



CHANGING THE LANDSCAPE



2014 Annual Report & Accounts

Petron Malaysia Refining & Marketing Bhd (3927-V)

OUR STORY

The Petron Malaysia Group is part of Petron Corporation in the Philippines, a rapidly emerging Asian oil company.

Petron Corporation joined Malaysia's dynamic and progressive oil industry with the acquisition of ExxonMobil's downstream businesses in March 2012. Petron Malaysia subsidiaries comprise of Petron Malaysia Refining & Marketing Bhd, a publicly-listed company listed on Bursa Malaysia, Petron Fuel International Sdn Bhd, and Petron Oil (M) Sdn Bhd.

Petron Malaysia Refining & Marketing Bhd operates Petron Port Dickson Refinery (PDR), which has a rated capacity of 88,000 barrels per day, producing a wide range of petroleum products which include gasoline, diesel, liquefied petroleum gas (LPG), industrial and commercial fuels, and aviation fuel. Our world-class fuels are distributed from seven strategically-located depots and terminals.

Through this robust distribution network, we are able to ensure a continuous and reliable supply of quality fuels to our various customers.

As an Asian company with a global mindset, we look forward to becoming an integral part of your lives as we fuel journeys through our network of more than 560 service stations nationwide, including stations belonging to our sister companies. Currently, we have completed the rebranding and upgrading of 'Esso' and 'Mobil' stations across the country to reflect our new identity. Our new Petron service stations, with its distinctive blue and red logo, embody what our brand stands for – innovative products, excellent service, successful partnerships built on trust, and caring for our customers.

We are proud to be part of your lives as we fuel safe journeys with our top-of-the line gasolines, Blaze 95RON, Blaze 97RON, and Diesel Max. Petron service stations also provide a one-stop service experience to travelers on the road. Our convenience store offers amenities such as shopping marts and fast food restaurants.

Petron's premier LPG brand, Petron Gasul provides efficient energy for the Malaysian households. We help power the Malaysian economy by providing commercial fuels to key industries.

Beyond our business agenda, we take our corporate and social citizenship to heart by supporting safety, environment, and education programs to ensure sustainability and contribute to social development. Through the combined experience and expertise of our highly-skilled and motivated management and personnel, and our strong foundations in the oil and gas industry, we are dedicated and passionate about our vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.



 **PETRON** **95**
BLAZE RON

 **PETRON** **97**
BLAZE RON

 **PETRON**
DIESEL MAX

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OUR VISION

To be the leading provider of total customer solutions in the oil sector and its allied businesses.

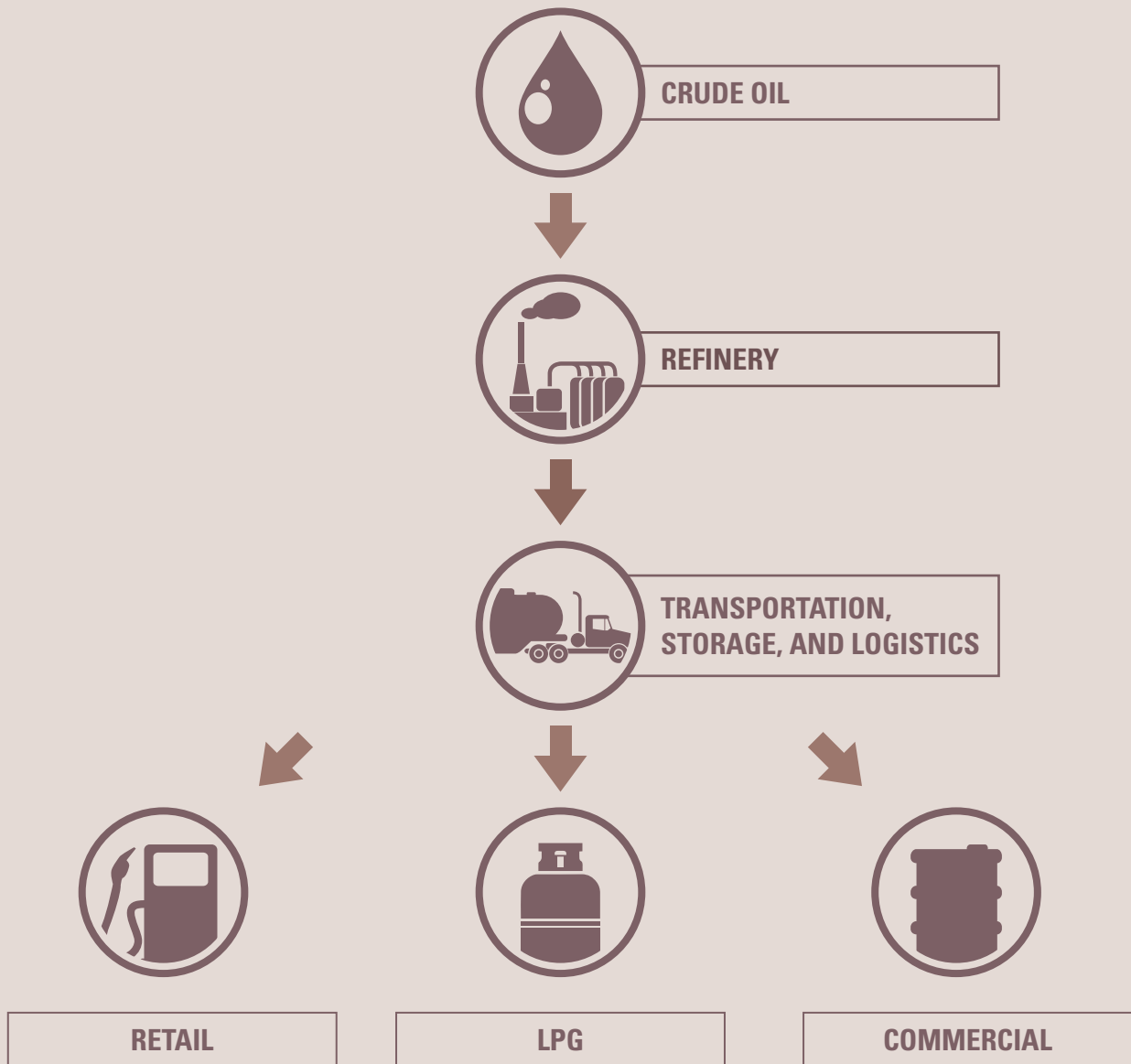
OUR MISSION

We will achieve this by:

- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs, delivering a consistent customer experience through quality products and innovative services;
- Developing strategic partnerships in pursuit of growth opportunities;
- Fostering an entrepreneurial culture that encourages teamwork, innovation, and excellence;
- Acting with professionalism, integrity, and fairness at all times;
- Adhering to the strictest safety and environmental standards; and
- Promoting the best interests of all our stakeholders, and caring for our community.



HOW PETRON REACHES YOU



Petron service stations provide a delightful and rewarding one-stop service experience for travelers on the road.



Petron Gasul LPG in 12kg and 14kg provides households with efficient, clean-burning liquefied petroleum gas.



Petron markets a wide range of industrial fuel products including Automotive Diesel Oil (ADO), Mogas, Kerosene and Jet A1 to industries that power the Malaysia economy.



OUR FACILITIES IN MALAYSIA



1. Port Dickson Refinery, Negeri Sembilan
2. Port Dickson Terminal, Negeri Sembilan
3. Bagan Luar Terminal, Penang
4. Kuantan Terminal, Pahang*
5. Westport Terminal (JV-BHP Terminal), Selangor*
6. KLIA Aviation Facility, Kuala Lumpur
7. Pasir Gudang Terminal (JV-Caltex Terminal), Johor*
8. Sepanggar Bay Terminal, Sabah*
9. Sandakan Terminal, Sabah*
10. Tawau Terminal, Sabah*

* PMRMB affiliate terminals



MORE THAN
560

PETRON
SERVICE STATIONS
NATIONWIDE

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Fiscal 2014 was a year of challenges, but more importantly a year in which we continued to grow our business and strengthen the Petron brand.



MESSAGE TO SHAREHOLDERS

Global oil prices fell sharply in the second half of 2014 as world oil supply rose much higher than demand, and oil-producing countries refused to cut production, instead opting to stockpile oil supplies despite a tapering off in demand as economies in Europe and Asia weakened.

The price of benchmark Dated Brent crude fell by 44% from an average of US\$112/barrel in June to US\$63/barrel in December. This development weighed on the global industry including Petron Malaysia Refining & Marketing Bhd (PMRMB).

Despite these external challenges, Petron Malaysia focused on completing strategic projects that will further strengthen our competitive advantage and prime our company for growth. We remained committed to give our customers the unique “Petron experience” through our world-class fuels, product innovations, upgraded facilities, and excellent service. By keeping our focus on fueling satisfaction, we enhanced our market presence and earned the trust and confidence of our customers.

CHANGING THE LANDSCAPE

Three years since Petron became a major player in the Malaysian oil industry, we have changed the competitive landscape, figuratively and literally.

PMRMB, together with our affiliate companies Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd (“Petron Malaysia Group”), is pleased to report that we have completed our upgrading and rebranding program, having transformed all 550 former ‘Esso’ and ‘Mobil’ stations to the Petron brand. Our distinct blue and red logo can now be seen along all major roads and highways and even in far-flung rural areas. We completed this major initiative ahead of our targets and in just under three years.

The completion of the rebranding and upgrading program is a significant milestone. A strong retail network combined with the trusted Petron brand has proven to be an advantage in strengthening our presence.

Complementing this is our ongoing retail network expansion program which aims to bring the Petron brand closer to consumers. The Group has already put up 10 service stations in 2014 while 20 more are in various stages of construction. We will continue to expand our network so there is a Petron station wherever and whenever our customers need us.

“Despite these external challenges, Petron Malaysia focused on completing strategic projects that will further strengthen our competitive advantage and prime our company for growth.”

“A strong retail network combined with the trusted Petron brand has proven to be an advantage in strengthening our presence.”

MESSAGE TO SHAREHOLDERS



100%
COMPLETION
OF REBRANDING
PROGRAM



10
NEW
SERVICE
STATIONS



29.4
MILLION BARRELS
TOTAL SALES
VOLUMES IN 2014

LOYALTY INNOVATIONS

Nearly two million consumers have signed on to our Petron Miles Privilege Card. Aside from earning points, Petron Miles cardholders get discounts and privileges from our growing number of merchant partners.

We also introduced the Petron Fleet Card, which is equipped with an advanced microchip technology for better control and security. We are now serving more than 4,000 fleet corporate customers since its launch.

The rebranding of our service stations, the launch of pioneering card solutions and other value-added services have resulted in increased patronage of our products. In the future, we will definitely come up with even more creative ways to better serve our customers.

ENHANCING OUR SUPPLY CHAIN TO SERVE YOU BETTER

We continue to invest in logistics projects with the aim of delivering our fuels in a more efficient, reliable, and environment-friendly manner. This has become even more important at a time when we are experiencing strong demand for Petron products.

The link from the Port Dickson Refinery to the multi-product pipeline serving the Klang Valley Distribution Terminal will be completed this year, making the supply of products from our refinery to the Klang Valley market more efficient, safe and cost-effective.

In line with the government's mandate to provide cleaner fuels, we rolled out B7 biodiesel fuels and began upgrading our terminals to ensure the readiness of our facilities to supply Euro 4M fuels.

“In the future, we will definitely come up with even more creative ways to better serve our customers.”

“We continue to invest in logistics projects with the aim of delivering our fuels in a more efficient, reliable, and environment-friendly manner. This has become even more important at a time when we are experiencing strong demand for Petron products.”

MESSAGE TO SHAREHOLDERS

FINANCIAL PERFORMANCE

We have always viewed every relationship with our customers as a partnership, a shared journey that's anchored on trust and reliability. We are proud to say that this affinity continues to help drive business growth even in the face of challenges triggered by falling oil prices.

The loyalty and continued patronage of our customers led to a growth across all major market segments, resulting in a 9% increase in domestic sales to 19.4 million barrels versus 17.8 million barrels in 2013. Overall, total sales volumes improved to 29.4 million barrels last year from 29 million barrels the previous year.

While domestic sales volumes rose, revenues slightly dropped to RM10.9 billion from RM 11.1 billion the previous year due to lower selling prices over the last two quarters of 2014. PMRMB ended the year with an after-tax loss of RM64.5 million.

BOARD MATTERS

There were no changes to the composition of the Board during the year; Tan Sri Abdul Halim Ali is set to retire at the end of the Annual General Meeting in 2015. Tan Sri Halim has served the Board with distinction since his appointment in 2001.

Your Directors' attendance and participation in all Board and Committee meetings in 2014 were exemplary. We have a Board comprised of individuals who possess excellent knowledge and experience in business and governance. They each have a high level of integrity, strong sense of ethics, and work cohesively as a Board to act in the best interest of the Company. The high ratings, achieved by each of the Directors in the end of year annual evaluation exercise conducted by the Nominating Committee, is testimony of their caliber.

In spite of the challenges in 2014, we made significant investments, introducing innovations in virtually every aspect of our business. We are well positioned to rise above these challenges and have looked into our internal programs to further increase productivity and optimise our operating costs.

Considering the losses suffered by the Company and the continued uncertainty in oil prices, there is a need to manage and preserve our resources to finance our planned programs that would strengthen and further grow our business and deliver long-term value for you, our valued shareholders.

MESSAGE TO SHAREHOLDERS

SAFER AND BRIGHTER JOURNEYS

Moving forward, we are committed to give our customers a much more rewarding and meaningful experience at every touch point. All our initiatives – network expansion, more robust logistical infrastructure, and products innovations – are towards delivering that promise.

