



**PETRONAS CHEMICALS GROUP BERHAD**  
(459830-K)  
(Incorporated in Malaysia)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

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 June 2012 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 27.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In RM Mil</i>	Note	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
		2012	2011	2012	2011
Revenue		3,896	3,345	8,285	7,695
Cost of revenue		(2,523)	(2,144)	(5,245)	(5,115)
<b>Gross profit</b>		<b>1,373</b>	<b>1,201</b>	<b>3,040</b>	<b>2,580</b>
Selling and distribution expenses		(163)	(111)	(346)	(210)
Administration expenses		(139)	(130)	(271)	(222)
Other expenses		(4)	(13)	(37)	(44)
Other income		113	98	213	180
<b>Operating profit</b>		<b>1,180</b>	<b>1,045</b>	<b>2,599</b>	<b>2,284</b>
Financing costs		(24)	(38)	(49)	(71)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		79	115	151	279
<b>Profit before taxation</b>		<b>1,235</b>	<b>1,122</b>	<b>2,701</b>	<b>2,492</b>
Tax expense	B6	(302)	(255)	(647)	(411)
<b>PROFIT FOR THE PERIOD</b>		<b>933</b>	<b>867</b>	<b>2,054</b>	<b>2,081</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		1	-	-	(3)
Share of other comprehensive income of associates and jointly controlled entity		19	(1)	(1)	(13)
		20	(1)	(1)	(16)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>953</b>	<b>866</b>	<b>2,053</b>	<b>2,065</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(continued)

<i>In RM Mil</i>	Note	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
		2012	2011	2012	2011
<b>Profit attributable to:</b>					
Owners of the Company		855	790	1,874	1,776
Non-controlling interests		78	77	180	305
<b>PROFIT FOR THE PERIOD</b>		<b>933</b>	<b>867</b>	<b>2,054</b>	<b>2,081</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		875	789	1,873	1,760
Non-controlling interests		78	77	180	305
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>953</b>	<b>866</b>	<b>2,053</b>	<b>2,065</b>
<b>Earnings per share attributable to shareholders of the Company</b>					
Based on weighted average number of shares issued (sen)	B18	11	10	23	22

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



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In RM Mil</i>	Note	As at 30 June 2012	As at 31 December 2011
<b>ASSETS</b>			
Property, plant and equipment		12,072	12,295
Investments in associates		670	651
Investment in jointly controlled entity		66	71
Intangible assets		23	26
Long term receivables		47	54
Deferred tax assets		454	484
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,332</b>	<b>13,581</b>
Trade and other inventories		1,362	1,341
Trade and other receivables		1,845	1,671
Tax recoverable		127	122
Cash and cash equivalents		10,415	9,380
<b>TOTAL CURRENT ASSETS</b>		<b>13,749</b>	<b>12,514</b>
<b>TOTAL ASSETS</b>		<b>27,081</b>	<b>26,095</b>
<b>EQUITY</b>			
Share capital		800	800
Reserves		18,528	17,292
<b>Total equity attributable to shareholders of the Company</b>		<b>19,328</b>	<b>18,092</b>
Non-controlling interests		1,567	1,550
<b>TOTAL EQUITY</b>		<b>20,895</b>	<b>19,642</b>
<b>LIABILITIES</b>			
Borrowings	B11	238	241
Deferred tax liabilities		1,285	1,259
Other long term liabilities and provisions		406	430
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,929</b>	<b>1,930</b>
Trade and other payables		1,777	1,984
Borrowings	B11	2,048	2,152
Taxation		432	387
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,257</b>	<b>4,523</b>
<b>TOTAL LIABILITIES</b>		<b>6,186</b>	<b>6,453</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,081</b>	<b>26,095</b>

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



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<i>Attributable to owners of the Company</i>					<i>Retained Profits</i>	<i>Total</i>	<i>Non-controlling Interests</i>	<i>Total Equity</i>
	<i>Non-Distributable</i>								
	<i>Share Capital</i>	<i>Share Premium</i>	<i>Foreign Currency Translation Reserve</i>	<i>Merger Reserve</i>	<i>Other Reserves</i>	<i>RM Mil</i>	<i>RM Mil</i>	<i>RM Mil</i>	<i>RM Mil</i>
As at 1 January 2011, under FRS	800	8,071	-	(204)	77	9,919	18,663	1,413	20,076
- Effect of MFRS 3 adoption <sup>1</sup>	-	-	-	-	-	(1,799)	(1,799)	-	(1,799)
- Other effect of transition to MFRS <sup>1</sup>	-	-	3	-	-	(401)	(398)	-	(398)
	800	8,071	3	(204)	77	7,719	16,466	1,413	17,879
Foreign currency translation differences for foreign operations	-	-	(3)	-	-	-	(3)	-	(3)
Share of other comprehensive income of associates and jointly controlled entity	-	-	-	-	(13)	-	(13)	-	(13)
Total other comprehensive income for the period	-	-	(3)	-	(13)	-	(16)	-	(16)
Profit for the period	-	-	-	-	-	1,776	1,776	305	2,081
<b>Total comprehensive income for the period</b>	-	-	(3)	-	(13)	1,776	1,760	305	2,065
Redemption of redeemable preference shares	-	-	-	-	-	-	-	(36)	(36)
Transfer to capital reserves	-	-	-	-	11	(11)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	(244)	(244)
Others	-	-	-	-	(6)	3	(3)	-	(3)
<b>Total contribution from/(distribution to) owners</b>	-	-	-	-	5	(8)	(3)	(280)	(283)
<b>Balance at 30 June 2011</b>	800	8,071	-	(204)	69	9,487	18,223	1,438	19,661

