MINUTES OF THE 55TH ANNUAL GENERAL MEETING OF PETRON MALAYSIA REFINING & MARKETING BHD (June 5, 2014)

Time and Place

The 55th Annual General Meeting ("AGM") of **PETRON MALAYSIA REFINING & MARKETING BHD** (the "Company" or "PMRMB") was held on June 5, 2014 at the Ball Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara, 60000 Kuala Lumpur. The meeting started at 2:00p.m.

Attendance – Directors

The following members of the Board of Directors were present at the meeting:

Mr. Ramon S. Ang (Chairman)
Y Bhg Dato' Zainal Abidin Putih
Y Bhg Tan Sri Abdul Halim bin Ali
Y Bhg Tan Sri Dato' Dr Syed Jalaludin Syed Salim
Ms Chua See Hua
Y Bhg Dato' Zuraidah Atan
Mr Lubin B. Nepomuceno
Ms Aurora T. Calderon
Mr Ferdinand K. Constantino

In attendance were the following Officers:
Mr Jaime O. Lu
Ms Myrna C. Geronimo
Mr Manoj Devadasan

Also in attendance were:
Mr Emmanuel E. Erana (Petron Corporation)
Mr Joel C. Cruz (Petron Corporation)

CALL TO ORDER / NOTICE / PROXIES / QUORUM

Following confirmation that the Notice of Meeting had been despatched by post on April 28, 2014, it was confirmed that a total of 321 shareholders had registered to attend the AGM, and of this, 166 were represented by proxies. It was also confirmed that the Chairman, Mr Ramon S. Ang was the proxy for Petron Oil & Gas International Sdn Bhd ("POGI") and as such had the necessary right thereof to propose, second and vote on all resolutions on behalf of POGI. There being a quorum in attendance, the Chairman called the meeting to order. Corporate Secretary, Mr Manoj Devadasan recorded the minutes of the meeting.

VOTING PROCESS

The Corporate Secretary informed the shareholders/proxies present that as voting on all resolutions would be by poll, the shareholders/proxies should retain their ballot papers (issued at the time of registration) for voting purposes. The shareholders/proxies were also informed that the voting by poll will be conducted after the formal proposal and seconding of the Resolutions.

PRESENTATION - COMPANY'S PERFORMANCE REPORT

Puan Faridah Ali, Head, Retail Business, delivered a presentation on the Company's business performance for the year.

The following salient issues were highlighted in the presentation:

- As with 2012, 2013 was another challenging year marked by continued petroleum price volatility. The second quarter of 2013, saw a significant decline in crude and product prices. Drastic price movements resulted in a pricing environment which caused unstable margins for oil refiners including PMRMB.
- In the last quarter, while other petroleum product prices declined, the price of Tapis crude oil increased and even exceeded several petroleum product prices such as gasoline. As Tapis, a Malaysian crude oil, is the biggest component of the Refinery's crude diet, the product's price affected our refining margins. Shareholders were reminded that unlike other refineries in the region that can process heavier and lower priced crude, the Company's refinery at Port Dickson is limited in its ability, as it can only process very light sweet crude oil which is more expensive.

- In 2013, PMRMB was able to sustain its sales volumes and revenues with minimal decline. As more stations were rebranded to Petron, the Company's Retail sales grew at 5%. Commercial Trade sales, however, declined by 9% due to lower demand from the power plant and aviation sectors. This translated to a 1.7% decrease in the Company's sales volume, from 29.4 million barrels in 2012 to 28.9 million barrels in 2013. Meanwhile, revenues stood at RM 11.1 billion in 2013, a 3% drop from previous year.
- In the first quarter of 2014, sales revenues slightly increased to RM 2.94 billion, better than last year's RM 2.89 billion over the same period, on the back of stronger domestic sales. Shareholders were requested to note that sales volumes slightly dipped to 7.3 million barrels in the first three months of 2014 from 7.4 million a year ago due to decreased export and affiliate sales.
- In relation to the sales volume/performance, Shareholders were requested to note that local sales surged by 12% to 4.8 million barrels in the first quarter of 2014 compared to 4.3 million barrels during the same period last year. The Company attributed this to its robust domestic sales due to increased customer patronage with more Petron-branded service stations that offer world-class petroleum products, personalised customer service and first-rate facilities. Complementing this development is a substantial increase in commercial volumes due to growing market confidence in Petron. In this segment, sales were boosted by increased demand from the power generation sector, aviation, and LPG.
- Shareholders were requested to note that whilst the Company continued to improve its marketing operations, due to the challenges in the refinery the Company incurred a loss of RM64 million in 2013. The narrowing price differential between crude oil processed at our Refinery and that of the finished product continued to affect our bottom line in the 1st quarter of 2014. The general weakening of the Malaysian ringgit against the US dollar further put pressure on the Company's margins as it settled its purchases at much higher rates. With the Company's robust sales and operating performance, it was able to minimize losses to RM7 million over the period.
- The Shareholders were informed that despite the challenging environment in 2013, the Company continues to invest in growth and focus on areas that will lay a solid foundation for a stronger, dynamic Petron. The Shareholders noted that key strategic programs were implemented and are now delivering favorable outcomes. These are:

(a) the Rebranding program of upgrading and converting stations to the Petron brand;

(b) The expansion of the Company's retail and commercial networks for both liquid fuel and LPG to enhance our market share;

(c) The Company's Distribution Network Improvement plans to ensure products reached customers in the fastest, safest, and most cost-effective way; and

(d) Refinery improvements to enhance operational efficiencies and optimize product yield.

- Shareholders were informed that as of April 2014, Petron had rebranded 342 stations of former Esso and Mobil stations nationwide. The Shareholders were informed that immediately following the rebranding of a station, the sales almost always increased; establishing the fact that the rebranding program is one of the major drivers in the surge in high-margin retail sales.
- The Shareholders were informed that the Company's dealers play a crucial role in the success of the retail business. As front-liners to the Company's operations, they are key to ensuring customers are delighted each time they visit a Petron station. Thus, the Company strengthened its customer care excellence for its dealers through the Petron Care Program. The converted stations not only feature first-rate facilities, they also embody what the Petron brand stands for – world-class petroleum products, excellent service, successful partnerships built on trust, and caring for customers.
- Parallel to the rebranding program, the Company upgraded facilities at its service stations including the card payment system. To date, 85% of the service stations have the new system, Flexpay, which allows customers to purchase fuels via credit or debit cards. The new payment system has significantly reduced transaction time at our forecourts.
- The Company's Treats convenience stores continue to offer a wide array of consumer products ranging from packaged goods, beverages, and fresh food, among others. To date, there are over 200 Treats stores nationwide and more will be added over the years.
- Additionally, the Company began converting its Smiles Loyalty Card to the Petron Miles Privilege Card to improve the rewards that customers get each time they fill up at the service stations. By 2014, all of Petron's 1.5 million Smiles cardholders will have their own Petron Miles Privilege card and continue to earn points, enjoy discounts, and other privileges from key retailers. The Company also piloted the Petron Fleet Card, a chip-based technology fleet card that features real-time tracking of drivers and their vehicles. With the Petron Fleet Card, corporate partners are able to efficiently manage their fleet

and fuel expenditures while enjoying great rewards and support services. The Petron Fleet Card will be launched in June 2014.

- The Shareholders were informed that as more Petron-branded stations are introduced to the market, more customers now have access to Petron's premium fuels, Petron Blaze 95 and 97, and Petron Diesel Max which have been boosted with world-class additives especially formulated for your engine's maximum performance and efficiency in every driving condition. Further by strengthening market presence in both Retail and Commercial sectors, the network expansion program introduced more Petron products into the market. 10 new Petron service stations including those owned by affiliate companies Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd (which form Petron Malaysia) were built in key locations nationwide. Among them is the MRR2 Jalan Selayang station, the first service station built from ground-up by Petron which was inaugurated by the Philippines President, Benigno S. Aquino, in February 2014. The Shareholders were informed that an addition of 30 new stations are planned to be built by the Petron Malaysia group that will have a positive effect on the Company.
- In the Commercial sector, the Company reversed its 2013 position by expanding its aviation business in 2014 through strategic alliances such as those with Malaysia Airlines, Etihad Airways, Thai Airlines, Singapore Airlines, China Airlines, and Arab Air Carrier Organisation which consists of 6 airlines members. The Company also made headway in the LPG sector. Petron Gasul has increasingly become popular in Malaysian households with 70% of our LPG cylinders already rebranded in 2013. The Company also expanded our dealer network to 180 distributors, giving PMRMB more presence in the domestic LPG market.
- To complement its expansion program, the Company is making significant investments in the Port Dickson Refinery. In 2013, the Company put up an additional tank, new pipelines, and facilities at the refinery. The facility upgrades and plant optimization program enable the Company to improve its production and delivery of premium fuel products.
- The Company was also progressing well in its plan to connect to the Klang Valley Distribution Terminal and link up the Port Dickson Refinery to the Multi-Product Pipeline when construction is completed in January 2015.
- In relation to the Distribution Network program, the Company has started to put up new tanks at the terminals and depots to ensure adequate and more efficient storage of