We will also continue to support national safety and security advocacy programs. In the years to come, we see increased participation in initiatives such as the “United Against Crime” and the “Road Safety Program” which make communities and roads safer.

We will remain as the country’s staunch partner in nation-building through our support to programs on education, sports, and the arts. We are looking forward to the next “Vision Petron Art & Painting Competition”, which since 2012 has garnered hundreds of student-participants from various universities and colleges. More importantly, we will continue to aid the nation in rebuilding lives that have been and may be adversely affected by various calamities.

TOWARDS A COMMON VISION

There will definitely be more challenges ahead as our business expands to serve the needs of a dynamic Malaysian economy and a wider customer base. Yet you can be assured that Petron is a company that fulfills its commitments and promises. With our programs in place and many more in the pipeline, we are confident that our future initiatives will allow us to serve our customers better, add more value to our stakeholders, and ultimately, play a bigger role in nation-building.

Lastly, we thank the Board members, management team and employees for their contribution to the Company’s achievements during the year. We believe that our future successes are dependent on our commitment to our shared values of leadership, professionalism, and teamwork. We also thank our shareholders, customers, business partners, government agencies and media, who continue support not just our programs but our advocacies as well. With your confidence and support, we will bring Petron Malaysia to greater heights.

Terima kasih!



Ramon S. Ang
Chairman
29 April 2015

“Moving forward, we are committed to give all our customers a much more rewarding and meaningful experience at every touch point.”

“With our programs in place and in the pipeline, we are confident that our future initiatives will allow us to serve our customers better, add more value to our stakeholders, and ultimately, play a bigger role in nation-building.”

CHANGING THE LANDSCAPE

It has only been three years since Petron entered the Malaysian market and yet it has already become one of the most preferred brands in this highly-competitive market. Through the Petron brand, we are now an integral part of our customers' lives, fueling safe journeys, powering industries, and providing clean fuels to thousands of households.

Key to our growing market presence is our core strengths – innovative products and services, strong partnerships built on trust, and a genuine concern for our customers. All these make each visit to a Petron service station, each delivery of Gasul and other petroleum products, a rewarding experience.

CUSTOMER-FOCUSED TRANSFORMATION

Petron Malaysia Group has rebranded 550 Esso and Mobil stations. The transformation allowed our customers to enjoy high quality petroleum products such as Blaze 95RON, Blaze 97RON and Diesel Max, better facilities and personalized services from our well-trained staff.

To make every visit to our stations even more worthwhile, we have incorporated our very own convenience store "Treats" into strategically located outlets bringing

its total count to 251 as of end 2014. With Treats, we hope to be able to satisfy the needs of our consumers who are always on the go – from grabbing necessities from food, beverages, toiletries and even Petron lubricants to paying their bills and performing banking transactions at the ATM inside the store.

More than just one-stop-shops, our service stations are also safety hubs for anyone needing emergency police assistance. Petron Malaysia was the first oil company to transform all of

"Through the Petron brand, we are now an integral part of our customers' lives, fueling safe journeys, powering industries, and providing clean fuels to thousands of households."

its service stations into "Go-To Safety Points" (GTSP) in support of the Royal Malaysia Police's (RMP) initiative against crime. Since the start of 2014, Petron has been assisting the Malaysian police in promoting a safer environment among local communities, by putting in place safety systems and procedures at all service stations. Coupled with our well-lit and secure facilities, GTSP has made more motorists feel safe every

time they fuel up at Petron.

Meanwhile, our card solutions, now carrying the Petron brand name, focuses on providing loyal customers more and better rewards, benefits and convenience. For instance, the



CLOSE TO

2

MILLION

PETRON MILES
ACTIVE CARDHOLDERS



251

TREATS MART
NATIONWIDE



A woman with long dark hair, wearing a grey blazer over a light-colored top, stands with her arm around the shoulder of a young girl. The girl has a pink flower in her hair and is wearing a blue patterned dress. They are both smiling and looking at a glass-fronted refrigerator filled with bottled water. The refrigerator shelves are stocked with various brands of water, including 'PLUS' and 'TREATS'. The scene is brightly lit, suggesting an indoor convenience store environment.

LOVING THE CONVENIENCE

The logo for 'Treats' is displayed in a stylized, yellow font with a green outline, set against a white background with a subtle shadow effect.

Treats

TREATS

TREATS is our very own convenience store brand that offers motorists a safe and relaxing haven while on the road. Treats offers a wide selection of food, beverages, motoring products, ATMs, and a comfortable cafe.

CHANGING THE LANDSCAPE



Our 'Smiles' Card was also rebranded as Petron Miles Privilege Card. We have nearly two million members and the number continues to grow even as we continue to come up with ways to provide customers greater value to meet their needs. For every RM1 spent on fuels, Petron Miles Privilege cardholders are rewarded one Miles point. Points collected do not expire and are as good as cash, which means they can be used to buy fuel, items from Treats, or from our rewards catalogue. Apart from earned points, cardholders can also enjoy discounts and other privileges from our Miles partners.

At Petron, we make sure that we thank and reward our loyal customers. Last year, the Group held a Customer Appreciation Day at 140 stations throughout the country where families participated in fun activities and brought home Petron merchandise. Fueling

Petron Fleet Card, introduced in June last year, continues to attract corporate customers as it offers a more efficient way of managing vehicles. The card is equipped with an advanced chip which secures every fuel transaction, prevents data tampering, and protects user data.

“Meanwhile, our card solutions, now carrying the Petron brand name, focuses on providing loyal customers more and better rewards, benefits and convenience.”



football fever, five Petron Miles cardholders won a trip to Brazil to watch the World Cup Finals. We also launched the “Petrol Crazy” Campaign in partnership with Firefly and Star Radio Group to giveaway RM72,000 worth of Petron’s Blaze 97RON petrol as a reward to Petron customers, Firefly passengers, and listeners of Red FM and Suria FM.

TRUSTED BRAND OF HOUSEHOLDS AND INDUSTRIES

In the LPG business, we succeeded in expanding our customer base, both retail and commercial, through strategic partnerships with new dealers and improvement of our facilities. Our affiliate company upgraded a new carousel in its bottling plant in Westport to fill more Gasul cylinders, which allowed us to supply our growing number of customers. We now have 1.6 million Gasul-branded cylinders in the market. Coupled with our commitment to quality and safety, this has led to thousands of Malaysian households switching to our



COOKING FOR ALL



PETRON GASUL

Petron Gasul in 12kg and 14kg provides clean-burning LPG, which makes it the preferred LPG brand for cooking of households and commercial customers.

CHANGING THE LANDSCAPE



A SAFE AND RELIABLE SUPPLY CHAIN

Port Dickson Refinery (PDR), the heart of our operations, supplies the fuel needs of the central and northern regions and is crucial to the country's energy security. Given the increasing demand of these markets, PDR continued to focus on programs that will improve its production, plant reliability and ultimately, delivery of world-class quality fuels to end-users. Several initiatives implemented during the year include the construction of two additional storage tanks that will be completed in 2015 to reduce vessel delivery turnaround times and improve loading efficiency, among others.

We continued our Logistics Master Plan in 2014 to have a more robust supply chain. Our plans to link our refinery to the multi-product pipeline serving the Klang Valley Distribution Terminal remains on track and will be completed in May 2015. Once done, PDR will be able to supply various products to Klang Valley more efficiently and in a safe, secure and cost-effective manner.

“Given the increasing demand of these markets, PDR continued to focus on programs that will improve its production, plant reliability and ultimately, delivery of world-class quality fuels to end-users.”

brand. Our LPG sales grew by nearly 11% last year and we are confident that we will continue to grow in this market.

We likewise thrived in the aviation business. In 2014, we bagged new contracts to service additional regional airlines and major carriers in the Middle East, an offshoot of our customer-focused initiatives. More importantly, we were able to service during the year, two major airport terminals namely KL International Airport and KLIA2, which significantly increased our volumes. Our sales grew 100% in this sector.

In commercial trade, external challenges, which include cutthroat competition, did not hinder us from achieving our goals and exceed customer expectations. Our excellent track record allowed us to attract more customers, particularly in the power industry. As a result, sales in the Commercial sector surged by 32%.



CHANGING THE LANDSCAPE



continuing improvements based on a strong culture that encourages quality services and customer satisfaction.

We also invested in a development program that highlights four key management skills: Leadership, Corporate Culture & Knowledge, Communication, and Individual Effectiveness. We remain committed to further enhancing our inherent strengths from within to face external challenges and ensure that our talents grow together with our business.

We likewise established the Petron Recreational Club as a way to promote work-life balance and infuse teamwork among our employees. With many talents of different backgrounds, we induced more success through greater collaboration outside the workplace.

In line with government's mandate for cleaner fuels, we completed the upgrading of all our terminals under the Petron Malaysia Group to supply B7 biodiesel to motorists.

PDR is on target with its compliance to the government's mandate to supply Euro 4M Blaze 97RON fuel by September 2015. Euro 4M-standard fuels are more environment-friendly because they emit less emissions, particularly sulfur and benzene.

We also rolled out 109 new hauling trucks, all carrying the Petron logo.

FUELING SUCCESS

All our achievements would have not been possible without the dedication, commitment, and hard work of our biggest assets – Petron employees.

Banking on our people's strengths, we invested in programs to enrich the skills and talents of our workforce. We initiated the Total Quality Management system (TQM), an organisation-wide program to further improve competitiveness and reinforce the Company's core values of customer focus, innovation, teamwork and excellence. Through TQM, we can focus on

"All our achievements would have not been possible without the dedication, commitment, and hard work of our biggest assets – Petron employees."



SUSTAINABILITY REPORT

We at Petron believe that the best way for us to achieve success is to ensure sustainable growth that benefits all our stakeholders. To stay focused on this goal, we continue to evolve our sustainability programs that are anchored on the following pillars: economic performance, environmental management, safety & security and social responsibility. Through these, we are able to gauge our impact and further improve our performance beyond the numbers.



3.4%
OF NITROGEN OXIDES
REDUCED



1.2%
WATER CONSUMPTION
REDUCED



560
SERVICE STATIONS
ARE NOW
SAFETY HUBS

ECONOMIC PERFORMANCE

For PMRMB to consistently deliver robust economic results and unlock more value for shareholders, we continue to focus on three key aspects of the business namely:

- Sustainable Supply Chain**
- Excellent Customer Service**
- Long-Term Business Growth Plans**

Under a robust and comprehensive risk-management strategy, top management is able to assess economic risk and be proactive to ensure a sustainable supply chain flexible enough to adapt to a dynamic business environment. These include timely and prudent crude oil and product purchases and "just-in-time" deliveries. Last year, we stepped up initiatives to address commodity and foreign exchange risks. These helped us mitigate the impact of the extraordinary drop in global crude oil and product prices in 2014.

As mentioned earlier, we have completed our rebranding and upgrading program in 550 service stations. These stations serve as touch points for all our customers to experience the unique Petron experience. This, in turn, further fuels customer preference and loyalty.

We have put in place business plans that focus on long term-growth and profitability. Driven by a highly-qualified and experienced workforce, we will continue to prioritize investments and programs that would deliver sustainable

SUSTAINABILITY REPORT

volume growth and improve efficiencies across our supply chain. These include our retail expansion, our multi-product pipeline to Klang Valley, additional storage tanks at PDR, among others.



We also look for various ways to reduce our carbon footprint through the “I am SSHE (Safety, Security, Health, and Environment) Leader – Environment” program. Through this program, employees from selected terminals including Pasir Gudang, Sepang Bay and Tawau participated in tree-planting activities.

Also, in conjunction with PDR’s 50th anniversary, we conducted a SSHE Week campaign that promoted awareness on safety, health and environment among the local community. The campaign also involved a clean-up activity along the 2.5 kilometer stretch of Bagan Pinang beach at Port Dickson, which was participated by 100 students and our employee volunteers. The Bagan Pinang Beach, which is located near our refinery, is one of the country’s best holiday destinations. By tapping on the youth, we ensure that the next generation is aware of environmental issues.

To show our commitment on environmental preservation, we also signed a Memorandum of Understanding with Department of Environment to jointly promote environmental awareness through various activities.



ENVIRONMENTAL MANAGEMENT: “A BRIGHTER TOMORROW BEGINS TODAY”

We continue to be vigilant in protecting and preserving the environment through our internal program, “A Brighter Tomorrow Begins Today.” This initiative focuses on the reduction of waste and emissions at PDR while promoting awareness across the organization.

In 2014, our water conservation efforts resulted in the reduction of water consumption by 1.2%. We also reduced our emissions, particularly Nitrogen Oxides (NOx) by 3.4%.



motorists, especially the younger generation. Through our Road Safety Campaign, students from various universities were given seminars on safe and responsible road use. The seminars were supervised by RMP officials and professional trainers covering practical lessons on motorcycle handling and driving ethics. Through this training program, we have produced 350 Road Safety Ambassadors.

Student motorists were also educated on vehicle maintenance which is an integral component of road safety. As a partner in the campaign, we gave participants new safety helmets and Petron lubricants - Petron Rider 4T and 2T high-quality motorcycle engine oils. We also collaborated with higher institutions to launch these trainings at Universiti Teknologi Mara and went on road shows at Universiti of Tun Hussein Onn and Universiti Sains Malaysia.

SAFETY & SECURITY: OUR CORE ADVOCACIES

Safety and security are among our main advocacies. As a testament to this, Petron Malaysia facilities at Port Dickson Refinery, Port Dickson Terminal, Bagan Luar Terminal, Kuantan Terminal, Tawau Terminal, and Pasir Gudang JV Terminal were conferred with the Gold Class 1 Award by the Malaysian Society for Occupational Safety and Health (MSOSH) in recognition of their occupational safety and health performance. Our KLIA Aviation Depot was granted with the Gold Class 2 Award. These awards underscore the fact that our facilities are safe and environment-friendly.