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

<sup>1</sup> The effect of adoption of MFRS 3 as at 1 January 2011 and other effect of transition to MFRS as at transition date of 1 April 2011 have been disclosed in the previous quarter's announcement.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

	<i>Attributable to owners of the Company</i>								
	<i>Non-Distributable</i>					<i>Distributable</i>			
	Share Capital RM Mil	Share Premium RM Mil	Foreign Currency Translation Reserve RM Mil	Merger Reserve RM Mil	Other Reserves RM Mil	Retained Profits RM Mil	Total RM Mil	Non- controlling Interests RM Mil	Total Equity RM Mil
As at 1 January 2012									
- As previously reported	800	8,071	-	(204)	102	11,303	20,072	1,550	21,622
- Effect of transition to MFRS <sup>2</sup>	-	-	3	-	-	(1,983)	(1,980)	-	(1,980)
As at 1 January 2012	800	8,071	3	(204)	102	9,320	18,092	1,550	19,642
Share of other comprehensive income of associates and jointly controlled entity	-	-	-	-	(1)	-	(1)	-	(1)
Total other comprehensive income for the period	-	-	-	-	(1)	-	(1)	-	(1)
Profit for the period	-	-	-	-	-	1,874	1,874	180	2,054
<b>Total comprehensive income for the period</b>	-	-	-	-	(1)	1,874	1,873	180	2,053
Redemption of redeemable preference shares	-	-	-	-	-	-	-	(54)	(54)
Transfer to capital reserves	-	-	-	-	10	(10)	-	-	-
Dividends	-	-	-	-	-	(640)	(640)	(109)	(749)
Others	-	-	-	-	3	-	3	-	3
<b>Total contribution from/(distribution to) owners</b>	-	-	-	-	13	(650)	(637)	(163)	(800)
Balance at 30 June 2012	800	8,071	3	(204)	114	10,544	19,328	1,567	20,895

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

<sup>2</sup> The effect of transition to MFRS as at 1 January 2012 / 31 December 2011 has been disclosed in the previous quarter's announcement.



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In RM Mil</i>	<b>2012</b>	<b>Cumulative quarter ended 30 June 2011</b>
Cash receipts from customers	8,177	8,533
Cash paid to suppliers and employees	(5,415)	(5,044)
	2,762	3,489
Interest income received	141	104
Taxation paid	(550)	(473)
<b>Cash flows generated from operating activities</b>	<b>2,353</b>	<b>3,120</b>
Dividend received from associates	136	242
Acquisition of shares in subsidiaries net off cash acquired	-	34
Purchase of property, plant and equipment	(475)	(427)
Proceeds from other receivables	-	-
Proceeds from disposal:		
- Property, plant and equipment	-	1
- Securities	-	10
Other long term receivables	7	12
Proceeds from finance lease receivables	6	6
<b>Cash flows used in investing activities</b>	<b>(326)</b>	<b>(122)</b>
Share issuance expenses	-	(60)
Dividends paid		
- PETRONAS	(412)	-
- Other (third party)	(228)	-
- non-controlling interests of subsidiaries	(109)	(274)
Payment to non-controlling interest on redemption of shares	(54)	(36)
Drawdown of revolving credit and bankers' acceptance	-	487
Interest expenses paid to:		
- PETRONAS	(39)	(53)
- Other (third party)	(10)	(13)
Repayment of:		
- Term loans, notes and bonds	(91)	(51)
- Revolving credit and bankers' acceptance	(15)	(614)
- Finance lease liabilities	(34)	(34)
<b>Cash flows used in financing activities</b>	<b>(992)</b>	<b>(648)</b>



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In RM Mil</i>	<b>2012</b>	<b>Cumulative quarter ended 30 June 2011</b>
Net increase in cash and cash equivalents	1,035	2,350
Decrease in deposits restricted	9	6
Net foreign exchange difference	1	(9)
Cash and cash equivalents at beginning of the period	9,266	7,496
<b>Cash and cash equivalents at end of the period</b>	<b>10,311</b>	<b>9,843</b>
 <b>Cash and cash equivalents</b>		
Cash and bank balances and deposits	10,415	9,926
Less: Deposits restricted	(104)	(83)
	<b>10,311</b>	<b>9,843</b>

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



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. BASIS OF PREPARATION**

The Group has adopted the Malaysian Financial Reporting Standards (MFRS) framework and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* for the first time in these condensed interim financial statements. The Group has elected 1 April 2011, being the beginning date of the immediate preceding financial period, as the Group's date to transition to MFRS accordingly.