products, closer to the Company's customers. At Bagan Luar Terminal, the Company completed the facilities for biodiesel in March 2014. The Company through its transportation service providers, has also rolled out 50 brand new delivery tankers with better safety and security features, increasing reliability of our fuel deliveries.

- The Shareholders also noted that the Port Dickson Refinery had reached another milestone in adhering to international safety and security standards. It clocked 11 years without any Lost Time Injury. The Refinery, along with five of Petron's Terminals, were awarded the Malaysian Society for Occupational Safety and Health (MSOSH) Gold Merit Award in June 2013 for their occupational safety and health performance.
- The Shareholders were also informed that at Petron, sustainability is integrated in every aspect of the Company's business. As the Company grows, so does its responsibility to create healthier and safer communities, and a cleaner environment. With this in mind, Petron in Malaysia has established four main pillars for its sustainability program: economic performance, environment, socio-economic impact, and safety and security. The premium the Company places on safety and security extends beyond then Company's operations. With the Royal Malaysia Police, Petron launched the "Go To Safety Points" initiatives at Petron stations. In Klang Valley, all stations have been identified as safety locations, while Petron progressively identify other stations as safety points this year. Petron also conducted road safety training in Shah Alam, to raise road safety awareness among motorists.

QUESTIONS FROM SHAREHOLDERS/PROXIES

Written questions that had been submitted in advance by shareholders, as well as the Minority Shareholders' Watchdog Group, were answered by the Chief Executive Officer / Management.

Shareholders/proxies present then posed questions relating to the Company, its performance, operations and audited accounts, to which the Chairman/ Management provided responses.

Some key questions (and response given by the Company) are as follows:

1. It was stated in the Message to Shareholders that volatility of oil prices and the strengthening of the US Dollar has affected the Company's margins and as a result, the Company made a loss of RM64 million in 2013 as opposed to a profit of RM98 million in the previous year.

   What are the measures taken to improve the Company's margins?

   <u>PETRON'S RESPONSE:</u>

- Volatility in international oil prices and the narrow price differential between crude feed stocks and finished products in 2013 reduced Petron Malaysia Refining & Marketing Bhd ("PMRMB")'s margins. In addition, appreciation of the US Dollar against the Ringgit also contributed to this margin squeeze.
- In periods of declining prices, PMRMB incurs inventory losses as refined products produced with high-priced crude oil are sold at low prices. In periods of rising prices, on the other hand, PMRMB incurs inventory gains as refined products produced with low priced crude oil are sold at higher prices.
- PMRMB now has a dedicated team composed of Supply, Retail, Commercial and Refinery to manage factors within its control such as determining optimum refinery production, the right amount and cost of product importations, and optimal inventory levels.
- PMRMB has also commenced hedging activities to manage the commodity and FOREX risks PMRMB faces.

2. In the Message to Shareholders, it was reported that Petron ended the year with 562 stations, as it established 10 new builds in key locations nationwide. It was also stated that the Company's rebranding and upgrading program has converted 180 out of 300 or 60% of the Company's stations to Petron brand.

   i) When would the Company's rebranding and upgrading programme be completed and what would be the amount to be incurred for the programme in 2014?

   ii) Would there be any establishment of new stations in 2014 and if yes, how much would be incurred?