Meanwhile, in support of the Royal Malaysia Police's (RMP) "United Against Crime" campaign, our stations are now designated safety hubs. Together with RMP, we conducted a series of trainings to dealers in all states. By the end of 2014, Petron service stations dealers and staff were trained to provide initial assistance and care to the public during emergencies.

In 2014, we again partnered with the Malaysia Road Safety Department to promote road safety. We believe that in order to make journeys safer, we need to continuously educate



SUSTAINABILITY REPORT



Through our Vision Petron Art & Painting Competition, which we first introduced in 2012, we hope to encourage college and university students to express their creativity through art. For the first time since its inception, Vision Petron was incorporated as one of the activities in the country's biggest art festival, the 5th 1Malaysia Contemporary Art Tourism Festival (1MCAT). 1MCAT is an initiative by the Ministry of Tourism and Culture Malaysia and conducted by the National Visual Arts Gallery. We were able to get more than 300 entries from aspiring Malaysian artists.

SOCIAL RESPONSIBILITY: PLAYING A ROLE IN NATION-BUILDING

Malaysia is a dynamic country in a fast developing region and Petron Malaysia is committed to contribute to the country's development, particularly its Vision 2020 goal.

For instance, we have been a staunch supporter of the Human Capital Awards of Distinction 2014 (previously known as Negeri Sembilan Schools Sports Award). Working closely with the State Education Department and the State Government of Negeri Sembilan, we help encourage and inspire our future leaders to excel in academics, sports, and the arts.



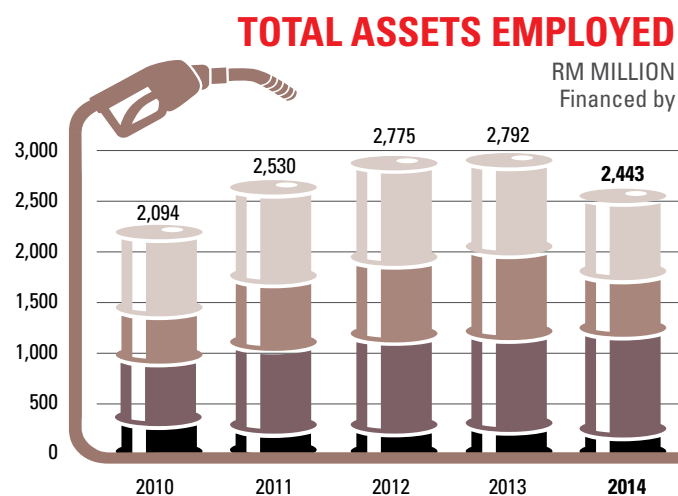
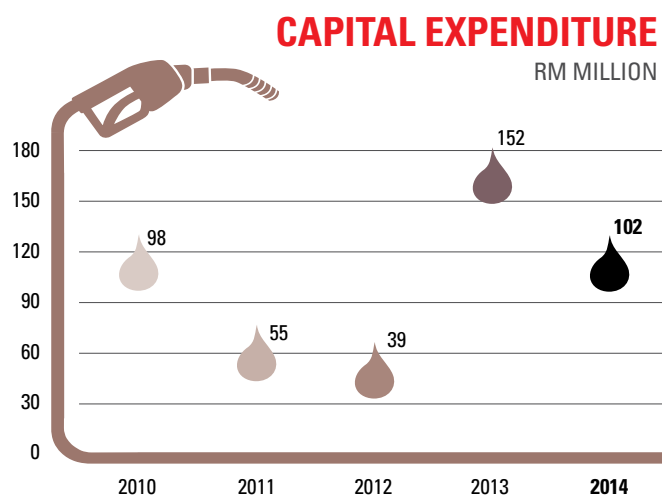
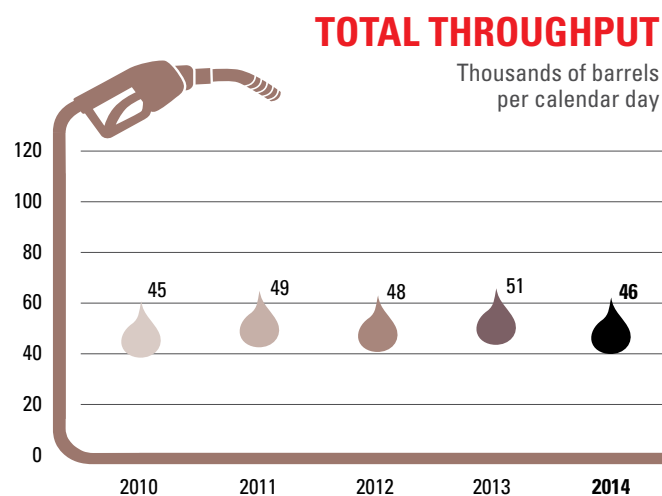
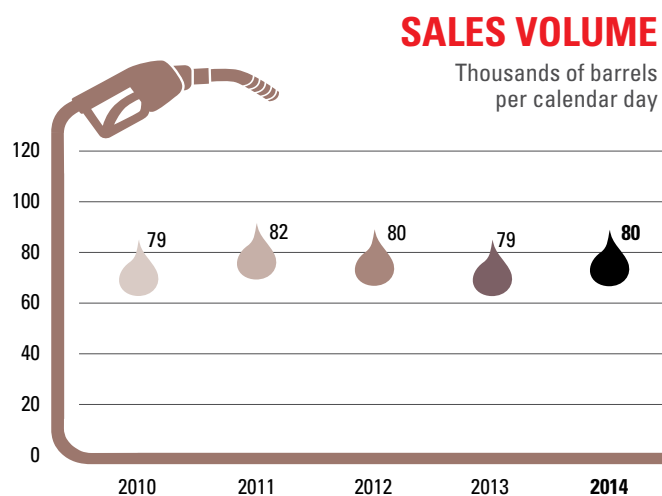
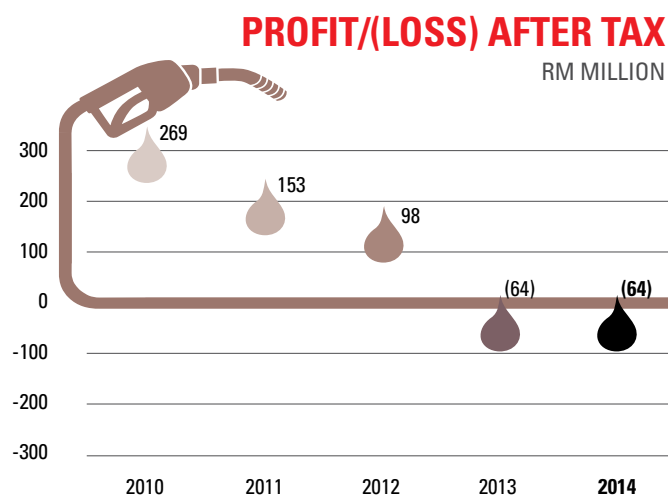
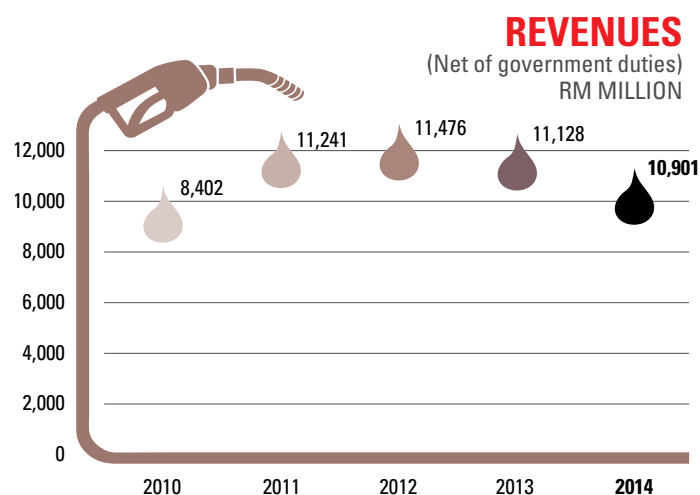


Meanwhile, through Petron Cares, we responded to the flooding in Sabah in October, where our employees joined volunteers to clean up two schools in Penampang and Kota Belud, Sabah. We also launched a Petron Flood Donation Drive in December to help flood victims in the east coast. Our employees and service station dealers volunteered to distribute relief goods, covering the hardest hit areas in Kuala Krai, Gua Musang and Pasir Mas in Kelantan, and Jerantut and Temerloh, in Pahang. Petron also contributed RM50,000 worth of school uniforms and materials for children, and RM100,000 worth of fuels for humanitarian relief missions.

Through our sustainable business practices, we hope to become a much stronger, more responsible company that drives change, deliver value to our multiple stakeholders and build better lives.

'Esso' and 'Mobil' as well as 'Smiles Loyalty Card' brands are propriety to ExxonMobil Corporation

FIVE-YEAR SUMMARY CHARTS



 Shareholders' funds
 Notes payable and bank borrowing
 Trade payables
 Taxes payable, provisions, and others

2014 HIGHLIGHTS

FINANCIAL HIGHLIGHTS	2014	2013	%
	RM Million	RM Million	Change
Revenues	10,901	11,128	(2)
Loss after tax	(64)	(64)	-
Loss per ordinary share unit (sen)	(23.9)	(23.8)	-
Dividend per ordinary share unit (sen)	-	14	(100)
Total assets employed	2,443	2,792	(12)
Total shareholders' funds	760	862	(12)
Sales volume (thousands barrels per calendar day)	80	79	1

SHAREHOLDERS' INFORMATION	2010	2011	2012	2013	2014
Earnings/(loss) per ordinary share unit (sen)	99.5	56.8	36.4	(23.8)	(23.9)
Dividend per ordinary share unit (sen)	14	14	14	14	-
Dividend yield (%)	5.3	3.6	4.3	4.5	N/A
Share price (RM) - Highest	3.03	5.97	3.94	3.60	3.21
- Lowest	2.42	2.73	2.71	2.76	2.30
- Average	2.64	3.92	3.26	3.11	2.90
Number of employees at year-end	290	261	283	293	292

BOARD OF DIRECTORS



STANDING FROM LEFT TO RIGHT

1. Y. Bhg. Tan Sri Abdul Halim Ali
Independent Director

3. Ms. Chua See Hua
Independent Director

5. Mr. Ramon S. Ang
Chairman

7. Y. Bhg. Dato' Zuraidah Atan
Independent Director

2. Mr. Ferdinand K. Constantino
Executive Director

4. Mr. Lubin B. Nepomuceno
Executive Director/
Chief Executive Officer

6. Ms. Aurora T. Calderon
Executive Director

8. Y. Bhg. Dato' Zainal Abidin Putih
Independent Director

BOARD OF DIRECTORS



PROFILE OF DIRECTORS

Ramon S. Ang Chairman

Mr. Ramon S. Ang, aged 61, a citizen of the Republic of the Philippines, was appointed as a Director on March 30, 2012 and appointed as Chairman/Chief Executive Officer of the Company on April 2, 2012. On November 20, 2013, Mr. Ang relinquished the position of Chief Executive Officer in adherence to the Malaysian Code on Corporate Governance 2012. Mr. Ang has served as the Chief Executive Officer and Director of Petron Corporation in the Philippines since January 8, 2009 and the President of Petron Corporation since February 10, 2015. Mr. Ang is also the Chairman of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Oil & Gas International Sdn Bhd, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd. Mr. Ang is also Vice Chairman and President and Chief Operating Officer of Petron Corporation's parent company, San Miguel Corporation, and is on the Board of Directors of a number of its subsidiaries including San Miguel Pure Foods Company Inc. and SMC Global Power Holdings Corp. Mr. Ang is also a Chairman of Eastern Telecommunications Philippines Inc. and Liberty Telecoms Holdings, Inc. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines.

Ferdinand K. Constantino Executive Director

Mr. Ferdinand K. Constantino, aged 62, a citizen of the Republic of the Philippines, was appointed to the Board on August 30, 2013. Mr. Constantino has served as a Director of San Miguel Corporation since May 31, 2010. He is the Chief Finance Officer, Senior Vice President, Treasurer, Corporate Information Officer San Miguel Corporation. He is also the President of Anchor Insurance Brokerage Corporation and is a Director of San Miguel Yamamura Packaging Corporation, Top Frontier Investment Holdings Inc., San Miguel Foods Inc., Citra Metro Manila Tollways Corporation and Northern Cement Corporation. He is the Director and Vice Chairman of SMC Global Power Holdings Corp. Mr. Constantino previously served San Miguel Corporation as Director of San Miguel Pure Foods Company Inc. (2008-2009) and San Miguel Properties Inc. (2001-2009) and as Chief Finance Officer of Manila Electric Company (2009). Mr. Constantino obtained a Bachelor of Arts in Economics from University of the Philippines in 1972.

Aurora T. Calderon Executive Director

Ms. Aurora T. Calderon, aged 60, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 2012. Ms. Calderon has served as a Director of Petron Corporation since August 13, 2010. She also sits on the Board of Directors of several Petron Corporation subsidiaries including Petron Oil & Gas International Sdn Bhd. Ms. Calderon is also Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation and sits on the Board of Directors of San Miguel Corporation and several of its subsidiaries including SMC Global Power Holdings Corporation. She has served as a Director of Manila Electric Company (from January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, she graduated magna cum laude from the University of the East in 1973 with a degree in Business Administration, majoring in Accounting. She earned her Masters degree in Business Administration from the Ateneo de Manila University in 1980.

