.00	576,523,913	985.9
Polypropylene Malaysia Sdn. Bhd.	100.00	84,347,246	144.2
PETRONAS Ammonia	100.00	388,661,207	664.6
PETRONAS Fertilizer	100.00	644,003,341	1,101.2
OPTIMAL Olefins (Malaysia) Sdn. Bhd. ("OPTIMAL Olefins")	88.00	884,418,442	1,512.4
Ethylene Malaysia	72.50	269,380,282	460.6

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B8. STATUS OF CORPORATE PROPOSALS (continued)

(i) Common control of subsidiaries, associates and jointly controlled entities (continued)

Acquiree	[(1)]Interest acquired	No. of ordinary shares issued	Purchase consideration
	%		RM Mil
Companies acquired from PETRONAS:			
Aromatics Malaysia Sdn. Bhd. (“Aromatics Malaysia”)	70.00	707,981,804	1,210.6
ASEAN Bintulu Fertilizer Sdn. Bhd. (“ASEAN Bintulu Fertilizer”)	63.47	335,885,897	574.4
PETLIN	60.00	259,708,568	444.1
Polyethylene Malaysia	40.00	13,442,165	23.0
BASF PETRONAS Chemicals Sdn. Bhd.	40.00	235,011,099	401.9
Kertih Terminals Sdn. Bhd.	40.00	52,192,853	89.2
BP PETRONAS Acetyls Sdn. Bhd.	30.00	50,766,980	86.8
Idemitsu SM (Malaysia) Sdn. Bhd.	30.00	23,918,255	40.9
Total		**7,290,000,000**	**12,465.9**

	Interest acquired	Purchase consideration
	%	RM Mil
Company acquired from PETRONAS Maritime:		
Kertih Port Sdn. Bhd. (“Kertih Port”)	100.00	416.9
Company acquired from PETRONAS International:		
Phu My Plastics and Chemicals Company Limited (“Phu My”)	93.11	93.0[(2)]
Total		509.9

[(1)] *Including interest in the existing Redeemable Preference Shares (“RPS”) held in Aromatics Malaysia, OPTIMAL Chemicals (Malaysia), OPTIMAL Glycols (Malaysia), Vinyl Chloride (Malaysia) and PETLIN.*
[(2)] *Represent RM equivalent of USD29.9 million, based on the transacted exchange rate of RM3.1080:USD1 on 20 September 2010, being the relevant completion date.*

The purchase consideration was determined based on the higher of cost of investment and share of pro forma net assets of each of the subsidiaries, associates and jointly controlled entity (after taking into consideration, the distributions before listing, disposal of Malaysian International Trading Corporation (Japan) Sdn. Bhd. and redemption of RPS by certain subsidiaries and associate).

B8. STATUS OF CORPORATE PROPOSALS (continued)

(i) Common control of subsidiaries, associates and jointly controlled entities (continued)

(b) On 2 September 2010, PETRONAS acquired shares in the following companies and a loan from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia for a total purchase consideration of USD325.6 million (equivalent to RM1,018.1 million) ("BP Cash Consideration"):

Acquiree	Interest acquired	Purchase consideration	
	%	USD Mil	Equivalent RM Mil [1]
Ethlyene Malaysia	12.79	216.0	675.3
Polyethylene Malaysia	60.00	109.6[2]	342.8
Total		**325.6**	**1,018.1**

[1] *Based on the transacted exchange rate of RM3.1265:USD1 on 2 September 2010, being the relevant completion date.*

[2] *Includes acquisition of loans from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia of USD53.16 million.*

Arising thereof, PETRONAS nominated the Company as the registered owner of the shares in Polyethylene Malaysia and Ethylene Malaysia and the Company will settle the BP Cash Consideration.

The share purchase agreement between PETRONAS and BP Chemicals Investment Limited ("BP Chemicals") dated 27 August 2010 ("SPA") also allowed PETRONAS to acquire an additional stake in Ethylene Malaysia of up to 2.21% ("Additional Stake") from BP Chemicals for a cash consideration of up to USD37.1 million ("Additional BP Cash Consideration"), subject to the other shareholder of Ethylene Malaysia, namely Idemitsu Kosan Co., Ltd. ("Idemitsu Kosan") not exercising its pre-emption right to acquire the whole or any part of the Additional Stake. On 8 October 2010, PETRONAS acquired the entire Additional Stake from BP Chemicals for USD37.1 million (approximately RM115.0 million based on the transacted exchange rate of RM3.0990:USD1 on 8 October 2010, being the relevant completion date) as Idemitsu Kosan did not exercise its pre-emption right to acquire the Additional Stake. Accordingly, PETRONAS nominated the Company as the registered owner of the Additional Stake. The BP Cash Consideration and Additional BP Cash Consideration were funded by a loan from PETRONAS.