PETRON'S RESPONSE:

- PMRMB expects the rebranding program to be completed by March 2015.
- Rebranding a service station entails improvement of facilities and replacement of old equipment. Thus, investment varies from station to station, ranging from RM250k to RM700k per site. This year, we aim to establish 30 new service stations within the Petron group, about 60% of which would be PMRMB's.
- The cost of this will again vary from site to site and type of station. For example, a PMRMB owned station requires a significant investment that may run into millions of Ringgit just for the acquisition of land alone. Construction costs can easily add more. As an example, our newly-built service station in MRR2 Selayang cost around RM6.8million to build while the land acquisition cost us another RM4.5million.
- A dealer-owned station requires less investment by PMRMB but the equipment and facilities provided by PMRMB for such station can easily cost PMRMB a million Ringgit.
- The amount of investment per station is evaluated to ensure that growth in sales will provide an acceptable return both to PMRMB and the Dealer.

3. It was explained in the Message to Shareholders that the slight drop of 3% in revenue to RM11.1 billion was due to lower commercial sales, as some power plants shifted from liquid fuels to LNG, and the rationalization of the Company's aviation accounts.

   i) How would the Company improve its commercial sales?

   ii) Could the Board provide more information on the rationalization of the Company's aviation accounts?

PETRON'S RESPONSE:

- Diesel lifting by power plants is primarily dependent on the availability of LNG which is the primary feedstock for power plants.
- To compensate for the displaced volume due to unstable diesel demand from power plants, PMRMB continued to pursue its expansion program aimed at further improving our retail sales performance.

- In the first quarter of 2014, commercial volumes were boosted by increased demand from the power generation sector, aviation, and LPG.
- The aviation business was rationalized to move towards higher-margin airline accounts.
- In addition to the rationalization program, PMRMB expanded its aviation business through strategic alliances with Malaysia Airlines, Etihad Airways, Thai Airlines, Singapore Airlines, China Airlines, and Arab Air Carrier Organisation which consists of 6 airlines members.

4. We would also like to encourage the Minutes of the AGM be published on the Company's website to be in line with spirit of transparency and good Corporate Governance practices based on the ASEAN CG Scorecard which is being used to assess the level of CG standards of PLCs in Malaysia by MSWG.

PETRON'S RESPONSE:

- PMRMB will consider the suggestion.

5. As the losses at the Refinery seems to be the main contributing factor to the losses incurred by the Company, could the Management provide a breakdown of the profits and losses for each of its business segment?

PETRON'S RESPONSE:

PMRMB's Refinery is an integral part of the whole business of the Company. Unlike rival listed Companies who are either a marketing company or a Refinery, PMRMB is a combination of both. Both the Refinery and Marketing arms of PMRMB exist together and the Refinery is an integral part of the supply chain that provides products to the Marketing arm of the Company. As the Company's operations are always seen as a whole, PMRMB does not do segmental accounting to identify the profits and losses of each segment of the Company's business.

6. Does the Company make money on its Hedging activity?

PETRON'S RESPONSE:

The purpose of hedging is to manage the risks faced by the Company arising from the price volatility both in Crude and finished products. The Company also manages its FOREX risks through hedging. Hedging is therefore a risk management tool and not meant to make money.

7. When will Euro4M be implemented and what are the Company's plans to meet implementation deadlines?

PETRON'S RESPONSE:

The Oil Companies are still in discussion with the Malaysian Government on the implementation date and as such it would be unfair for PMRMB to comment until an official decision is announced by the Government. PMRMB however has completed a study and has in place a plan to meet the necessary requirements (eg commissioning a hydro-treater) and the Company is confident it will be able to meet the necessary deadlines that are set.

8. There had been some negative news about Petron dealers protesting against the new License Agreement. Can you please explain?

PETRON'S RESPONSE:

The new License Agreement has been in effect since 2012 with a new set of reasonable license fees. Prior to this new License Agreement, license fees had remained unchanged for five years. Further in line with the Government's request, there was no increase in fees for dealers with smaller sales volumes. Thus, Petron had been equitable in its determination of the new license fees for Dealers. Even with the new license fees, Petron dealers will still enjoy rewarding returns. It is unfortunate that a few dealers failed to understand this and made some serious allegations about Petron in the media and through a demonstration in a Petron petrol station. The matter however has since been resolved.