Lubin B. Nepomuceno Executive Director and Chief Executive Officer

Mr. Lubin B. Nepomuceno, aged 63, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 2012. On November 20, 2013, Mr. Nepomuceno was also appointed as the Chief Executive Officer, when the offices of Chairman and Chief Executive Officer were separated in line with the recommendations of the Malaysian Code on Corporate Governance 2012. Effective February 10, 2015, he was appointed as General Manager of Petron Corporation. He is also a Director of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd. He is also the President of Petron Marketing Corporation. Mr. Nepomuceno is a Director of San Miguel Corporation subsidiaries, San Miguel Paper Packaging Corporation and Mindanao Corrugated Fibreboard Inc. Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and a Masters degree in Business Administration from the De La Salle University. He has also attended Advanced Management Programmes at the University of Hawaii, University of Pennsylvania and with Japan's Sakura Bank.

PROFILE OF DIRECTORS

Y. Bhg. Dato' Zainal Abidin Putih

**Independent Director and Chairman of the Board Audit & Risk Management Committee
Member of the Nominating Committee**

Y. Bhg. Dato' Zainal Abidin Putih, aged 69, a Malaysian, was appointed Director of the Company on March 6, 2003. Upon qualifying from the Institute of Chartered Accountants in England and Wales, he joined the firm of Hanafiah Raslan & Mohamad, which merged with Ernst & Young in July 2002. He has extensive experience in audit, having worked as a practicing accountant throughout his career covering many principal industries including banks, insurance, energy, transport, manufacturing, government agencies, plantations, properties, hotels, investment companies and unit trusts. He also has a good working knowledge of taxation matters and management consultancy, especially in the areas of acquisitions, takeovers, amalgamations, restructuring and public listing of companies. He plays an active role in the community and the corporate world being a Past President of the Malaysian Institute of Certified Public Accountants. He was also a member of the Malaysian Communication & Multimedia Commission, a body set up by the Malaysian government to oversee the orderly development of the multimedia and telecommunication industry in Malaysia. He was the Chairman of Pengurusan Danaharta Nasional Berhad as well as the Malaysian Accounting Standards Board (MASB). He is currently the Chairman of Dutch Lady Milk Industries Berhad and Land & General Berhad. He is a Director of the CIMB Group and is also the Chairman of CIMB Bank Berhad and a Director of CIMB Investment Bank Berhad. Dato' Zainal further serves as a Director of Tenaga Nasional Berhad and also acts as a Trustee of the National Heart Institute Foundation. Dato' Zainal Abidin Putih is a Fellow of the Institute of Chartered Accountants in England and Wales and is also a Certified Public Accountant.

Ms. Chua See Hua

**Independent Director, Member of the Audit & Risk Management Committee
Chairman of the Nominating Committee**

Ms. Chua, aged 61, a Malaysian, was appointed a Director of the Company on May 31, 2013. She is an Advocate and Solicitor of the High Court of Malaya, as well as in England and Wales, Hong Kong and Singapore. Ms. Chua is the founding partner of Chua Associates, Advocates and Solicitors; a niche firm she set up in 2010 specializing in corporate, commercial, real estate, finance and capital markets laws. Prior to that Ms. Chua was in legal practice since 1985 with a number of leading firms including Skrine & Co (1985-1989) and as Partner of Raslan Loong (1997-2010). She was also the General Counsel for Ernst & Young in Hong Kong and at the international law firm of Simmons & Simmons in Hong Kong (collectively from 1989-1997). Ms. Chua graduated with an LL.B from the University of East London, United Kingdom. She also completed her Masters in Law at the University of Cambridge specializing in companies & securities laws and international law.

Y. Bhg. Tan Sri Abdul Halim Ali

**Independent Director and Member of the Board Audit & Risk Management Committee
Member of the Nominating Committee**

Y. Bhg. Tan Sri Abdul Halim Ali, aged 71, a Malaysian, was appointed Director of the Company on May 22, 2001. Upon graduation from University of Malaya, he joined the Ministry of Foreign Affairs in 1966. After several domestic and foreign postings, he was appointed the Malaysian Deputy Permanent Representative to the United Nations in 1979. He was appointed Ambassador to Vietnam in 1982 and returned to Malaysia in 1985 to be Deputy Secretary General in the Ministry of Foreign Affairs before being appointed Ambassador to Austria. In 1991, he again returned to Malaysia to be Deputy Secretary General I in the Ministry of Foreign Affairs and in 1996, he was promoted to Secretary General. In July 1998, he was appointed Chief Secretary to the Government, the highest ranking civil service post in the country and was responsible for overseeing and coordinating the policies of the government and their implementation. He retired as Chief Secretary to the Government in March 2001. He currently is the Chairman of the Multimedia Development Corporation, Malaysia Building Society Berhad and IJM Corporation Berhad. Tan Sri Abdul Halim Ali holds a Bachelor of Arts degree from University of Malaya.

Y. Bhg. Dato' Zuraidah Atan

Independent Director, Member of the Audit & Risk Management Committee

Y. Bhg. Dato' Zuraidah Atan, aged 56, a Malaysian, was appointed a Director of the Company on February 20, 2014. She is an advocate and solicitor in her own law firm, Chambers of Zuraidah Atan which was established in 2004. Dato' Zuraidah is also the Chairman of the Students Volunteer Foundation, a foundation developed by the government to foster and cultivate the spirit of volunteerism among the students of higher education institutions. She is a member of the Universiti Sains Malaysia (USM) Board of Governors. She also served as an Honorary Advisor to the oldest non-governmental organisation related to cancer in the country, the National Cancer Society of Malaysia. She has more than 25 years of experience in the banking industry and has been involved in numerous investment projects and corporate advisory. She is a Non-Independent/Non-Executive Director on the Board of NCB Holdings Bhd (and its subsidiary Northport Bhd) and is an Independent Director on the Board of Kenanga Islamic Investors Berhad. Dato' Zuraidah is Director on the Board of Bursa Malaysia Berhad. She is also a Non-Executive Director of SP Setia Berhad. She is a member of the Consultation and Corruption Prevention Panel of the Malaysian Anti-Corruption Commission. Dato' Zuraidah Atan is a holder of Bachelor of Laws (Honours) degree from the University of Buckingham, England and a former student of Tunku Kurshiah College.

CORPORATE INFORMATION

PETRON MALAYSIA REFINING & MARKETING BHD (Company No.: 3927-V)

Directors

Mr. Ramon S. Ang
Chairman

Y. Bhg. Tan Sri Abdul Halim Ali
Independent Director

Y. Bhg. Dato' Zainal Abidin Putih
Independent Director

Ms. Chua See Hua
Independent Director

Y. Bhg Dato' Zuraidah Atan
Independent Director

Ms. Aurora T. Calderon
Executive Director

Mr. Ferdinand K. Constantino
Executive Director

Mr. Lubin B. Nepomuceno
Executive Director, Chief Executive Officer

Company Secretary

Mr. Manoj Devadasan
(LS0006885)

Share Registrar

Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603-22643883
Fax : +603-22821886

Auditors

KPMG (No. AF 0758)
Chartered Accountants
Petaling Jaya

Stock Exchange Listing

Main Board of Bursa Malaysia
Securities Berhad
Stock code: 3042
(Syariah-compliant securities)

Solicitors

Messrs Raja, Darryl & Loh, Kuala Lumpur
Messrs Zain & Co, Kuala Lumpur
Messrs Lee Hishamuddin Allen & Gledhill
Messrs Azman, Davidson & Co,
Kuala Lumpur

Registered Office

Office of the Secretary,
Petron Malaysia Refining & Marketing Bhd
Level 12A, Menara I&P 1,
No. 46 Jalan Dungun,
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50490 Kuala Lumpur
Tel : +603-20828400
Fax : +603-20828578

CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout the Company. The Board views this as a fundamental part of its responsibilities to protect and enhance shareholder value. Accordingly, the Board fully supports the principles laid out in the Malaysian Code on Corporate Governance 2012 ("2012 Code"). The following is a review of how the Company complies with the various recommendations of the 2012 Code.

The Corporate Governance Report covers the financial year of 2014. The Company has incorporated best practices from parent company Petron Corporation's own governance culture and formulated the Company's own corporate governance policies and guidelines (called the standards of business conduct or 'Code of Conduct') based on the Company's needs. The following is a summary of the Company's compliance with the 2012 Code.

PRINCIPLE 1

Functions of the Board and Delegation to Management

The Board leads and controls the Company. The Board meets at least four times a year, with additional matters resolved by way of circular resolutions as and when required. Special meetings of the Board may be called when necessary. In 2014, following the retirement of Y. Bhg. Tan Sri

Dato' Dr. Syed Jalaludin Syed Salim on June 5, 2014, the Board had four (4) Independent Directors. Each Independent Director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management, and standards of conduct. The role and authority level of the Chief Executive Officer ("CEO") is also stated in a Petron Corporation-based 'General Resolution' (on company-wide powers and relevant delegation of authority) that spells out the CEO's day to day management responsibilities and decision making powers. The Board for purposes of assisting the CEO in the day to day operational matters has also set up a Management Committee headed by an Executive Director of the Company and comprises the Heads of key Departments in the Company. The Management Committee meets weekly. The current Management Committee was formed by the Board on April 2, 2012 following the take-over by Petron Corporation in 2012. The Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorized signatories with respect to various business and functional matters based on the value of any given transaction. Controls are also incorporated to ensure that each approval goes through a strict process and various levels of independent 'cold eye' reviews prior to approval thus preventing any abuse of authority and ensuring thorough review prior to any decision being taken.

Board Leadership and Responsibility in Discharging Fiduciary and Leadership Functions

The Board (except for matters requiring shareholders' approval) is the ultimate authority of the Company and is tasked with the review and approval of all business plans and strategic initiatives (both short and long term) with specified goals that are to be achieved by the Management in the implementation of these plans and initiatives. Management reviews all such matters with the Board Audit & Risk Management Committee, comprised solely of Independent Directors, and the Board. By engaging the Independent Directors, the Management is able to elicit their views, and benefit from the Independent Directors' vast experience and expertise in various fields of business including that of the Company. The review with the Independent Directors also enables the Company to manage Minority Shareholders' expectations that their rights continue to be protected.

The Board recognizes that the business of the Company is one that has a moderate to high level of risk in terms of business, financial, economic outlook, environmental, safety and community/social risks. These are at all times kept in mind in planning and executing any venture that is to be undertaken. The Board nevertheless acknowledges that it is there to manage a business, and risk (as in all businesses) is an inherent part of the business. The Board recognizes that identifying and adopting solutions to manage those risks is imperative

CORPORATE GOVERNANCE

in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognizes as necessary for its sustainability which the Board (and the Company's Management) prides itself in being able to achieve.

The Company has written guidelines on shareholder communication that are incorporated in the Company's Corporate Communication and Disclosure Guidelines that can be accessed on the Company's website www.petron.com.my. The guidelines also incorporate the parent company's best practices. The Board and Management recognize the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. To this end, suggestions made by shareholders have been incorporated, where appropriate, including the improvement of financial presentations at general meetings as well as enabling shareholders to visit the office for dialogues or clarification on matters disclosed or pertaining to the Company. The Annual General Meeting provides a suitable forum for the shareholders to hold dialogues with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations. The Company's website has a Management Committee Member as its named contact person with contact details, to ensure shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. Needless to say, material information relating to the Company is disclosed to the public by way of announcements to Bursa Malaysia Securities Berhad ("BMSB"), as required by the Main Market Listing Requirements of BMSB ("MMLR").

There is a clear framework in place for the reporting on internal controls and compliance. The Management Committee meets weekly to review all matters in the preceding week and plan for work for the future. This allows the members of the Management Committee to review all issues pertaining to compliance, not only of laws including MMLR, but also compliance with the Company's policies on expected conduct by the Company and its employees. Any issue of non-compliance is referred to the Company's independent Internal Audit Group for review and investigation and, where recommended, necessary action. The review will also highlight process gaps that have to be corrected to ensure such non-compliance does not recur. The Company also has an established 'whistle-blower' protection system in place to safeguard employees from any recriminations for highlighting any non-compliance by any employee.

Code of Conduct and Management Systems

The Company has a written Code of Conduct in place that can be accessed on the Company's website. The Code of Conduct contains policies and systems designed to create and support a strong system of corporate governance. The Code of Conduct has been communicated to the Company's employees, contractors and vendors, so that they have a clear understanding of the Company's expectations. These include policies on business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships. Periodic training is also carried out for employees, contractors and vendors to ensure understanding of the requirements. Standard contracts of the Company (including employment contracts and contracts with third party vendors/contractors), also incorporate key provisions of the Code of Conduct as

standard terms in such contracts thus ensuring the Code of Conduct is at all times adhered to without compromise. Effective 2015, all employees are to provide annual written confirmation of their understanding of the Code of Conduct and declare their compliance with the same.

The management systems that are in place are designed to achieve high standards of performance in the areas of safety, operations integrity, internal control, and legal and environmental compliance. As these systems have been previously adopted by the Board and were used by the Company for many years, upon the take-over of the Company by Petron Corporation in 2012, these management systems were deemed to continue in operation and employees, contractors and vendors by contract and training, continue to be guided by these same systems until such time these systems are amended. As the systems involve employees, contractors and vendors whose engagement spanned the take-over, it was recognized that a sudden change in the systems (and providing fresh training to the employees, contractors and vendors) would cause undue strain on the Company's resources. In this regard, the Company has opted to gradually change the systems (where necessary) by introducing new or revised set of management systems to govern the Company that are in line with the policies and systems of the parent company, Petron Corporation. However, changes to the current policies and systems are expected to be minimal.

The Board and the Board Audit & Risk Management Committee with the assistance of an independent Internal Audit Group, help ensure that the policies and the management systems are fully implemented and consistently enforced.

Sustainability

Petron Corporation's investment in the Company (including its sister companies, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd) when it acquired ExxonMobil's interests in 2012, was a major investment by Petron Corporation in Malaysia. This investment was driven by a belief in the future of the downstream oil and gas business, the Malaysian economic growth prospects and a desire to benefit from regional business opportunities. The Board takes full cognizance that this investment by Petron Corporation is for the long term. The sustainability and continued sustainability of the business is key to ensuring all shareholders who have put their faith in the Company through their investment, and other stakeholders namely, the community in which we operate and society in general, benefit from the Company's presence and growth. To this end, the Company is fully committed to ensuring its products meet the highest standards in terms of safety and environment. The Company is also committed to meeting the Government's call to introduce cleaner and environment friendly Euro-5 compliant fuels.

The Company also has a policy of 'Malaysians First' when engaging employees. To date, the Company and its sister companies have hired over 200 Malaysian employees to fill job vacancies created since the take-over by Petron in 2012. These Malaysian employees have an opportunity to learn the business and complex processes in the downstream oil and gas industry first hand and in turn contribute to the long-term development of the Company, economy and society as a whole. The Company has a written policy on sustainability that can be accessed on

the Company's website. The Company further has a comprehensive 'Vision/Mission/Values' statement. The Vision/Mission/Values Statement also contains all elements of sustainability that the Company embraces. The Vision and Mission Statement can be viewed on the inner cover of this report.

The Board

The Board leads and controls the Company. The Board meets at least four times a year, with additional matters resolved by way of Circular Resolutions as and when required. Special meetings of the Board may be called when necessary. The Board has eight members (as at the end of 2014), with four Independent Directors and four Executive Directors (including the Chairman). Together, the Directors form the mind and management of the Company. Each Independent Director brings invaluable judgment and skills to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct.

Balance in the Board is achieved and maintained with the composition of both Executive and Independent Directors. In recognition that the Independent Directors have a primary role in providing unbiased and independent views, the Company has selectively appointed highly qualified individuals of integrity and character, with broad experience and proven business and management expertise.

With the retirement of Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim on June 5, 2014, Y. Bhg. Tan Sri Abdul Halim Ali is the longest serving Independent Director of the Company. Shareholders are at liberty to approach Y. Bhg. Tan

Sri Abdul Halim Ali, or any of the other Independent Directors, should there be any concerns relating to the Company and its Management.

Supply of Information to the Board

Information regarding the Company's business and affairs are normally provided to the Board by the Company's Management and staff. Towards meeting this objective, Board meetings are structured with a pre-determined agenda. Board and Committee papers covering the Company's operational and financial performance, strategic plans on any significant matters and developments, together with the minutes of the previous Board and Board Audit & Risk Management Committee meetings, are circulated to the Directors (or Members of the Board Audit & Risk Management Committee, as the case may be) in advance of each meeting. This allows the Directors time to study and deliberate on the issues to be raised and discussed at each meeting.

Access to the Services of a Competent Company Secretary

The Board, in addition, has full access to the services and advice of the Company Secretary. The Company Secretary, who is also the General Counsel of the group of Petron companies in Malaysia and a member of the Management Committee, has over 25 years of experience in legal matters and over 19 years of experience as a Company Secretary including that pertaining to a public listed company. The Directors also have full access to such outside advisors, including accountants, legal counsels, and other experts, as they deem appropriate. The fees and expenses of any such advisors will be paid by the Company.

CORPORATE GOVERNANCE

The Board Charter

Whilst the Board when first formed in 1974 had a formal Charter, with time and changes in the nature of the business, the roles and responsibilities and delegation of authority became more clearly defined by the 'General Resolution' on the delegation of authority today within the Petron Corporation group. This delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Board and Management and the relevant authority levels at Management. This document is reviewed periodically by the Board and updated as necessary. It is also to be noted that the Board recognizes (as mentioned in the 2012 Code) that it cannot effectively undertake the day-to-day management of the Company. It thus created the Management Committee, crafting a charter for the said Committee that spells out its roles and responsibilities. Thus, where any act or approval is not stated to be within the purview of the Management Committee by default it is deemed to be within the purview of the Board. The Charter of the Management Committee can be accessed on the Company's website.

PRINCIPLE 2

Establishment of a Nominating Committee

The Nominating Committee was established by the Board of Directors in 2003 with a written Charter that specifies its roles and responsibilities.

The Nominating Committee is responsible for the recommendation of candidates for Independent, Non-Executive and Executive Directors and the recommendation of Directors for Committees, for the Board's consideration and decision. The Nominating Committee is also responsible for the review and

recommendation of candidates for appointment as Chief Executive Officer, Chief Finance Officer and Company Secretary.

The current members of the Nominating Committee are as follows:

1. Ms. Chua See Hua (Independent Director) – Chairman of the Committee
2. Y. Bhg. Tan Sri Abdul Halim Ali (Independent Director)
3. Y. Bhg. Dato' Zainal Abidin Putih (Independent Director)

The composition of the Nominating Committee complies with the 2012 Code.

Role of the Nominating Committee and Activities in 2014

Apart from reviewing and making recommendations to the Board with regard to candidates as mentioned above, the Nominating Committee is also responsible for the annual assessment of the effectiveness of the individual Directors, Board Committees, and the overall Board on an on-going basis. These assessments, based on a combination of qualitative and quantitative factors, as determined by the Nominating Committee, were carried out by the Nominating Committee for the year. The findings and results of these assessments by the Nominating Committee were reported to the Board on February 24, 2015.

The Committee can also direct Management to plan induction training programs for new Directors (on request) to familiarize them with the fiduciary duties and need for compliance with securities and corporate laws.

The Nominating Committee, in recommending candidates, places emphasis on recommending the 'best person for the job and for the Company' regardless of race, religion, sex or social background. The same applies to the

appointment of Directors to the Board. The Nominating Committee recognizes that diversity on the Board in terms of having one-third women directors was a call from the Government, and a noble one at that, which the Nominating Committee will strive to achieve. In 2014, the Board had three (3) women directors, out of eight (8) directors; thus complying with the recommendation on gender diversity.

In accordance with the Company's Articles of Association, the Board can appoint any person to be a Director as and when it is deemed necessary. However, consistent with the best practices of the 2012 Code, the Nominating Committee makes recommendations to the Board prior to such appointments. Any person so appointed shall hold office until the next Annual General Meeting at which time the candidate will be subject to election by the shareholders. An election of Directors takes place every year, with each Director retiring from office at least once every three years. Directors retiring by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

In 2014, the Nominating Committee carried out the following activities:

- Review of candidates proposed for appointment as Independent Director (Y. Bhg. Dato' Zuraidah Atan), and appointment as Chief Finance Officer (Ms. Myrna C. Geronimo);
- Review of the Independent Directors having exceeded 9 cumulative years in office and making recommendations to the Board on their retirement (Y. Bhg. Tan Sri Abdul Halim Ali) and retention of another term (Y. Bhg. Dato' Zainal Abidin Putih); and
- To revamp the process for the annual review of the performance of the individual Directors, Board Committees and the Board of Directors as a whole.

The Nominating Committee, in reviewing the candidates for appointment to the Board and as Chief Finance Officer, considered the experience of the individuals, their respective qualifications for the position, their integrity and character, level of competence and the time they could afford to spend in the discharge of their respective duties. In this regard, the Committee also took into account the needs of the Company going forward and the value-added benefit of having some of the senior most directors and officers of the parent company to steward the Company.

For the Annual Review, the Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Committee also considered their role in charting the course for the Company and setting out the strategic plans for the Company and stewarding the implementation process. The Committee also reviewed other matters such as trainings attended, attendance record at meetings (including their respective participation) as well as their level of compliance with legal requirements, including the MMLR.

Annual Review of Board/Committees/ Directors Performance

A customized evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was implemented for the 2014 annual evaluation. The survey comprises 5 sets of form of questionnaires required to be completed by the respective Directors evaluating, by self-assessment and/or peer-assessment, in relation to (i) the independence of the Independent Director (ii) the performance of the Board Committees (iii) the performance of the

main Board (iv) the Board members' skills set and (v) the Director's performance and contribution to the Board.

The 2014 annual evaluation was completed in January 2015 and a summary of the results was presented to the Nominating Committee and the Board on February 24, 2015.

The evaluation in relation to the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the necessary requirements, under the Listing Requirements, of independence. Two (2) of the Independent Directors namely Tan Sri Abdul Halim Ali and Dato' Zainal Abidin Putih have exceeded the recommended nine (9) cumulative years in office but their continued presence on the Board, approved at the preceding Annual General Meeting, also fulfils the necessary requirements as recommended by the 2012 Code.

The Board was satisfied with the results of the other evaluation, which showed the Directors, the Committees and the Board having achieved overall ratings of 'Consistently Good', and noting that the Board composition has the right mix of skills and experience and has individuals of integrity. Feedbacks and recommendations received were noted for follow up or further review, periodically, in 2015.

The evaluation results were also used by the Nominating Committee in considering and determining its endorsements in relation to the re-election of retiring Directors.

The Board also noted that the Chief Executive Officer, Chief Finance Officer, Company Secretary and other members of the Management Committee (collectively "Key Executives") undergo a rigorous annual performance evaluation and ranking process based on set goals and

Key Performance Indicators. This is done as part of the Petron Group's annual employees' performance evaluation. The evaluation is done independently of each of the individual Key Executives concerned and who does not have any role in determining the results of the evaluation, the ranking, the salary increments and other remuneration, if any.

Remuneration Committee

The Remuneration Committee was in place in the first half of 2014 and was comprised of:

1. Mr. Lubin B. Nepomuceno (Executive Director/CEO) – Chairman of the Committee
2. Ms. Aurora T. Calderon (Executive Director) – Alternate Chairman of the Committee
3. Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim (Independent Director)
4. Y. Bhg. Dato' Zainal Abidin Putih (Independent Director)

The Executive Directors of the Company who are all senior Directors or officers of Petron Corporation or its parent company, do not receive any salary or allowance (Remuneration) from the Company. Any determination with respect to their salaries and perquisites are not within the purview of the Company nor the Remuneration Committee.

Since such Executive Directors (including the Chief Executive Officer) do not receive any Remuneration from the Company, the role of the Remuneration Committee was reduced to merely recommending the Directors' Fees and other allowances payable to Independent Directors. With the majority of the members on the Remuneration Committee being Independent Directors, a potential conflict of interest situation arose. Thus

CORPORATE GOVERNANCE

following internal deliberation, and as permitted by Recommendation 2.3 of the 2012 Code, the Board at its meeting on August 22, 2014, determined to disband the Remuneration Committee. Effective the same day, as provided for in the 2012 Code, the Board of Directors assumed the role of the Remuneration Committee and would manage the role by assuming the charter and procedure of the Remuneration Committee.

With that the Board would be reviewing and making recommendations on the Independent Directors Fees for approval at the Annual General Meeting in 2015. The Independent Directors during deliberations at the Board Meeting may be asked to provide their views but would otherwise abstain from any other discussion or voting regarding such proposal.

PRINCIPLE 3

Independence of Directors

The Independent Directors are not allowed to participate in any executive functions. To ensure their continued independence, the Independent Directors are required to provide a declaration to the Company of the fact. The Directors are also reminded to inform the Company of any new directorships offered to them, to enable the Company to conduct a review of any potential conflict of interest that may impact on their independence. The Independent Directors self-assessment of continued independence is conducted as part of the Annual Review.

Tenure of Independent Directors

Independent Director, Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim, having served a term exceeding nine (9) cumulative years, retired on June 5, 2014. Current Independent Directors, Y. Bhg. Tan Sri Abdul Halim Ali and Y. Bhg. Dato' Zainal Abidin

Putih have each exceeded a tenure of nine (9) years on the Board. The Company recognizes the rationale for the imposition of a 9-year-tenure limit in the 2012 Code as familiarity with main shareholders, executive directors and senior management may, over a long duration, impinge upon the Independent Directors' ability to objectively and independently discharge their roles and responsibilities. However, the Board takes cognizance of the fact that considering the take-over by Petron Corporation in 2012, with a new main shareholder (Petron Corporation), new Executive Directors (nominated by Petron Corporation) and new Senior Management (appointed by Petron Corporation) in place, the rationale as stated in the 2012 Code may be less applicable in the case of the Company's said two (2) Independent Directors. The Company also takes the view that, with Petron Corporation being new to the Malaysian market, the guidance of these experienced Independent Directors with their vast knowledge and understanding of the Company's business in the past under ExxonMobil, will benefit the Company and the Executive Directors.

Nevertheless, the Board recognizes the need to have a succession plan for the Independent Directors and in this regard, the Board determined that a phased succession plan would be in the best interest of the Company. Induction of new Independent Directors, for this purpose has commenced.

As part of the succession plan, Y. Bhg. Tan Sri Abdul Halim Ali has opted to retire from the Board at the conclusion of the Company's Annual General Meeting in 2015 and will not be seeking re-election.

Seeking Shareholders' Approval

The Board recognizes the recommendation in the 2012 Code and as the Company

plans to retain one of the Independent Directors, Y. Bhg. Dato' Zainal Abidin Putih despite their Board tenure having exceeded 9 years. Following a review by the Nominating Committee and its recommendation, the Board will be recommending to the shareholders at the Annual General Meeting in 2015 for the re-appointment of Y. Bhg. Dato' Zainal Abidin Putih as Independent Director for another year.

Chairman and CEO

In line with the recommendation of the 2012 Code, the office of Chairman of the Board and Office of the Chief Executive Officer is separated, with Mr. Ramon S. Ang as Chairman and Mr. Lubin B. Nepomuceno being the Chief Executive Officer.

Composition of the Board to be a majority of Independent Directors if there is no separation of Chairman/CEO.

With the separation of the offices of Chairman and CEO, this recommendation from the 2012 Code is not applicable.

PRINCIPLE 4

Time Commitment by Directors

The Nominating Committee in evaluating the candidates for Directorship took into account their other various roles and responsibilities and formed the view that they have the necessary capacity and time to fulfill their obligations and discharge their duties effectively as Directors. The Board Audit & Risk Management Committee too has taken cognizance of the reporting lines, reporting structure, reviews conducted, efficiency of processes and executive function of the Executive Directors, including their interaction with Senior Management and formed the view that the system was sound and effective.

Training

The Board places great emphasis on continuing education for Directors. In this regard, the status of each Director's continuing education was monitored and reviewed by the Board. The Board had in 2006, adopted the 'Principles for Training of Directors of the Company' that sets out the philosophies on and the type and mode of training that the Directors will undertake in each year, to help them serve the Board more effectively. These same Principles continue to be applied by the Board.

All Directors on the Board have received or undergone relevant training in 2014. A summary of the training programs attended by the Directors in 2014 are as set out in pages 40 to 42.

The Company reimburses the Directors for costs incurred in attending continuing education programs.

The Directors are also briefed on any significant changes in laws and regulations that are relevant to the Company's operations. Directors further received training and information about new initiatives by the Company, for example the training and information provided to the Directors on the new hedging plans, decision-making process, hedging tools, and relevant hedging activities of the Company.

PRINCIPLE 5

Financial Statements

In announcing the quarterly, semi-annual and annual financial statements to the shareholders and the public, the Board endeavours to present a balanced

and understandable assessment of the Company's financial position and prospects. The Board Audit & Risk Management Committee assists the Board by ensuring the accuracy and adequacy of the information announced.

The Board recognizes the importance of the accuracy of financial statements released to the public and thus, has no tolerance for any compromise on the integrity of the financial statements. The Board Audit & Risk Management Committee is updated every quarter by the Chief Finance Officer and Senior Management on the Company's compliance with financial reporting standards that have been adopted in preparing the financial statements. The review is comprehensive and to aid and enable the Board Audit & Risk Management Committee to track the financial performance of the Company, the presentation to the Board Audit & Risk Management Committee as a general rule follows a set format. The Board Audit & Risk Management Committee also reviews all aspects of the business and each business unit's performance and resulting contribution towards the financial performance of the Company. By such review, the Board Audit & Risk Management Committee is apprised of the factors contributing to the financial statements and is able to gauge the accuracy of the financial statements before endorsement of the same for tabling to the Board.

The Board Audit & Risk Management Committee also meets with the external auditor and the internal auditor privately (without Management's presence) to have the candid views of the external and internal auditors on their findings and to ascertain the level of support received from Management. This entire

process of review allows the Board Audit & Risk Management Committee to thoroughly review and confirm the accuracy and integrity of the financial statements of the Company that are prepared and released to the public.

Suitability of External Auditors

Recognizing the importance of the quality of services needed by a subsidiary of Petron Corporation/San Miguel Corporation, a multi-national group, the Company as a matter of principle only appoints top-tier international firm as external auditor for audit and non-audit services. The Board Audit & Risk Management Committee is tasked with an annual review of the external auditor (as part of the Annual Audit Plan review with the external auditor). The key matters for discussion in the Annual Audit Plan include the independence and continued independence of the external auditor. A written assurance of the fact is also obtained from the external auditor. Only when the Board Audit & Risk Management Committee is satisfied will it make the necessary recommendations to the Board for the appointment of the external auditor.

PRINCIPLE 6

Risk Management and Internal Controls

The Board recognizes that managing a publicly listed downstream oil and gas company has many challenges and inherent risks. These risks include financial, foreign exchange, legal compliance, crude and product supply, distribution, environment issues, industrial requirements, safety and managing the human resources of the

CORPORATE GOVERNANCE

Company. To this end, the Board had previously put in place a management integrity system that over the years, proved to be highly effective. Following the take-over by Petron Corporation, these management integrity systems continue to be adhered to by the Company to ensure seamless continuity of the business and operations. The Company has since made necessary changes as was deemed necessary to enhance its systems. Recognizing that Petron Corporation too is in the same downstream oil and gas business and the management integrity systems it has in place, the Company has opted to adopt, where possible, best practices from Petron Corporation's own systems. In this regard, the Company continues to receive technical advice and support from its parent company, Petron Corporation via its technical advisers based in Malaysia. The Company also receives a technical support via formal arrangements with ExxonMobil.

The Board recognizes that risks can be mitigated and even eliminated by having in place an effective system on internal controls. Key elements of the Company's internal controls include:

1. The adoption of best practices from Petron Corporation. These not only assist the Company in identifying the principal risks faced by the Company, but also prescribes the appropriate systems to manage these risks that includes the overall control framework, the required control checks and the required checks on the system's effectiveness;
2. A defined organizational structure with clear lines of accountability and delegation of authority;
3. Reviews of the control including internal audits have been performed periodically and financial audits are subject to annual review by external

auditors. The results are reviewed with various levels of Management and any major concerns are raised to Senior Management and the Board Audit & Risk Management Committee;

4. Key policies covering, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in place in the form of the Code of Conduct. These include requirements to comply with all applicable laws and regulations. The revised Code of Conduct has been communicated to employees, vendors and contractors. Effective from year 2014, training will also be provided periodically to employees, vendors and contractors. Employees will further be required to confirm annually that they have read the Code of Conduct and understand the requirements;
5. An integrity management system based on Petron Corporation's best practices to assess and sustain the effectiveness of the organization's system of controls; and
6. The effective lines of communications within the Management with weekly Management meetings where all matters pertaining to each business unit and function are reviewed. This way any controls related issues are highlighted weekly and the action plans on any identified gaps are dealt with immediately.

It should be noted that systems of internal controls and risk management are designed to manage rather than eliminate the risk of failure to achieve business objectives, and any system can only provide reasonable and not absolute assurance against material misstatement or loss.

In 2014, the Company embarked on a program to revisit its risk management by employing Petron Corporation's Enterprise-Wide Risk Management tools. The exercise pointed out that the key risks previously identified continue to be the main risk that must be managed even today. The Company, recognizing this is an evolving endeavour, will embark on an exercise to revisit the risk management preparations that are already in place with intent to update the tools, where necessary.

As part of the Risk Management review, all Business Continuity Plans of the Company will be periodically reviewed to ensure that the business recovery process in the event of an emergency is sound and effective.

Key control-related matters introduced to further enhance the Company's Corporate Governance include:

1. Timely reporting of any changes to the prevalent delegation of authority that has been approved by the Board and ensuring that amendments are approved by the Board in a timely fashion so as to not cause any disruption to the business;
2. Quarterly notice to all Directors and staff on Insider Trading and risks as well as restrictions on trading in the Company's shares during a 'closed period';
3. Quarterly reporting to the Board Audit & Risk Management Committee of all Trade Accounts Receivables that are written off; and
4. Full review with the Board Audit & Risk Management Committee on a quarterly basis of all inter-company transactions to ensure compliance with laws pertaining to Related Party Transactions.

The Board has received assurance from the CEO and CFO that the Company's risk management and internal control system (for financial year ended 2014 and up to the date of this Report) is operating adequately and effectively, in all material respects.

Internal Audit

The internal audit function undertakes independent, regular and systematic audit reviews of the Company's system of internal controls. This is to provide reasonable assurance that such systems are operating effectively. The basic framework of the Company's system of internal controls is described above. The internal audit process covers the audit of selected units and operations based on risk assessment and the periodic and annual review with the Board Audit & Risk Management Committee of audit results and audit plans for the subsequent year. Where there are any amendments to the audit plan, such amendments to the plan will require approval from the Board Audit & Risk Management Committee.

The Company's internal audit function is undertaken by an internal audit group based in Manila, at Petron Corporation, that also undertakes audit work for all Petron Corporation companies in the region. The internal audit group which reports directly to the Company's Board Audit & Risk Management Committee, also takes functional guidance from Petron Corporation's internal audit function. This structure allows the Company to benefit from the application of Petron Corporation's internal audit best practices and assures the Company of internal audit independence. The cost incurred for internal audit in 2014 was RM77,000.

PRINCIPLE 7

Disclosure Policies

The Company has a written disclosure policy that is incorporated in the Company's Corporate Communication and Disclosure Guidelines. The Guidelines augment a robust and tested system to ensure strict adherence with necessary disclosures to the public via BMSB. Considering the business of the Company, the similar nature of business of its sister companies in Malaysia, the nature of Petron Corporation's large downstream oil and gas business activities and the multi-faceted and wide-ranging businesses of the ultimate holding company San Miguel Corporation, the Company, as a matter of strict controls process, requires all transactions involving the Company to be reviewed via a 'filter' process, commencing with weekly Management Meetings and reviews with Law, Financial Controllers and Tax. All implications of the transactions (including the possibility of any related party transactions) are fully explored and reviewed to ensure strict compliance with the provisions of applicable laws (including the Listing Requirements). The Board does not allow for any compromise on this.

The Company also adopts the recommended best practice of voluntary disclosure of information to keep the public fully informed of any matters that may have any impact on the market or share price.

Use of Information Technology

The Company places information about the Company including all disclosures made to BMSB on its website. The

website contains information about the Company including its Corporate Governance, its parent company Petron Corporation, media announcements, stock exchange disclosures, its products range, dealership opportunities and employee recruitment. The website also contains the name and contact details of a Senior Management personnel who will address Investor Relations issues and Shareholders' queries. The website is regularly updated with the latest information. The Corporate Governance portion in the website contains information pertinent to shareholders including the Annual Reports, its Vision/Mission/Values Statement, its Safety/Health/Environment Policies, the Code of Conducts, sustainability and on Corporate Communication and Disclosure Guidelines.

PRINCIPLE 8

Shareholder Participation

At the Annual General Meeting, the Chairman of the Board apprises the shareholders of the progress and performance of the Company. A question and answer session is also conducted to allow shareholders the opportunity to question Management on the Company's business and the proposed resolutions. The Chairman, the Board members, Senior Management, external legal counsel and the external auditors are available at the Annual General Meeting to respond to questions. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. The Annual General Meeting provides an appropriate forum for the shareholders to hold dialogues with the Board on Company-related matters.

CORPORATE GOVERNANCE

The Company generally provides a minimum of one-month notice period for General Meetings (except in exceptional circumstances) and arranges for the General Meetings in a convenient and conducive location to give shareholders ample notice and to encourage their attendance. The Board has not formulated any plans to introduce electronic voting but will evaluate available systems and make a decision that will be in the best interest of the shareholders attending the meetings in the future. The Company however has, in collaboration with its share registrar, implemented the use of some automation in the poll voting process, thus increasing speed and efficiency of the voting process.

Poll Voting

In line with the 2012 Code, the Board implemented poll voting as a general process in all General Meetings of the Company. This ensures that the voting is representative of shareholding in the Company. The use of automation in the poll voting process, will allow for faster tabulation and the results that will be announced to the shareholders by the returning officer indicating the number of votes and the percentage of vote for and against any proposed resolution.

Proactive Engagement with Shareholders

The Company actively encourages shareholders to engage the Management to hold dialogues on any issues pertaining to the Company and provide them with information that may be disclosed. The Management, on several occasions has invited shareholders, potential shareholders and fund management companies (at their request) to attend private meetings with Management to help clarify Company-related matters including those on disclosed financial results, disclosed corporate actions and business plans. The Company strongly

believes that engaging shareholders directly apart from dialogues at general meetings, is an integral part of ensuring sound governance of the Company and helps stakeholders rationalize and appreciate the needs of the Company and balance that against the wants of the stakeholders.

OTHER INFORMATION RELATING TO CORPORATE GOVERNANCE

Directors' Attendance at Meetings

For the year ended December 31, 2014, four (4) Board and five (5) Board Audit & Risk Management Committee meetings were held. Details of the Directors' attendance at these meetings are summarized below:

Directors	Number of Board Meetings		Number of Board Audit & Risk Management Committee Meetings	
	Held	Attended	Held	Attended
Mr Ramon S. Ang	5	3	Non-Member	Non-Member
Ms. Aurora T. Calderon	5	4	Non-Member	Non-Member
Mr. Lubin B. Nepomuceno	5	5	Non-Member	Non-Member
Mr. Ferdinand K. Constantino	5	5	Non-Member	Non-Member
Ms. Chua See Hua	5	5	Non-Member	Non-Member
Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim ⁺	3	3	3	3
Y. Bhg. Tan Sri Abdul Halim Ali	5	5	5	5
Y. Bhg. Dato' Zainal Abidin Putih	5	5	5	4
Y. Bhg. Dato' Zuraidah Atan ⁺⁺	4	4	4	4

⁺ Denotes number of meetings held in the year while in office

⁺⁺ Denotes number of meetings held in the year following appointment to the Board

Directors' Remuneration

An analysis of the aggregate Directors' remuneration incurred by the Company for the year ended December 31, 2014 as prescribed under Appendix 9C Part A Item 11(a) of the MMLR is set out below:

	Fees (RM)	Value of Remuneration and Others (RM)	Total (RM)
Executive Directors	-	-	-
Independent Directors	222,376.00	89,242.03	311,618.03

CORPORATE GOVERNANCE

An analysis of the number of Directors whose remuneration, incurred by the Company, falls in successive bands of RM50,000 as prescribed under Appendix 9C Part A Item 11(b) of the MMLR is set out below:

Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
Less than 50,000	-	1
50,001 – 100,000	-	4

The Company has opted not to disclose each Director's remuneration as the Board considers the information to be sensitive and proprietary.

Petron Corporation-nominated Executive Directors did not receive any remuneration from the Company.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 and the MMLR to confirm that the financial statements for each financial year have been made out in accordance with the applicable approved accounting standards and that they give a true and fair view of the results of the business and state of affairs of the Company for the financial year.

The Directors have carried out their responsibilities by:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- ensuring that all applicable accounting standards have been adhered to; and
- basing the financial statements on a going-concern basis, as the Directors have a reasonable expectation, after having made due enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps such accounting and other records which will sufficiently explain the transactions and give a true and fair view of the financial position of the Company, enabling the Directors to ensure that the financial statements comply with the Companies Act, 1965 and to safeguard the assets of the Company.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors of the Company. The role of the Board Audit & Risk Management Committee in relation to the internal and external auditors is described on pages 43 to 45.

Material Contracts

The Company is not and was not a party to any material contracts involving the Directors' interests during the year. Further, the Company is not and was not a party to any material contracts that are not in its ordinary course of business. All contracts that are of a related party nature have been duly disclosed to BMSB during the year.

Non-Audit Fees

No non-audit fees were paid or are payable to the external auditors, KPMG, by the Company for the financial year ended December 31, 2014.

Other Information

- Family relationship**
None of the Directors have any family relationship with any other Director and/or major shareholder(s) of the Company.
- Conflicts of interest**
None of the Directors have any conflicts of interest with the Company.
- Conviction for offences (excluding traffic offences)**
None of the Directors have been convicted for any offences within the past 10 years.
- Sanctions and/or penalties**
No sanction or penalty has been imposed on the Company, or the Directors or the Management, by the relevant regulatory bodies.

This Statement is made in accordance with the Board of Directors' resolution dated February 24, 2015.

CORPORATE GOVERNANCE

TRAININGS ATTENDED BY DIRECTORS

Directors/Training	Date in 2014	Organizer
Mr. Ramon S. Ang		
• Corporate Governance Seminar	Nov 6	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Ms. Aurora T. Calderon		
• Corporate Governance Seminar	Sep 19	SGV & Co.
Mr. Ferdinand K. Constantino		
• 2015 ASEAN Integration Forum	May 13	ASEAN
• ASEAN Finance Ministers' Investors Seminar	May 20	ASEAN
• UA & P Economic Briefing	Jun 30	University of Asia and the Pacific, Philippines
• Deloitte : CFO Workshop	Jul 11	Deloitte
• CSR Expo : Commit, Strengthen, Rebuild	Jul 24	SMC Foundation Management
• Deloitte : CFO Transition Lab	Sep 4	Deloitte
• Corporate Governance (SGV)	Sep 19	SMC
• Anti-Money Laundering Act Briefing for BOD and Senior Management	Oct 11	Bank of Commerce
• FINEX Congress (breakout session: International Financial Reporting Standards)	Oct 16	FINEX
• World Law Group Conference on ASEAN Economic Community (as panelist)	Oct 16	ASEAN Lawyers
Mr. Lubin B. Nepomuceno		
• Corporate Governance Seminar	Aug 5	SGV & Co.
Ms. Chua See Hua		
• Site Visit to Port Dickson Facility	Jan 9	Petron Malaysia
• Building Asian Futures : Integration, Welfare & Growth?	Apr 3	London School of Economics Asia Forum
• Crude and Petroleum Commodity Hedging Program	Jul 7	Petron Malaysia
• Refinery Master Plan Phase 2 (Bataan, Philippines)	Aug 22	Petron Corporation
• MAICSA Annual Conference - Challenges of the Changing Corporate & Regulatory Landscape	Sep 9 - 10	MAICSA
• Executive GST Briefing	Sep 10	BDO Malaysia
• "Environmental Law in a Global Society" by Lord Carnwath of Notting Hill	Oct 9	Sultan Azlan Shah Law Lectures
• Great companies deserve Great Boards	Oct 10	Bursa Board of Directors Series
• Boris Johnson, the Mayor of London	Dec 2	Khazanah Global Lectures
• "Does ASEAN Matter" by Datuk Dr Rebecca Fatima Sta Maria, Secretary General of the Ministry for International Trade and Industry	Dec 18	MICPA Commemorative Lecture

CORPORATE GOVERNANCE

TRAININGS ATTENDED BY DIRECTORS (CONTINUED)

Directors/Training	Date in 2014	Organizer
Y. Bhg. Tan Sri Abdul Halim Ali		
• Bursatra’s Half-Day Courses – Detecting, Preventing & Reporting Financial Irregularities & Fraud – Painful But Necessary	Apr 10	Petron Malaysia
• 7 th Annual Growth, Innovation and Leadership (GIL) Asia Pacific Summit	Apr 14 - 15	Multimedia Development Corporation Sdn Bhd (MDec)
• University Leadership Development Workshop	Jun 2 - 3	Universiti Teknologi Malaysia
• Crude and Petroleum Commodity Hedging Program	Jul 7	Petron Malaysia
• Refinery Master Plan Phase 2 (Bataan, Philippines)	Aug 22	Petron Corp
• PTD Alumni International Conference 2014 : Transformational Leadership in Malaysia	Sep 9 - 10	Persatuan Alumni Pegawai Tadbir dan Diplomatik
• PIKOM’s Leadership Summit 2014 – Breaching the New Frontiers in the Digital Age	Sep 17	Association of the Computer and Multimedia Industry of Malaysia (PIKOM)
• Khazanah Mega Trends Forum 2014	Sep 29	Khazanah Nasional
• UUM-Corporate Partnership Forum 2014 – Building Quality Talent Pipeline	Oct 1	Universiti Utara Malaysia
• ASEAN Corporate Governance Scorecard Workshop	Oct 7	MSWG and Bursa Malaysia
• National Digital Conference 2014 – Continuous Innovation to Achieve People-Oriented Government Services Excellence via Digital Engagement & Public Sharing of Information	Oct 9	Multimedia Development Corporation Sdn Bhd (MDeC)
• Risk Management & Internal Control : “An Integrated Assurance on Risk Management & Internal Control – Is Our Line of Defence Adequate and Effective?”	Oct 13	Bursa Malaysia
• Great Companies Deserve Great Boards by Beverly A. Behan, President, Board Advisor, LLC	Oct 17	Malaysian Directors Academy (MINDA)
• Budget Talk 2015	Nov 3	IJM Corporation Berhad
• Putrajaya Committee on GLC High Performance	Nov 4	The Putrajaya Committee on GLC High Performance (PCG) Secretariat
• Advanced Senior Management Program – Seminar by Professor David B. Yoffee, Harvard Business School	Dec 2	Universiti Teknologi Malaysia
Y. Bhg. Dato’ Zainal Abidin Putih		
• Land & General Berhad In-House Directors Training - Companies Bill 2013 by Dr. Cheah Foo Seong; and - GST by Mr. Robin Chia	Jan 8 (half day)	Tricor Knowledge House Sdn Bhd
• BNM-FIDE FORUM Dialogue with Governor, BNM - Economic and Financial Services Sector : Trends and Challenges Moving Forward	Mar 24	FIDE Forum

CORPORATE GOVERNANCE

TRAININGS ATTENDED BY DIRECTORS (CONTINUED)

Directors/Training	Date in 2014	Organizer
Y. Bhg. Dato' Zainal Abidin Putih (continued)		
• Tenaga Nasional Board Breakout	May 9	Tenaga Nasional Berhad
• Invest Malaysia 2014	Jun 9	CIMB Group/Bursa Malaysia
• MITI & BNM : Engagement Session with Banking Institutions	Jun 10	MITI/Bank Negara
• CIMB 6 th Regional Compliance, Audit and Risk Summit 2014	Jun 16	CIMB Group
• Dutch Lady Milk Industries Directors Continuing Education Programme 2014	Jun 27	Guinness Anchor Berhad
• Crude and Petroleum Commodity Hedging Program	Jul 7	Petron Malaysia
• CIMB Group Risk Posture for 2015 – Workshop for Combined Board Risk Committees	Jul 24	CIMB Group Dave Thomas, Gp CRO
• Refinery Master Plan Phase 2 (Bataan, Philippines)	Aug 22	Petron Corporation
• Board Risk Intelligence – Risk Governance into Practice	Sep 3 - 4	Asian World Summit Sdn Bhd Speaker : Dr Frank Ashe
• CIMBG – GST Awareness Briefing for Board of Directors	Sep 8 (half day)	Ernst & Young Tax Partner – Mr Bernard Yap
• Khazanah Megatrends Forum 2014 – Scaling The Efficiency Frontier Institutions : Innovation : Inclusion	Sep 29	Khazanah Nasional Berhad
• Australia All Energy 2014 Exhibition & Conference, Melbourne	Oct 15	Reed Exhibitions Australia Pty Ltd., Melbourne
Y. Bhg. Dato' Zuraidah Atan		
• Managing Stakeholders' Expectations in the Fast Changing Business Trends towards Value Creation (by Professor Michael Yazij)	Feb 18	PNB Investment Institute Sdn Bhd (PNBi)
• Board Induction Program	Mar 14	Bursa Malaysia Berhad
• Briefing on Petron Operations in Malaysia	Apr 9	Petron Malaysia
• 2014 Invest Malaysia Kuala Lumpur	Jun 9 - 10	Mandarin Oriental Hotel, Kuala Lumpur
• Derivatives Trading, Global Trends and Moving Forward	Jun 20	Eastern & Oriental Hotel, Penang
• 1 st Annual Gold & Precious Metals – Price Outlook Symposium : Will Gold Still Glitter in 2014?	Jun 28	Istana Hotel
• Crude and Petroleum Commodity Hedging Program	Jul 7	Petron Malaysia
• Environmental, Social & Governance (ESG) Index	Aug 19	Bursa Malaysia
• Refinery Master Plan Phase 2 (Bataan, Philippines)	Aug 22	Petron Corporation
• Great Companies Deserve Great Boards and Great Boards Leading the Way for Highly Innovative Companies (by Miss Beverly Behan)	Oct 8	PNB Investment Institute Sdn Bhd
• Peeking into the Future	Dec 7	Angsana Bintan Hotel, Bintan Resorts, Indonesia
• The Companies Bill : The Significant Changes for Directors	Dec 22	PNB Investment Institute Sdn Bhd (PNBi)

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Committee comprises three (3) Independent Directors. The following are the Committee members:

1. Y. Bhg. Dato' Zainal Abidin Putih – Chairman of the Board Audit & Risk Management Committee
2. Y. Bhg. Tan Sri Abdul Halim Ali
3. Y. Bhg. Dato' Zuraidah Atan; and
4. Ms. Chua See Hua

A detailed profile of the Committee members can be found on page 27.

The Secretary to the Committee is the General Counsel/Company Secretary of the Company.

The Committee had five (5) meetings during the last financial year. The details of attendance of each Committee member have been tabulated under the Corporate Governance Statements section, which can be found on page 38. Executive Directors are encouraged to attend these meetings to provide guidance to the Board Audit & Risk Management Committee. However, Management Committee Members, in particular the Alternate Chairman of the Management Committee, the Chief Finance Officer and the General Counsel/Company Secretary regularly attend the Committee meetings by invitation to present matters for consideration by the Committee and to provide answers to queries. In addition to the Committee meetings, the Committee also met privately with the Internal Auditor and External Auditors.

As part of the new Petron-led Management's corporate governance culture, and to ensure that Independent Directors are fully kept abreast of all matters pertaining to the Company, the Management implemented a process where if an Independent Director is unable to attend a Committee Meeting, an advance private meeting, where possible, will be held with said Director earlier to fully brief him of all matters to be tabled before the Committee. The views of that Director are then related to the Committee during its Meeting. Similarly, where a Circular Resolution of the Committee is moved (due to difficulty in arranging a Committee meeting), a private meeting will be arranged with each Independent Director, where possible, for a full briefing on the proposal prior to obtaining their consent to the Circular Resolution.

SUMMARY OF ACTIVITIES

During the last financial year, the Committee discharged its functions and carried out its duties as set out in the Terms of Reference below.

INTERNAL AUDIT

To ensure independence from the Company's Management, the Internal Audit function of the Company is managed by Petron Corporation's Internal Audit Department. The Internal Auditors report directly to the Board Audit & Risk Management Committee.

The Internal Audit Department of Petron Corporation is highly experienced in auditing downstream oil and gas business and this enables the internal auditors to conduct the audits efficiently with minimal familiarization and be in a position to provide management with much input process improvements in the Company's systems. The Internal Auditors report directly to the Board Audit & Risk Management Committee.

Further information about the internal audit function can be viewed under the Corporate Governance Statements on page 37.

TERMS OF REFERENCE OF THE BOARD AUDIT & RISK MANAGEMENT COMMITTEE

Membership

The Committee members shall:

- be appointed from members of the Board of Directors (the Board);
- consist of not less than three in number;
- comprise fully Independent Directors;
- elect a Chairman from among their number, who is an Independent Director and has requisite qualifications; and
- not be an alternate Director.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Meetings and Minutes

Meetings of the Committee shall be held regularly, and as often as necessary. Other Directors of the Company and relevant personnel may only attend the meetings at the invitation of the Committee. If required, the presence of the external auditors at the meetings of the Committee may be requested. The auditors, both internal and external, may request the Committee to convene a meeting if one is necessary, to consider any matter which any of the auditors believe should be brought to the attention of the Directors and/or shareholders of the Company.