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting*, other than as stated below, and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the period ended 31 December 2011 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Paragraph 20 of MFRS 134 requires the comparative statements to be presented from the immediate preceding financial year. However, the comparatives disclosed in these condensed financial statements are for the period 1 January 2011 to 30 June 2011, which is not from the immediate preceding financial year. This is because the Group changed its financial year in 2011 from 31 March to 31 December.

The period 1 April 2011 to 30 June 2011 was prepared under the MFRS framework while the period 1 January 2011 to 31 March 2011 falls outside of the transition date to MFRS and was prepared using the previously adopted Financial Reporting Standards (FRS).

The Group is using the period 1 January 2011 to 30 June 2011 as the comparative period to allow comparable review of performance in terms of the Group's operations and business activities. To enhance comparability, the Group has adjusted the comparative period to reflect the adoption of MFRS 3 *Business Combinations* as outlined in Note A3 (i) for the period 1 January 2011 to 30 June 2011. The remaining MFRS adjustments have been made for period 1 April 2011 to 30 June 2011 as outlined in note A3 (ii) and A3 (iii). The impact of using FRS and not MFRS for the comparative period for 1 January 2011 to 31 March 2011 is not material.

The effect of MFRS adoption for the comparative period is fully described and reconciled in Note A2, Note A3 and Appendix 1.

Within the context of these consolidated condensed 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 June 2012.





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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing the annual consolidated financial statements for 31 December 2012 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2011.

**A3. EFFECT OF FIRST TIME ADOPTION OF MFRS**

These condensed financial statements represent the Group's first application of MFRS and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The general principle that should be applied on first-time adoption of MFRS is that accounting standards in force at the first annual reporting date that is, 31 December 2012 for the Group, should be applied retrospectively. However, MFRS 1 contains a number of exemptions which first-time adopters are permitted to apply. The Group has elected:

- to adopt MFRS 3 *Business Combinations* from 30 September 2009;
- to measure certain items of property, plant and equipment at 1 April 2011 at their fair values and use that fair values as their deemed cost at that date; and
- to deem cumulative currency translation differences to be zero at 1 April 2011.

The impact of the above elections of MFRS 1 transitional exemptions as at the date of transition on 1 April 2011 and 31 December 2011 have been disclosed in the previous quarter announcement. The impact for period ended 30 June 2011 are set out below.

**i. MFRS 3 *Business Combinations***

MFRS 1 provides the option to apply MFRS 3 prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has elected to apply MFRS 3 prospectively from 30 September 2009. As such, all business combinations subsequent to 30 September 2009 have been remeasured based on the requirement of MFRS 3.



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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)**

**i. MFRS 3 Business Combinations (continued)**

As a result, for business combinations after this designated date which were achieved in stages (step acquisition), the Group has remeasured previously held non-controlling equity interest in the acquiree to fair value at the acquisition date, with the resulting gain or loss recognised in profit or loss. Transactions with non-controlling equity interests are recognised in equity with no goodwill, or profit or loss recognised.

The impact of applying MFRS 3 in accounting for business combinations are as follows:

<i>In RM Mil</i>	<b>Note</b>	<b>Individual quarter ended 30 June 2011</b>	<b>Cumulative quarter ended 30 June 2011</b>
<b>Consolidated statement of comprehensive income</b>			
Administration expenses:			
Decrease in amortisation	App 1(b)	42	115
<b>Adjustment to profit before taxation</b>		42	115
Increase in tax expense	App 1(b)	(11)	(29)
<b>Adjustment to profit for the period</b>		<u>31</u>	<u>86</u>

<i>In RM Mil</i>	<b>Note</b>	<b>As at 30 June 2011</b>
<b>Consolidated statement of financial position</b>		
Decrease in intangible assets	App 1(a)	(2,075)
Decrease in deferred tax liabilities	App 1(d)(ii)	362
<b>Adjustment to retained earnings</b>	App 1(d)(i)	<u>(1,713)</u>

**ii. MFRS 116 Property, Plant and Equipment**

The Group measures its property, plant and equipment under the cost model whereby the carrying amount of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Upon transition to MFRS, the Group elected to apply the optional exemption to use the fair value at the date of transition for certain items of property, plant and equipment as deemed cost. The aggregate fair value of these property plant and equipment was determined to be RM38 million compared to the carrying amount of RM434 million under MFRS.



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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)**

**ii. MFRS 116 *Property, Plant and Equipment* (continued)**

The impact arising from the change is summarised as follows:

<i>In RM Mil</i>	<b>Note</b>	<b>Individual quarter ended 30 June 2011</b>	<b>Cumulative quarter ended 30 June 2011</b>
<b>Consolidated statement of comprehensive income</b>			
Cost of revenue:			
Decrease in depreciation	App 1(b)	(22)	(22)
<b>Adjustment to profit before taxation</b>		<b>(22)</b>	<b>(22)</b>

<i>In RM Mil</i>	<b>Note</b>	<b>As at 30 June 2011</b>
<b>Consolidated statement of financial position</b>		
Decrease in property, plant and equipment	App 1(a)	(396)
Decrease in deferred tax liabilities	App 1(d)(ii)	20
<b>Adjustment to retained earnings</b>	App 1(d)(i)	<b>(376)</b>

**iii. MFRS 121 *The Effect of Changes in Foreign Exchange Rates***

In preparing the financial statements of the Group, assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rate approximating those ruling at the 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 accordance with the optional exemptions of MFRS 1, the amount of foreign currency translation reserve has been deemed to be zero at transition date of 1 April 2011.



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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)**

**iii. MFRS 121 *The Effect of Changes in Foreign Exchange Rates* (continued)**

The impact arising from the change is summarised as follows:

<i>In RM Mil</i>	<b>Note</b>	<b>As at 30 June 2011</b>
<b>Consolidated statement of financial position</b>		
Increase in foreign currency translation reserve	App1(d)(i)	(3)
<b>Adjustment to retained earnings</b>	<b>App 1(d)(i)</b>	<b>(3)</b>

Reconciliations and explanations of how the transition from the previous FRS to the new MFRS has affected the Group's financial position, financial performance and cash flows are set out in Appendix 1.

**A4. AUDIT QUALIFICATION**

The audited financial statements of PCG and its subsidiaries for the period ended 31 December 2011 were not subject to any audit qualification.

**A5. 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

**A6. EXCEPTIONAL ITEMS**

There were no exceptional items during the period ended 30 June 2012.

**A7. 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 period ended 31 December 2011 that may have a material effect in the current financial period results.



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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A8. DEBTS AND EQUITY SECURITIES**

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 30 June 2012.

**A9. DIVIDENDS PAID**

A single tier final dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial period ended 31 December 2011 was paid to the shareholders on 26 June 2012.

**A10. SEGMENT RESULTS AND REPORTING**

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

**10.1 Revenue**

<i>In RM Mil</i>	<b>Cumulative quarter ended 30 June</b>					
	<b>External customers</b>		<b>Inter segment</b>		<b>Gross total revenue</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Olefins and Derivatives	5,964	5,677	4	1	5,968	5,678
Fertilisers and Methanol	2,298	2,001	113	33	2,411	2,034
Others	23	17	19	12	42	29
<b>Total</b>	<b>8,285</b>	<b>7,695</b>	<b>136</b>	<b>46</b>	<b>8,421</b>	<b>7,741</b>



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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A10. SEGMENT RESULTS AND REPORTING (continued)**

**10.2 Profit for the period <sup>(1)</sup>**

<i>In RM Mil</i>	<b>Cumulative quarter ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
Olefins and Derivatives	1,394	1,803
Fertilisers and Methanol	634	364
Others	26	(86)
<b>Total</b>	<b>2,054</b>	<b>2,081</b>

<sup>(1)</sup> Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM370 million (2011: RM406 million), RM180 million (2011: RM181 million) and RM6 million (2011: RM6 million) respectively.

**A11. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

There were no revaluations of property, plant and equipment during the period under review. As at 30 June 2012, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

**A12. MATERIAL SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the period under review.

**A13. CONTINGENCIES**

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2011.



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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)**

**A14. CAPITAL COMMITMENTS**

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

<i>In RM Mil</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Property, plant and equipment:		
Approved and contracted for	3,332	3,583
Approved but not contracted for	765	511
	4,097	4,094

Included in the above is an amount of RM3,188 million relating to the development of a new world scale fertiliser plant in Sipitang, Sabah (referred to as the “SAMUR” project).

**A15. RELATED PARTIES DISCLOSURES**

Significant transactions with Government related entities in addition to the related party transactions disclosed in the audited financial statements for the period ended 31 December 2011 are as follows:

<i>In RM Mil</i>	<b>Individual quarter ended 30 June</b>		<b>Cumulative quarter ended 30 June</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Government related entities:</b>				
Sales of petrochemical products	33	29	63	68
Purchase of electricity	(19)	(17)	(44)	(42)



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**PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENT**

**B1. REVIEW OF GROUP PERFORMANCE**

**(a) Performance of the current quarter against the corresponding quarter**

<i>In RM Mil</i>	Quarter ended 30 June					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
	2012	2011	2012	2011	2012	2011
Revenue	3,896	3,345	2,734	2,407	1,211	952
Profit	933	867	573	665	314	199
EBITDA <sup>(1)</sup>	1,385	1,242	863	932	488	352

The Group registered revenue of RM3.9 billion, an increase of 16% compared to corresponding quarter on the back of improved operational performance. Average realised product prices were marginally lower, weighed down by weaker market conditions for Olefins & Derivatives despite Fertilisers & Methanol prices remaining robust.

Accordingly, profit for the quarter only rose by RM66 million or 8% at RM933 million.

EBITDA also grew by RM143 million or 12%.

<sup>(1)</sup> EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of associates and jointly controlled entities and other exceptional items.





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

**B1. REVIEW OF GROUP PERFORMANCE (continued)**

**(a) Performance of the current quarter against the corresponding quarter (continued)**

**Olefins and Derivatives**

The market for olefins and derivatives products continued to be affected by global economic uncertainty. Tepid market conditions as a result of persistent economic woes in Europe and cautious market sentiment over growth in China led to lower demand and product prices.

The Olefins and Derivatives business segment achieved higher plant utilisation and production levels this quarter. In the corresponding quarter, there was higher level of plant maintenance activities which led to lower production.

Supported by the higher volumes, revenue rose by RM327 million or 14% at RM2.7 billion despite slightly lower realised product prices in tandem with the market.

Profit for the quarter, however, dropped by RM92 million or 14% to RM573 million. This follows lower product prices, despite higher sales volume.

EBITDA decreased by RM69 million or 7% to RM863 million.

**Fertilisers and Methanol**

Fertilisers and methanol market conditions were stronger compared to the corresponding quarter. Urea price rose in line with increased US and Latin American demand, supported by regional supply constraints. Methanol price was also higher with firm demand from China and South East Asia, coupled with limited supply in the market following shutdowns and lower operating rates at several producers.

Plant utilisation and production volume for fertilisers and methanol business segment were comparable against the corresponding quarter. While this quarter had heavier plant maintenance activities undertaken by the segment, operational performance in the corresponding quarter was affected by gas supply availability.

Revenue increased by RM259 million or 27% at RM1.2 billion on the back of higher product prices in line with market.

With improved spreads, profit for the period was higher by 58% at RM314 million. EBITDA grew by 39% at RM488 million.



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

**B1. REVIEW OF GROUP PERFORMANCE (continued)**

**(b) Performance of the current period against the corresponding period**

<i>In RM Mil</i>	Cumulative quarter ended 30 June					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
	2012	2011	2012	2011	2012	2011
Revenue	8,285	7,695	5,968	5,678	2,411	2,034
Profit	2,054	2,081	1,394	1,803	633	364
EBITDA <sup>(1)</sup>	3,004	2,746	2,018	2,145	1,005	667

**Group**

Compared to the corresponding period, Group revenue increased by RM590 million or 8% at RM8.3 billion. The higher revenue arose as a result of higher sales volume with average realised prices at comparable levels against the corresponding period.

The Group recorded better operational performance with higher utilisation and production achieved in both segments. The corresponding period saw higher level of plant maintenance activities which led to lower production and sales volume.

Gross profit grew by 18% with higher sales volume.

Profit for the period was, however, marginally lower by 1% at RM2.1 billion. This was largely attributable to lower contribution from one of our associate companies amidst challenging market conditions. In addition, tax expenses were higher this period as the corresponding period included recognition of deferred tax assets in a subsidiary.

EBITDA was higher by 9% at RM3.0 billion.

<sup>(1)</sup> EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of associates and jointly controlled entities and other exceptional items.



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

**B1. REVIEW OF GROUP PERFORMANCE (continued)**

**(b) Performance of the current period against the corresponding period (continued)**

**Olefins and Derivatives**

The market for olefins and derivatives continued to be adversely affected by global economic uncertainty with depressed demand for most products. Market conditions were more favourable in the corresponding period as there was limited supply following shutdowns by several key producers. Consequently, market prices and spreads were notably lower this period compared to the corresponding period.

The Olefins and Derivatives business segment recorded higher plant utilisation and production levels this period with lower level of plant maintenance activities compared to the corresponding period.

The increase in volume muted the impact of lower prices. This resulted in slightly higher revenue by 5% at RM6.0 billion.

Profit for the period was lower by RM409 million or 23% at RM1.4 billion as a result of lower prices in line with market, higher tax expense and lower share of profit from one of our associate companies amidst challenging market conditions. Tax expenses were higher this period as the corresponding period included recognition of deferred tax assets in a subsidiary.

EBITDA declined by 6% or RM127 million at RM2.0 billion.

**Fertilisers and Methanol**

Compared to the corresponding period, the fertilisers and methanol market conditions were more robust. Urea price rose as demand growth for agriculture consumption and crop production remained resilient despite global economic uncertainty. Similarly, ammonia price also increased with healthy demand from US, South East Asia and India.

The Fertilisers and Methanol business segment recorded higher plant utilisation and production with improved plant performance. Coupled with higher prices, the segment registered revenue growth of 19% at RM2.4 billion.

Profit for the period surged by 74% or RM269 million to RM633 million while EBITDA improved by 51% at RM1.0 billion.



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**(continued)**

**B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER**

The Group's revenue was lower by 11% or RM493 million compared to the preceding quarter, driven by lower sales volume by 12% as a result of higher level of maintenance activities. Realised product prices were also lower, largely attributable to weak demand for olefins and derivatives products. In contrast, prices for fertiliser and methanol products were higher, supported by strong demand.

With higher level of maintenance activities, the Group recorded lower plant utilisation this quarter.

Overall, Group profit reduced by 17% at RM933 million whilst EBITDA was lower by 14% at RM1.4 billion.

**B3. COMMENTARY ON PROSPECTS**

Moving forward, 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.

Subject to sufficient availability of methane gas supply, we expect the results of our operations for the financial year ending 31 December 2012 to be satisfactory.

**Olefins and Derivatives**

In the near term, global economic uncertainty is expected to continue to affect demand and prices for olefins and derivatives products. Cyclical restocking in line with seasonal demand towards the latter part of the year may gain momentum and lend support to petrochemical demand in the region. Barring severe economic downturn, we expect the Olefins and Derivatives Segment to generate satisfactory results.

**Fertilisers and Methanol**

The demand for fertilisers is expected to remain steady, backed by the agriculture industry. Similarly, methanol demand is expected to remain healthy with increased usage in both the chemical and energy sectors in North East Asia. With this and subject to sufficient availability of methane supply, we expect the performance of the Fertilisers and Methanol Segment to continue to be satisfactory.



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

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

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

**B5. OPERATING PROFIT**

<i>In RM Mil</i>	<b>Individual quarter ended 30 June</b>		<b>Cumulative quarter ended 30 June</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b><i>Included in operating profit are the following charges:</i></b>				
Interest expense	24	38	49	71
Depreciation and amortisation	278	266	556	593
Impairment losses on trade receivables	-	1	-	5
Loss on realised foreign exchange	3	7	20	17
Loss on unrealised foreign exchange	-	3	4	13
Derivative loss	2	2	6	6
<b><i>and credits:</i></b>				
Interest income	80	70	157	130
Other income	4	12	8	10
Gain on realised foreign exchange	17	8	32	21
Gain on unrealised foreign exchange	13	10	15	25

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.



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**(continued)**

**B6. TAX EXPENSE**

<i>In RM Mil</i>	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2012	2011	2012	2011
Current tax expenses				
- Current period tax	288	230	592	430
- Over provision in respect of prior periods	(2)	-	(3)	(4)
	286	230	589	426
Deferred tax expenses				
- Origination and reversal of temporary differences	11	26	56	(18)
- Under/(Over) provision in respect of prior periods	5	(1)	2	3
	16	25	58	(15)
	302	255	647	411

The Group's effective tax rates for the 6 months period ended 30 June 2012 and 30 June 2011 are 24.0% and 16.5% respectively.

**B7. SALES OF UNQUOTED INVESTMENTS/PROPERTIES**

There were no material disposals of unquoted investments or properties by the Group for the current quarter and financial period under review.

**B8. QUOTED SECURITIES**

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

**B9. STATUS OF CORPORATE PROPOSALS**

There was no new corporate proposal during the quarter under review since the last audited financial statements of 31 December 2011.



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**(continued)**

**B10. 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;

	Proposed utilisation RM Mil	Actual utilisation RM Mil	Transfer RM Mil	Balance at 30 June 2012 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic growth acquisitions	2,344	(353)	-	1,991	Within 5 years
Working capital requirement and general corporate purposes	1,200	-	21*	1,221	Within 2 years
Estimated listing expenses	96	(75)	(21)*	-	Within 1 year
<b>Total</b>	<b>3,640</b>	<b>(428)</b>	<b>-</b>	<b>3,212</b>	

\* The unutilised balance of RM21 million allocated for estimated listing expenses has been reallocated towards working capital requirement and general corporate purposes.



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

**B11. BORROWINGS**

The details of the Group borrowings as at 30 June 2012 are as follows:

<i>In RM Mil</i>	<u>As at 30 June 2012</u>	<u>As at 31 December 2011</u>
<b>Current</b>		
<b>Secured</b>		
Term loans (USD)	81	169
Islamic financing facilities	40	40
	121	209
<b>Unsecured</b>		
Term loans (USD)	7	7
Revolving credits (USD)	-	16
PETRONAS loans and advances	1,920	1,920
	1,927	1,943
	2,048	2,152
<b>Non-current</b>		
<b>Secured</b>		
Islamic financing facilities	233	233
<b>Unsecured</b>		
Term loans (USD)	5	8
	238	241
<b>Total</b>	2,286	2,393

**B12. DERIVATIVE FINANCIAL INSTRUMENTS**

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

**B13. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

The Group does not have any financial liabilities that are measured at fair value (other than derivative financial instruments) for the current quarter ended 30 June 2012.