FORMAL PROPOSAL OF RESOLUTIONS

Shareholders/proxies were reminded that at the end of the process of formal proposals in respect of each resolution as stated in the Notice of Meeting, the AGM would be temporarily adjourned for the poll voting process.

Each of the nine ordinary resolutions and one special resolution, per the Notice of Meeting, were then formally proposed and seconded.

TEMPORARY ADJOURNMENT / POLL VOTING

Following the formal proposal in respect of each of the Resolutions, the AGM was temporarily adjourned by the Chairman at 3:25pm to allow the shareholders/proxies to cast their votes by using their respective registered ballot papers. Independent Scrutineers, Messrs Tricor Investor Services Sdn Bhd, conducted the poll and the tabulation of votes.

DECLARATION OF RESULTS OF POLL

At 3:51pm, the AGM was re-convened by the Chairman and En Abdul Satar Chik, Manager, Controllers, read out the results of the Poll as tabulated and confirmed by Messrs Tricor Investor Services Sdn Bhd.

The Chairman then declared each of the resolutions (as stated below), as carried:

Resolution 1

STATUTORY ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013	**RESOLVED that the Company's Audited Accounts for the year ended December 31, 2013 and the Directors' and Auditors' Reports thereon be and are hereby received and adopted.**

Resolution 2

FINAL DIVIDENDS	**RESOLVED that the declaration of a final**

dividend of 14 sen per ordinary share unit of 50 sen each for the year ended December 31, 2013, be and is hereby approved

Resolution 3 (a)

RE-ELECTION OF DIRECTOR - Y. Bhg Dato' Zainal Abidin bin Putih -	**RESOLVED that Y. Bhg Dato' Zainal Abidin bin Putih, retiring pursuant to Articles 104 and 105 of the Company's Articles of Association, be and is hereby re-elected as Director of the Company AND is appointed as an Independent Director in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.**

Resolution 3 (b)

RE-ELECTION OF DIRECTOR -	**THAT Mr Lubin B. Nepomuceno, retiring pursuant to Articles 104 and 105 of the Company's Articles of Association be and is hereby re-elected as Director of the Company.**

Resolution 4
(Special Resolution)

APPOINTMENT AS INDEPENDENT DIRECTOR - Y Bhg Tan Sri Abdul Halim bin Ali	**RESOLVED that Y Bhg Tan Sri Abdul Halim bin Ali, who has exceeded the age of seventy (70) years, be and is hereby appointed as an Independent Director in compliance with Section 129(6) of the Companies Act 1965 and Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.**

Resolution 5(a)

ELECTION OF DIRECTOR - Ms Chua See Hua	**RESOLVED that Ms Chua See Hua, retiring pursuant to Article 109 of the Company's Articles of Association, be and is hereby elected as Director of the Company**

Resolution 5(b)

ELECTION OF DIRECTOR - Mr Ferdinand K. Constantino	**RESOLVED that Mr Ferdinand K. Constantino, retiring pursuant to Article 109 of the Company's Articles of Association, be and is hereby elected as Director of the Company**

Resolution 5(c)

ELECTION OF DIRECTOR - Y Bhg Dato' Zuraidah Binti Atan	**RESOLVED that Y Bhg Dato' Zuraidah Binti Atan, retiring pursuant to Article 109 of the Company's Articles of Association, be and is hereby elected as Director of the Company**

Resolution 6

DIRECTORS' FEES	**RESOLVED that the Directors' Fees of RM50,000 per annum per Independent Director, for the financial year 2014, be and is hereby approved.**

Resolution 7

AUDITORS FOR 2014	**RESOLVED that Messrs KPMG be and are hereby appointed Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting, and that the Board of Directors be and are hereby authorised to determine the remuneration of the Auditors of the Company.**

Adjournment

There being no further business, the meeting of the Board was adjourned at 4:15p.m.

Respectfully prepared/submitted
(Signed)

MANOJ DEVADASAN
Corporate Secretary

Confirmed by the Board of Directors**:**

(Signed)

MR RAMON S. ANG
Chairman of the Board of Directors
Date: