PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For First Quarter Ended 31 March 2017

PETRONAS CHEMICALS GROUP BERHAD (459830-K)

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2017

PETRONAS

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 quarter ended 31 March 2017 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 15.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Individual quarter ended 31 March	
In RM Mil	**Note**	**2017**	**2016**
Revenue		4,695	3,147
Cost of revenue		(2,742)	(2,050)
Gross profit		1,953	1,097
Selling and distribution expenses		(184)	(162)
Administration expenses		(177)	(122)
Other expenses		(12)	(125)
Other income		59	203
Operating profit	B5	1,639	891
Net financing costs	B6	(6)	-
Share of profit of equity-accounted joint ventures and associates, net of tax		3	5
Profit before taxation		1,636	896
Tax expense	B7	(255)	(225)
PROFIT FOR THE PERIOD		1,381	671
Other comprehensive expenses			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(152)	(326)
Share of other comprehensive expenses of equity-accounted joint ventures and associates		(15)	(113)
Total other comprehensive expenses for the period		(167)	(439)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,214	232
Profit attributable to:			
Shareholders of the Company		1,295	592
Non-controlling interests		86	79
PROFIT FOR THE PERIOD		1,381	671
Total comprehensive income attributable to:			
Shareholders of the Company		1,128	153
Non-controlling interests		86	79
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,214	232
Basic earnings per share attributable to shareholders of the Company:			
Based on ordinary shares issued (sen)	B17	16	7

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

PETRONAS CHEMICALS GROUP BERHAD (459830-K)

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2017

PETRONAS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 31.03.2017	As at 31.12.2016
ASSETS			
Property, plant and equipment		18,764	18,543
Prepaid lease payments		50	-
Investments in associates and joint ventures		1,351	1,363
Intangible assets		2	3
Long term receivables		37	83
Deferred tax assets		419	462
TOTAL NON-CURRENT ASSETS		20,623	20,454
Trade and other inventories		1,495	1,383
Trade and other receivables		2,780	2,639
Tax recoverable		65	69
Cash and cash equivalents		7,015	7,403
TOTAL CURRENT ASSETS		11,355	11,494
TOTAL ASSETS		31,978	31,948
EQUITY			
Share capital		8,871	800
Reserves		18,339	26,242
Total equity attributable to shareholders of the Company		27,210	27,042
Non-controlling interests		1,291	1,271
TOTAL EQUITY		28,501	28,313
LIABILITIES			
Deferred tax liabilities		866	874
Other long term liabilities and provisions		298	308
TOTAL NON-CURRENT LIABILITIES		1,164	1,182
Borrowings	B11	-	23
Trade and other payables		2,079	2,208
Current tax payables		234	180
Dividend payables		-	42
TOTAL CURRENT LIABILITIES		2,313	2,453
TOTAL LIABILITIES		3,477	3,635
TOTAL EQUITY AND LIABILITIES		31,978	31,948

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Non-distributable				
In RM Mil	**Share Capital**	**Share Premium**	**Foreign Currency Translation Reserve**	**Merger Reserve**	**Other Reserves**
Cumulative quarter ended 31 March 2016					
At 1 January 2016	800	8,071	436	(204)	487
Foreign currency translation differences	-	-	(326)	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	-	(113)
Total other comprehensive income for the period	-	-	(326)	-	(113)
Profit for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	(326)	-	(113)
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	13
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	13
Balance at 31 March 2016	800	8,071	110	(204)	387
Cumulative quarter ended 31 March 2017					
At 1 January 2017	800	8,071	1,077	(204)	550
Foreign currency translation differences	-	-	(152)	-	-
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	-	-	-	(15)
Total other comprehensive expenses for the period	-	-	(152)	-	(15)
Profit for the period	-	-	-	-	-
Total comprehensive expenses for the period	-	-	(152)	-	(15)
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	14
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017[Note a]	8,071	(8,071)	-	-	-
Total transactions with shareholders	8,071	(8,071)	-	-	14
Balance at 31 March 2017	8,871	-	925	(204)	549

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Note a: Pursuant to section 74 of the Companies Act, 2016 ('the Act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account which are now part of share capital.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			
	Distributable			
In RM Mil	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
Cumulative quarter ended 31 March 2016				
At 1 January 2016	15,193	24,783	1,807	26,590
Foreign currency translation differences	-	(326)	-	(326)
Share of other comprehensive income of equity-accounted joint ventures and associates	-	(113)	-	(113)
Total other comprehensive income for the period	-	(439)	-	(439)
Profit for the period	592	592	79	671
Total comprehensive income for the period	592	153	79	232
Redemption of Redeemable Preference Shares in a subsidiary	(13)	-	(11)	(11)
Dividends to shareholders of the Company	(800)	(800)	-	(800)
Dividends to non-controlling interests	-	-	(463)	(463)
Total transactions with shareholders	(813)	(800)	(474)	(1,274)
Balance at 31 March 2016	14,972	24,136	1,412	25,548
Cumulative quarter ended 31 March 2017				
At 1 January 2017	16,748	27,042	1,271	28,313
Foreign currency translation differences	-	(152)	-	(152)
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	(15)	-	(15)
Total other comprehensive expenses for the period	-	(167)	-	(167)
Profit for the period	1,295	1,295	86	1,381
Total comprehensive expenses for the period	1,295	1,128	86	1,214
Redemption of Redeemable Preference Shares in a subsidiary	(14)	-	-	-
Dividends to shareholders of the Company	(960)	(960)	-	(960)
Dividends to non-controlling interests	-	-	(66)	(66)
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	-	-	-	-
Total transactions with shareholders	(974)	(960)	(66)	(1,026)
Balance at 31 March 2017	17,069	27,210	1,291	28,501

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS Note b

In RM Mil	Individual quarter ended 31 March 2017	2016
Profit before tax	1,636	895
Adjustments for:		
Depreciation and amortisation	349	327
Finance costs	6	-
Interest income	(48)	(72)
Net inventories write down / (back) to net realisable value	5	(16)
Share of profit equity-accounted joint ventures and associates	(3)	(5)
Unrealised foreign exchange loss	11	3
Operating profit before changes in working capital	1,956	1,132
Change in trade and other receivables	(320)	124
Change in trade inventories	(154)	151
Change in trade and other payables	(13)	(432)
Cash generated from operations	1,469	975
Interest income from fund and other investments	53	72
Taxation paid	(163)	(156)
Net cash generated from operating activities	1,359	891
Dividends received from equity-accounted joint ventures and associates	-	6
Purchase of property, plant and equipment	(627)	(523)
Withdrawal of Islamic deposits	-	622
Net cash (used in)/generated from investing activities	(627)	105
Dividends paid to:		
- PETRONAS	(618)	(515)
- others (third parties)	(342)	(285)
- non-controlling interests of subsidiaries	(108)	(213)
Payment to non-controlling interests on redemption of shares	-	(11)
Repayment of:		
- finance lease liabilities	(14)	(14)
- revolving credit	(23)	(15)
Net cash used in financing activities	(1,105)	(1,053)
Net cash flows from operating, investing and financing activities	(373)	(57)
Effects of foreign currency translation differences	2	(20)
Net decrease in cash and cash equivalents	(371)	(77)
Net foreign exchange differences on cash held	(17)	(56)
Cash and cash equivalents at beginning of the period	7,403	8,707
Cash and cash equivalents at end of the period	7,015	8,574

Note b: As of 1 January 2017, the Group has changed the presentation format of the Statement of Cash Flows from direct method to indirect method so as to provide better information to the users of its financial statements.

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

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, Interim Financial Reporting 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 year ended 31 December 2016 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these unaudited condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in joint ventures and associates as at and for the quarter ended 31 March 2017.

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 31 December 2016.

As of 1 January 2017, the Group has adopted the following MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 1 January 2017.

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12	*Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)*
Amendments to MFRS 107	*Statement of Cash Flows: Disclosure Initiative*
Amendments to MFRS 112	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2016 were not subject to any audit qualification.

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 years of tight supply, leading to high capacity utilisation rates and margins, followed by years of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

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 December 2016 that may have a material effect in the results of the quarter under review.

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

A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A8. DIVIDEND PAID

During the period under review, the Company paid a second interim single tier dividend of 12 sen per ordinary share, amounting to RM960 million in respect of the financial year ended 31 December 2016 to shareholders on 7 March 2017.

A9. OPERATING SEGMENTS

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefins, intermediate, basic and high performance chemicals, and polymer products.
- Fertilisers and Methanol – activities include manufacturing and marketing of methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others – other non-reportable segments comprise operations related to investment holding company and port services which provide product distribution infrastructure to the Group.

9.1 Revenue

					Individual quarter ended 31 March	
	2017	2016	2017	2016	2017	2016
In RM Mil	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	3,218	2,246	4	3	3,222	2,249
Fertilisers and Methanol	1,465	888	42	47	1,507	935
Others	12	13	10	11	22	24
Total	4,695	3,147	56	61	4,751	3,208

9.2 Segment Profit for the Period[1]

	Individual quarter ended 31 March	
In RM Mil	2017	2016
Olefins and Derivatives	933	461
Fertilisers and Methanol	451	193
Others	(3)	17
Total	1,381	671

[1] Included within profit for the quarter for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM211 million (2016: RM194 million), RM132 million (2016: RM128 million) and RM5 million (2016: RM5 million) respectively.