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

**B14. DISCLOSURE OF REALISED AND UNREALISED PROFIT**

This information has been properly compiled, in all material respects, in accordance with the Guidance of 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.

The Group's balance of realised and unrealised retained profits as at 30 June 2012 are disclosed as follows:

<i>In RM Mil</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
<b>Total retained profits of PCG and its subsidiaries:</b>		
Realised	14,820	13,359
Unrealised	(823)	(782)
	13,997	12,577
<b>Total share of retained profits from associates:</b>		
Realised	292	312
Unrealised	(16)	(53)
	276	259
<b>Total share of retained profits from jointly controlled entity:</b>		
Realised	65	95
Unrealised	(19)	(21)
	46	74
Total realised and unrealised	14,319	12,910
Less: Consolidation adjustments	(3,775)	(3,590)
<b>Total group retained profits as per consolidated accounts</b>	10,544	9,320

**B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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



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

**B16. MATERIAL LITIGATION**

There is no pending material litigation since the last audited financial statements of PCG and its subsidiaries for the period ended 31 December 2011.

**B17. DIVIDENDS**

The Board of Directors of the Company has declared an interim single tier dividend of 8 sen per ordinary share, amounting to RM640 million to shareholders (2011: interim dividend for the 9 months ended 31 December 2011 of 8 sen per ordinary share, amounting to RM640 million).

The dividends are payable on 16 October 2012 to depositors registered in the Records of Depositors at the close of business on 27 September 2012.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

- a) Shares transferred into the Depositor's Securities Account before 4:00 pm on 27 September 2012 in respect of ordinary transfers.
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.



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

**B18. EARNINGS PER SHARE**

<i>In RM Mil</i>	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2012	2011	2012	2011
Profit for the period attributable to shareholders of the Company	855	790	1,874	1,776
<b><i>Earnings per share attributable to shareholders of the Company:</i></b>				
<i>In thousands of shares</i>				
Number of shares issued at	8,000,000	8,000,000	8,000,000	8,000,000
Weighted average number of shares issued	8,000,000	8,000,000	8,000,000	8,000,000
Earning per share (sen)*	11	10	23	22

\* Based on weighted average number of shares issued.

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**

Noryati Mohd Noor (LS 0008877)

Kang Shew Meng (MAICSA 0778565)

Joint Secretaries

Kuala Lumpur

28 August 2012



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**APPENDIX 1**

**EXPLANATION OF TRANSITION TO MFRS**

**(a) Reconciliation of financial position**

<i>In RM Mil</i>	Note	FRS	Effect of transition to MFRS 30 June 2011	MFRS
<b>ASSETS</b>				
Property, plant and equipment	A3(ii)	12,895	(396)	12,499
Investments in associates		745	-	745
Investment in jointly controlled entity		75	-	75
Intangible assets	A3(i)	2,099	(2,075)	24
Long term receivables		56	-	56
Deferred tax assets		605	-	605
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,475</b>	<b>(2,471)</b>	<b>14,004</b>
Trade and other inventories		1,299	-	1,299
Trade and other receivables		1,515	-	1,515
Tax recoverable		127	-	127
Fund and other investments		10	-	10
Cash and cash equivalents		9,926	-	9,926
<b>TOTAL CURRENT ASSETS</b>		<b>12,877</b>	<b>-</b>	<b>12,877</b>
<b>TOTAL ASSETS</b>		<b>29,352</b>	<b>(2,471)</b>	<b>26,881</b>
<b>EQUITY</b>				
Share capital		800	-	800
Reserves	App (d)(i)	19,512	(2,089)	17,423
<b>Total equity attributable to shareholders of the Company</b>		<b>20,312</b>	<b>(2,089)</b>	<b>18,223</b>
Non-controlling interests		1,438	-	1,438
<b>TOTAL EQUITY</b>		<b>21,750</b>	<b>(2,089)</b>	<b>19,661</b>
<b>LIABILITIES</b>				
Borrowings		3,279	-	3,279
Deferred tax liabilities	App (d)(ii)	1,634	(382)	1,252
Other long term liabilities and provisions		443	-	443
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,356</b>	<b>(382)</b>	<b>4,974</b>
Trade and other payables		1,735	-	1,735
Borrowings		310	-	310
Taxation		201	-	201
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,246</b>	<b>-</b>	<b>2,246</b>
<b>TOTAL LIABILITIES</b>		<b>7,602</b>	<b>(382)</b>	<b>7,220</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,352</b>	<b>(2,471)</b>	<b>26,881</b>