B8. STATUS OF CORPORATE PROPOSALS (continued)

(ii) Acquisition of certain liabilities of the subsidiaries

Pursuant to the Acquisition of subsidiaries, associates and jointly controlled entity, the Company acquired liabilities (comprising shareholder loans and intercompany balances owing by the subsidiaries to PETRONAS and PETRONAS International) from PETRONAS and PETRONAS International for an aggregate purchase consideration of approximately RM1,277.4 million, representing an amount payable by the Company to PETRONAS and PETRONAS International ("Debts Acquisition Payable") in the following manner:

In RM Mil	**Debts owing/ Amount due to**	
Subsidiaries/Associates	**PETRONAS**	**PETRONAS International**
PETRONAS Methanol	350.0	-
Vinyl Chloride (Malaysia)	700.9	-
Kertih Port	38.4	-
Polyethylene Malaysia	110.4[(1)]	-
Phu My	-	77.7[(2)]
Total	**1,199.7**	**77.7**

[(1)] *Represent RM equivalent of amount owing of USD35.4 million, based on the transacted exchange rate of RM3.1145:USD1 on 6 September 2010, being the relevant completion date.*

[(2)] *Represent RM equivalent of amount owing of USD25.0 million, based on the transacted exchange rate of RM3.1080:USD1 on 20 September 2010, being the relevant completion date.*

The rationale for the Debts Acquisition Payable of the subsidiaries is to consolidate under the Company all the loans and advances that existed between the subsidiaries and PETRONAS or PETRONAS International since the Company will be the immediate holding company of the subsidiaries after the consummation of the reorganisation.

The Company had on 6 September 2010, obtained a loan from PETRONAS of up to RM4.3 billion ("Loan Facility") to fund the PETRONAS Cash Consideration, BP Cash Consideration, Additional BP Cash Consideration, Debts Acquisition Payable and other general corporate expenses. The Company had drawn down RM2,920.4 million as at 21 October 2010. The Loan Facility is for a tenure of 2 years from the date of first drawdown of the Loan Facility with an interest rate calculated at 6-month Kuala Lumpur Inter-bank Offered Rate plus 0.70% per annum. The said interest shall be accrued and become payable by the Company to PETRONAS based on scheduled repayments.

B8. STATUS OF CORPORATE PROPOSALS (continued)

As at the date of this report, the reorganisation has been completed and the Company was listed on 26 November 2010. Please refer to the Company's prospectus dated 1 November 2010 for further details on the listing.

Save as disclosed, there is no other major corporate proposal pending completion.

B9. UTILISATION OF PROCEEDS

The status of the utilisation of listing proceeds of RM3,640 million raised from the Public Issue as at date of this report are as follows;

In RM Mil	**Proposed utilisation**	**Actual utilisation**	**Intended timeframe for utilization from the date of listing**
Expansion of business and synergistic of growth acquisitions	2,344	-	Within 5 years
Working capital requirements and general corporate purposes	1,200	-	Within 2 years
Estimated listing expenses	96	64	Within 1 year
Total gross proceeds	3,640	64	

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B10. BORROWINGS

The details of the Group borrowings as at 30 September 2010 are as follows:

In RM Mil	As at 30 September 2010	As at 31 March 2010 (Restated)
Current		
Secured		
Term loans (USD)	130	73
Islamic financing facilities	66	92
	196	165
Unsecured		
Term loans (USD)	-	7
Revolving credits (RM)	193	398
Bankers' acceptance	58	-
PETRONAS loans and advances	-	53
	251	458
	447	623
Non-current		
Secured		
Term loans (USD)	177	256
Islamic financing facilities	273	338
	450	594
Unsecured		
Term loans (USD)	-	23
PETRONAS loans and advances	2,811	587
Related company's advance (USD)	-	50
	2,811	660
	3,261	1,254
	3,708	1,877

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B11. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any material derivative financial instruments as at the date of this report.

B12. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There is no material fair value changes of the Group's financial liabilities for the current and cumulative quarter ended 30 September 2010.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments as at the date of this report.

B14. MATERIAL LITIGATION

Since the last separate audited financial statements of PCG and its subsidiaries for the year ended 31 March 2010, there is no pending material litigation.

B15. DIVIDEND

The Board of Directors of the Company does not recommend any payment of dividend for the current quarter under review.

B16. EARNINGS PER SHARE

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**2010**	**2009 (Restated)**	**2010**	**2009 (Restated)**
Profit for the period attributable to shareholders of the Company	503	552	1,188	980
Earnings per share attributable to shareholders of the Company:				
Based on shares in issue after the reorganisation: In thousands of shares	7,300,000	7,300,000	7,300,000	7,300,000
Earnings per share (RM)	0.07	0.08	0.16	0.13

B16. EARNINGS PER SHARE (continued)

As at the date of the statement of financial position, the Company does not have any instruments which may have a dilutive impact on the basic earnings per share.

By order of the Board
Maliki Kamal B Mohd Yasin
(LS 5209)
Company Secretary
29 November 2010
Kuala Lumpur