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

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 31 March 2017, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2016.

A12. CHANGES IN COMPOSITION OF THE GROUP

There was no material change in the composition of the Group.

A13. 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 31.3.2017**	**As at 31.12.2016**
Property, plant and equipment:		
Approved and contracted for	**5,671**	6,216
Approved but not contracted for	**5,849**	4,719
	11,520	10,935

Included in the above are amounts of RM10,543 million (2016: RM9,302) relating to the development of petrochemical plants which are part of the Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor and RM284 million (2016: RM864 million) for a new world scale fertiliser plant in Sipitang, Sabah.

A14. 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.

When measuring the fair value of an asset or a liability, the Group 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. 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 recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on the difference between the contracted forward rates and the mark-to-market 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.

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

A14. FAIR VALUE INFORMATION (continued)

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.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

As at 31 March 2017
Fair value of financial instruments carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Total
Financial assets				
Forward foreign exchange contracts	-	10	-	10
Financial liabilities				
Forward foreign exchange contracts	-	(8)	-	(8)

Fair value of financial instruments not carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Carrying amount	Total fair value
Financial liabilities					
Financial lease liabilities	-	-	(124)	(124)	(124)

As at 31 December 2016
Fair value of financial instruments carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Total
Financial assets				
Forward foreign exchange contracts	-	15	-	15
Financial liabilities				
Forward foreign exchange contracts	-	(17)	-	(17)

Fair value of financial instruments not carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Carrying amount	Total fair value
Financial liabilities					
Financial lease liabilities	-	-	(136)	(137)	(136)

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

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

					Individual quarter ended 31 March	
	2017	2016	2017	2016	2017	2016
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	**4,695**	3,147	**3,222**	2,249	**1,507**	935
Profit	**1,381**	671	**933**	461	**451**	193
EBITDA[2]	**1,940**	1,146	**1,334**	808	**622**	338

The Group achieved exceptional operational performance with higher plant utilisation of 99% compared to 92% in the corresponding quarter on the back of improved plant reliability and higher feedstock supply. Consequently, both production and sales volumes were higher.

Overall average product prices improved significantly compared to the corresponding quarter by an average of 22%. As a result of higher sales volume, higher prices and stronger US Dollar, Group revenue grew by RM1.5 billion or 49% to RM4.7 billion.

EBITDA surged by RM794 million or 69% to RM1.9 billion on improved spreads and higher volumes. Similarly, profit after tax for the quarter more than doubled to RM1.4 billion.

Olefins and Derivatives

The segment attained 100% plant utilisation compared to 97% in the corresponding quarter. Correspondingly, both production and sales volumes were higher.

Average product prices increased significantly by 25% with the recovery in crude oil prices. Driven by higher sales volume and prices, revenue increased by RM973 million or 43% to RM3.2 billion.

EBITDA was higher than corresponding quarter by RM526 million or 65% at RM1.3 billion driven by higher spreads and higher volumes. Profit after tax rose in tandem to RM933 million.

Fertilisers and Methanol

The segment recorded stronger operational performance with higher plant utilisation of 96% compared to 89% in the corresponding quarter. This was largely attributable to improved methane supply at the Group's methanol facilities. Hence, both production and sales volumes increased.

Average product prices for methanol and urea increased by 41% due to higher demand coupled with tight regional supply amidst higher crude oil prices. In contrast, ammonia prices were adversely affected by oversupply in the market following new capacity additions. Revenue increased by RM572 million or 61% to RM1.5 billion mainly attributable to higher prices of methanol and urea as well as higher sales volume.

Correspondingly, EBITDA and profit after tax improved by RM284 million to RM622 million and by RM258 million to RM451 million respectively.

[2] EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

PART B – OTHER EXPLANATORY NOTES

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

In RM Mil	31 March 2017	31 December 2016
Revenue	**4,695**	3,947
Profit	**1,381**	1,033
EBITDA[3]	**1,940**	1,484

The Group's plant utilisation rate increased to 99% in the current quarter from 96% in the preceding quarter on the back of improved overall plant reliability and higher methane supply for the Group's methanol facilities. Accordingly, both production and sales volumes were higher.

Average product prices continued to improve with the recovery in crude oil prices.

Group revenue rose by RM748 million or 19% at RM4.7 billion on higher product prices and higher sales volume, supported by the stronger US Dollar.

Following higher revenue, EBITDA increased by 31% or RM456 million to RM1.9 billion whilst profit after tax rose by 34% or RM348 million to RM1.4 billion.