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**APPENDIX 1**

**EXPLANATION OF TRANSITION TO MFRS (continued)**

**(b) Reconciliation adjustments to the statement of comprehensive income**

<i>In RM Mil</i>	<b>Note</b>	<b>FRS</b>	<b>Effect of transition to MFRS</b>	<b>Adjusted balance</b>
		<b>Quarter ended 30 June 2011</b>		
Revenue		3,345	-	3,345
Cost of revenue	A3(ii)	(2,166)	22	(2,144)
<b>Gross profit</b>		1,179	22	1,201
Selling and distribution expenses		(111)	-	(111)
Administration expenses	A3(i)	(172)	42	(130)
Other expenses		(13)	-	(13)
Other income		98	-	98
<b>Operating profit</b>		981	64	1,045
Financing costs		(38)	-	(38)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		115	-	115
<b>Profit before taxation</b>		1,058	64	1,122
Tax expense	A3(i)	(244)	(11)	(255)
<b>PROFIT FOR THE PERIOD</b>		814	53	867
<b>Other comprehensive income, net of tax</b>				
Share of other comprehensive income of associates and jointly controlled entity		(1)	-	(1)
		(1)	-	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		813	53	866



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**APPENDIX 1 (continued)**

**EXPLANATION OF TRANSITION TO MFRS (continued)**

**(b) Reconciliation adjustments to the statement of comprehensive income (continued)**

<i>In RM Mil</i>	Note	FRS	Effect of transition to MFRS	Adjusted balance
Quarter ended 30 June 2011				
<b>Profit attributable to:</b>				
Owners of the Company		737	53	790
Non-controlling interests		77	-	77
<b>PROFIT FOR THE PERIOD</b>		<b>814</b>	<b>53</b>	<b>867</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		736	53	789
Non-controlling interests		77	-	77
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>813</b>	<b>53</b>	<b>866</b>
<b>Earnings per share attributable to shareholders of the Company</b>				
Based on weighted average number of shares issued (sen)	B18	9	1	10



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**APPENDIX 1**

**EXPLANATION OF TRANSITION TO MFRS (continued)**

**(b) Reconciliation adjustments to the statement of comprehensive income (continued)**

<i>In RM Mil</i>	Note	FRS Cumulative Quarter ended 30 June 2011	Effect of transition to MFRS	Adjusted balance
Revenue		7,695	-	7,695
Cost of revenue	A3(ii)	(5,137)	22	(5,115)
<b>Gross profit</b>		2,558	22	2,580
Selling and distribution expenses		(210)	-	(210)
Administration expenses	A3(i)	(337)	115	(222)
Other expenses		(44)	-	(44)
Other income		180	-	180
<b>Operating profit</b>		2,147	137	2,284
Financing costs		(71)		(71)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		279	-	279
<b>Profit before taxation</b>		2,355	137	2,492
Tax expense	A3(i)	(382)	(29)	(411)
<b>PROFIT FOR THE PERIOD</b>		1,973	108	2,081
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations		(3)	-	(3)
Share of other comprehensive income of associates and jointly controlled entity		(13)	-	(13)
		(16)	-	(16)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		1,957	108	2,065



**PETRONAS CHEMICALS GROUP BERHAD**  
**(459830-K)**  
**(Incorporated in Malaysia)**

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**APPENDIX 1 (continued)**

**EXPLANATION OF TRANSITION TO MFRS (continued)**

**(b) Reconciliation adjustments to the statement of comprehensive income (continued)**

<i>In RM Mil</i>	Note	FRS Cumulative	Effect of transition to MFRS Quarter ended	Adjusted balance 30 June 2011
<b>Profit attributable to:</b>				
Owners of the Company		1,668	108	1,776
Non-controlling interests		305	-	305
<b>PROFIT FOR THE PERIOD</b>		<b>1,973</b>	<b>108</b>	<b>2,081</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		1,652	108	1,760
Non-controlling interests		305	-	305
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,957</b>	<b>108</b>	<b>2,065</b>
<b>Earnings per share attributable to shareholders of the Company</b>				
Based on weighted average number of shares issued (sen)	B18	21	1	22





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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

**APPENDIX 1 (continued)**

**(c) Reconciliation adjustments to the statement of cash flows**

There is no difference between the statement of cash flows presented under MFRS and the statement of cash flows presented under FRS.

**(d) Notes to reconciliations**

**i. Reserves**

The changes that affected the reserves are as follows:

<i>In RM Mil</i>	<b>Note</b>	<b>As at 30 June 2011</b>
<b>Retained earnings</b>		
Intangible assets	A3 (i)	(1,713)
Property, plant and equipment	A3 (ii)	(376)
Foreign currency translation reserve	A3 (iii)	(3)
<b>Decrease in retained earnings</b>		<b>(2,092)</b>
<b>Foreign currency translation reserve</b>		
Retained earnings	A3 (iii)	3
<b>Increase in foreign currency translation reserve</b>		<b>3</b>
<b>Decrease in reserves</b>	App 1(a)	<b>(2,089)</b>

**ii. Deferred tax liabilities**

The changes that affected the deferred tax liabilities are as follows:

<i>In RM Mil</i>	<b>Note</b>	<b>As at 30 June 2011</b>
Intangible assets	A3 (i)	362
Property, plant and equipment	A3 (ii)	20
<b>Decrease in deferred tax liabilities</b>	App 1(a)	<b>382</b>