B3. COMMENTARY ON PROSPECTS

The results of the Group's operations are expected to be primarily influenced by global economic conditions, utilisation rate of our production facilities and petrochemical products prices which have a high correlation to crude oil prices, particularly for the Olefins and Derivatives segment.

The utilisation of our production facilities is dependent on plant maintenance activities and sufficient availability of feedstock as well as utilities supply. The Group will continue with its operational excellence programme and supplier relationship management to sustain plant utilisation level at above industry benchmark, albeit slightly lower than 2016 due to higher statutory turnarounds planned.

The Group's new world scale fertiliser plant in Sipitang, Sabah has reached full design capacity and is expected to contribute to the Group's results in the second quarter onwards.

Olefins and Derivatives

The Group anticipates the olefins and derivatives market to soften in the near term following slower demand post re-stocking activities amidst stable supply and feedstock prices.

Fertilisers and Methanol

The fertiliser market is likely to firm on the back of seasonal demand from Southeast Asia and India coupled with tight supply from the Middle East.

Methanol price is anticipated to soften in the near term following lower demand for imported methanol from China as high import price caused coastal buyers to source methanol domestically.

[3] EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

PART B – OTHER EXPLANATORY NOTES (continued)

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

B5. OPERATING PROFIT

In RM Mil	Individual quarter ended 31 March 2017	2016
Included in operating profit are the following charges:		
Depreciation and amortisation	349	327
Loss on foreign exchange:		
- Realised	-	67
- Unrealised	11	57
and credits:		
Interest income	48	72
Other income	7	3
Gain on foreign exchange:		
- Realised	4	74
- Unrealised	-	54

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

B6. NET FINANCING COSTS

In RM Mil	Individual quarter ended 31 March 2017	2016
Unwinding of discount factor for other long term liabilities and provisions	6	6
Unrealised gain on forward exchange contract	-	(386)
Unrealised loss on foreign exchange	-	380
	6	-

In the corresponding quarter, unrealised loss on forward exchange contract arose from forward exchange contracts entered in relation to loan due from a subsidiary.

PART B – OTHER EXPLANATORY NOTES (continued)

B7. TAX EXPENSE

In RM Mil	Individual quarter ended 31 March 2017	2016
Current tax expenses		
Current period tax	**220**	198
Under/(Over) provision in respect of prior periods	**1**	(3)
	221	195
Deferred tax expenses		
Origination and reversal of temporary differences	**38**	31
Over provision in respect of prior periods	**(4)**	(1)
	34	30
	255	225

The Group's effective tax rates for the quarter ended 31 March 2017 and 2016 are 16% and 25% respectively. The lower effective tax rate for the quarter ended 31 March 2017 is mainly due to higher profits taxed at a lower rate under Global Incentive for Trading (GIFT).

B8. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

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

B9. QUOTED SECURITIES

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

B10. STATUS OF CORPORATE PROPOSALS

There was no new corporate proposal during the period under review since the last audited financial statements of 31 December 2016.

B11. BORROWINGS

The details of the Group borrowings are as follows:

In RM Mil	As at 31.3.2017	As at 31.12.2016
Revolving credits - unsecured	-	23

B12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments as at the date of this report is as disclosed in Note A14.

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 quarter ended 31 March 2017.

PART B – OTHER EXPLANATORY NOTES (continued)

B14. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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 Requirement, 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 disclosed as follows:

In RM Mil	**As at 31.3.2017**	**As at 31.12.2016**
Total retained profits of the Group		
Realised	20,943	20,774
Unrealised	(545)	(492)
	20,398	20,282
Total share retained profits from associates and joint ventures		
Realised	162	155
Unrealised	(27)	(26)
	135	129
Total realised and unrealised	20,533	20,411
Less: Consolidation adjustments	(3,449)	(3,663)
Total group retained profits as per consolidated account	17,084	16,748

PART B – OTHER EXPLANATORY NOTES (continued)

B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 March 2017.

B16. MATERIAL LITIGATION

There is no pending material litigation since the last audited financial statements of PCG and its subsidiaries for the year ended 31 December 2016.

B17. BASIC EARNINGS PER SHARE

	Individual quarter ended 31 March	
In RM Mil	**2017**	**2016**
Profit for the period attributable to shareholders of the Company	**1,295**	592
Earnings per share attributable to shareholders of the Company:		
In millions of shares		
Number of ordinary shares issued	**8,000**	8,000
Basic earnings per share (sen)	**16**	7

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.

B18. EXCHANGE RATES

	Individual quarter ended		
USD/MYR	**31.3.2017**	**31.12.2016**	**31.3.2016**
Average rate	**4.4472**	4.3214	4.2029
Closing rate	**4.4240**	4.4845	3.9330

By order of the Board

Noor Lily Zuriati Binti Abdullah (LS0009795)
Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
15 May 2017