The Secretary to the Committee shall be appointed by the Committee. The Secretary shall be responsible for the timely issuance of meeting notices, together with meeting agenda and any supporting documents in advance of such meeting, for recording, keeping and distributing the minutes of meetings and any other duties ordinarily discharged by a secretary of such Committee.

Authority

The Committee is authorized by the Board:

- To investigate any matter within its terms of reference;
- To have the resources which are required to perform its duties;
- To have full and unrestricted access to any information pertaining to the Company;
- To have unrestricted access to and communication with the external auditors of the Company and internal auditors;
- To obtain external legal or other independent professional advice as necessary; and

- To convene meetings with the external auditors of the Company, without the attendance of the executive members of the Committee, whenever deemed necessary.

Duties

The Committee is charged with the following duties:

- To review, provide recommendations and (where necessary) approve risk management reviews and findings, and to review the mitigation initiatives implemented by the Company;
- To review with the external auditors and internal auditors of the Company, the audit plan of the Company, the respective auditors' evaluation of the Company's system of internal accounting controls and the audit report, the external auditors' management letter and management's response to such letter, and report the same to the Board;
- To review and report to the Board the assistance given by the Company's employees to the external auditors and internal auditors of the Company;
- To review and report to the Board the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- To review and report to the Board the internal audit programme, processes, the results of the internal audit programme, or investigation undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit;

- To review and report to the Board the quarterly results and year-end financial statements, including the balance sheet and profit and loss statement, prior to submission of the statements to the Board for approval, focusing particularly on:

- changes in existing accounting policies or implementation of new accounting policies;
- significant and unusual events;
- compliance with accounting standards and other legal requirements; and
- the going concern assumption.

- To review and report to the Board any related party transaction and conflict of interest situation that may arise within the Company;
- To review and report to the Board any removal, resignation, appointment and audit fee of the Company's external auditors;
- To review and report to the Board whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment;
- To recommend the nomination of a person or persons as external auditors of the Company;
- To report promptly to Bursa Malaysia Securities Berhad (BMSB) matters reported by the Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of BMSB; and
- To perform such other functions as may be agreed to by the Committee and the Board.

Risk Management

The Company, following the take-over from ExxonMobil, had maintained the same risk management evaluations and risk management tools to manage identified risks. In 2014, the Committee embarked on a review of the Company's risk management in light of operations under Petron and further to align the Company's risk management with Petron Corporation's Enterprise-Wide Risk Management. The findings in relation to identified risks remained largely the same, given that the continued nature of the business of the Company post take-over from ExxonMobil. The identified key risk areas are:

Key Risk	Type of Risk
Price volatility (both crude and petroleum products)	- Financial
Foreign Exchange volatility	- Financial
Major incident rendering facilities inoperable	- Operations/Integrity/Financial
Shipping incident/Oil Spill	- Operations/Environment/Reputation
Supply disruption/over dependence on few suppliers	- Operations
Changes in Government policy	- Regulatory
Competition	- Market environment
Product Quality	- Operations/Integrity
Regulatory compliance	- Regulatory/Reputation/Operations
IT Systems/Infrastructure outage	- Operations

For each of these identified risks, there are risk management tools and existing business continuity programs in place. In 2015, as part of the on-going review by the Committee of the Company's risk management exercise, the Committee would review the risk management tools employed to mitigate identified key risks.

This Statement is made in accordance with the Board of Directors' resolution dated February 24, 2015.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2014.

Principal activities

The Company is principally engaged in the manufacturing and marketing of petroleum products in Peninsular Malaysia. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Loss for the year	64,478

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a final ordinary dividend of 14 sen totalling RM37,800,000 in respect of the financial year ended 31 December 2013 on 25 June 2014.

The Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Y. Bhg. Tan Sri Abdul Halim Ali
Y. Bhg. Dato' Zainal Abidin Putih
Y. Bhg. Dato' Zuraidah Atan
Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim (resigned with effect from 5 June 2014)
Mr. Ramon S. Ang
Ms. Aurora T. Calderon
Mr. Lubin B. Nepomuceno
Ms. Chua See Hua
Mr. Ferdinand K. Constantino

DIRECTORS' REPORT

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2014
	At 1.1.2014	Acquired	Sold	
Common shares of ultimate holding company (San Miguel Corporation)				
Ramon S. Ang	757,873	-	-	757,873
Aurora T. Calderon	22,600	-	-	22,600
Lubin B. Nepomuceno	7	-	-	7
Ferdinand K. Constantino	147,500	-	-	147,500
Common shares of intermediate holding company (Petron Corporation)				
Ramon S. Ang	1,000	-	-	1,000
Aurora T. Calderon	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000
Ferdinand K. Constantino	1,000	-	1,000	-

None of the other Directors holding office at 31 December 2014 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Ramon S. Ang
Chairman

.....
Lubin B. Nepomuceno
Director

Kuala Lumpur

Date: 10 April 2015

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Assets			
Cash and cash equivalents	3	354,668	97,593
Derivative financial assets	4	19,507	3,129
Trade and other receivables	5	422,092	809,531
Inventories	6	442,385	694,765
Tax recoverable		32,149	32,581
Total current assets		1,270,801	1,637,599
Property, plant and equipment	7	981,591	945,705
Long-term assets	8	183,767	199,456
Intangible assets - software	9	6,483	9,138
Total non-current assets		1,171,841	1,154,299
Total assets		2,442,642	2,791,898
Liabilities			
Loans and borrowings	10	790,000	900,000
Trade and other payables	11	608,168	919,040
Derivative financial liabilities	4	834	4,334
Retirement benefits obligations	12	4,452	4,604
Taxation		400	-
Total current liabilities		1,403,854	1,827,978
Loans and borrowings	10	198,276	-
Retirement benefits obligations	12	42,304	42,000
Deferred tax liabilities	13	38,185	60,129
Total non-current liabilities		278,765	102,129
Total liabilities		1,682,619	1,930,107
Equity			
Share capital		135,000	135,000
Reserves		8,000	8,000
Retained earnings		617,023	718,791
Total equity	14	760,023	861,791
Total equity and liabilities		2,442,642	2,791,898

The notes on pages 55 to 93 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000 Restated
Revenue	15	10,901,029	11,128,100
Cost of sales		(10,771,598)	(10,947,771)
Gross profit		129,431	180,329
Other operating income		62,938	76,927
Other operating expenses		(197,650)	(182,333)
Administrative expenses		(17,608)	(24,205)
Results from operating activities		(22,889)	50,718
Other income		38,348	3,280
Other expenses		(29,282)	(64,651)
Finance income	16	1,037	1,812
Finance costs	17	(72,986)	(66,577)
Loss before tax	18	(85,772)	(75,418)
Tax benefits	20	21,294	11,172
Loss for the year		(64,478)	(64,246)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	19	510	11,845
Other comprehensive income for the year, net of tax		510	11,845
Total comprehensive expense for the year		(63,968)	(52,401)
Basic loss per ordinary share (sen)	21	(23.9)	(23.8)

The notes on pages 55 to 93 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	-----Non-Distributable-----			Distributable	Total equity RM'000
		Share capital RM'000	Capital redemption reserves RM'000	Reserve for retirement plan RM'000	Retained earnings RM'000	
At 1 January 2013		135,000	8,000	(14,557)	814,099	942,542
Remeasurement of defined benefit liability		-	-	11,845	-	11,845
Total other comprehensive income for the year		-	-	11,845	-	11,845
Loss for the year		-	-	-	(64,246)	(64,246)
Transfer to retained earning		-	-	2,712	(2,712)	-
Total comprehensive income/(expense) for the year		-	-	14,557	(66,958)	(52,401)
<i>Contributions by and distributions to owners of the Company</i>						
Dividends to owners of the Company	22	-	-	-	(28,350)	(28,350)
Total transactions with owners of the Company		-	-	-	(28,350)	(28,350)
At 31 December 2013/1 January 2014		135,000	8,000	-	718,791	861,791
Remeasurement of defined benefit liability		-	-	510	-	510
Total other comprehensive income for the year		-	-	510	-	510
Loss for the year		-	-	-	(64,478)	(64,478)
Transfer to retained earning		-	-	(510)	510	-
Total comprehensive expense for the year		-	-	-	(63,968)	(63,968)
<i>Contributions by and distributions to owners of the Company</i>						
Dividends to owners of the Company	22	-	-	-	(37,800)	(37,800)
Total transactions with owners of the Company		-	-	-	(37,800)	(37,800)
At 31 December 2014		135,000	8,000	-	617,023	760,023

The notes on pages 55 to 93 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000 Restated
Cash flows from operating activities			
Loss before tax		(85,772)	(75,418)
Adjustments for:			
Amortisation of intangible assets	9	2,655	2,728
Amortisation of long-term assets	8	20,823	20,347
Depreciation of property, plant and equipment	7	59,830	60,624
Finance costs	17	72,986	66,577
Finance income	16	(1,037)	(1,812)
Impairment loss on trade receivables		-	105
Intangible asset written off		-	444
(Gain)/Loss on disposal of property, plant and equipment		(9,834)	34
Property, plant and equipment written off	7	3,628	7,491
Inventories write down	6	27,547	-
Retirement/separation benefits cost		5,173	2,479
Unrealised foreign exchange differences		302	5,767
Other (gain)/loss		(18,673)	1,205
Operating profit before changes in working capital		77,628	90,571
Change in inventories		224,833	35,894
Change in long-term assets		(797)	1,796
Change in trade and other payables and other financial liabilities		(329,822)	93,592
Change in trade and other receivables and other financial assets		390,770	87,475
Cash generated from operations		362,612	309,328
Interest paid		(58,532)	(49,489)
Interest received		1,037	1,812
Real Property Gain Tax/Income Tax paid		(27)	(17,827)
Retirement/separation benefits paid		(4,302)	(4,573)
Net cash from operating activities		300,788	239,251

STATEMENT OF CASH FLOWS

	Note	2014 RM'000	2013 RM'000 Restated
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(99,604)	(142,708)
Payment for long-term assets	8	(4,337)	(9,703)
Proceeds from disposal of property, plant and equipment		10,094	379
Net cash used in investing activities		(93,847)	(152,032)
Cash flows from financing activities			
Proceeds from borrowings		90,000	-
Repayment of borrowings		(2,066)	-
Dividends paid to owners of the Company	22	(37,800)	(28,350)
Net cash from/(used in) financing activities		50,134	(28,350)
Net increase in cash and cash equivalents		257,075	58,869
Cash and cash equivalents at 1 January		97,593	38,724
Cash and cash equivalents at 31 December	3	354,668	97,593

The notes on pages 55 to 93 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Petron Malaysia Refining & Marketing Bhd is a public company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

Registered office/Principal place of business

Level 12A, Menara I & P Tower 1
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur

Principal place of business

Port Dickson Refinery
1 ½ mile, Jalan Pantai
71000 Port Dickson, Negeri Sembilan

The Company is principally engaged in the manufacturing and marketing of petroleum products in Peninsular Malaysia.

The immediate and ultimate holding companies during the financial year were Petron Oil & Gas International Sdn. Bhd. ("POGI") and San Miguel Corporation ("SMC"). These companies were incorporated in Malaysia and Philippines respectively. The Directors regard SMC as its ultimate holding company.

The financial statements were authorised for issue by the Board of Directors on 10 April 2015.

1. Basis of preparation

1.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 3 and Amendments to MFRS 140, which are not applicable to the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 10 and Amendments to MFRS 128, MFRS 14, Amendments to MFRS 141, Amendments to MFRS 127 and Amendments to MFRS 134, which are not applicable to the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

(i) **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 – impairment of receivables, Note 12 – remeasurement of retirement benefit obligations and Note 13 – deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

2.1 Joint arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Company has rights only to the net assets of the arrangements. The Company accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2.2 Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to Ringgit Malaysia at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences on retranslation are recognised in profit or loss.

2.3 Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Loans and receivables

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(2.9)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in the profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

- | | |
|------------------------------|-------------|
| • Buildings and improvements | 20-50 years |
| • Plant and equipment | 10-33 years |

Depreciation methods, useful lives and residual values are reviewed, at end of the reporting period, and adjusted as appropriate.

2.5 Leased assets

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.5 Leased assets (continued)

(ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease rentals.

2.6 Intangible assets

(i) Software cost

Software cost is measured at cost less any accumulated amortisation. Computer software costs are amortised on a straight-line basis over the estimated useful life of the software, which normally falls within a range of 5 to 7 years.

2.7 Inventories

Crude oil and petroleum product inventories are stated at the lower of cost and net realisable value. Cost includes all applicable purchase costs and production overheads and is determined on the first-in first-out (FIFO) basis. Materials and supplies are valued at cost, determined on a weighted average basis, and a deduction is made for obsolete and slow moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks.

2.9 Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.9 Impairment (continued)

(i) Financial assets (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2.10 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Distributions of assets to owners of the Company

The Company measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

2. Significant accounting policies (continued)

2.11 Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate.

(iii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed by a qualified actuary every three years using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.13 Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2.14 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.16 Earnings per ordinary share

The Company presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

2.17 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.18 Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.19 Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence and non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

3. Cash and cash equivalents

	2014 RM'000	2013 RM'000
Deposits placed with a licensed bank	304,340	4,219
Cash and bank balances	50,328	93,374
	354,668	97,593

Deposits placed with a licensed bank of RM4,340,000 (2013: RM4,219,000) held in accordance with the sale and purchase agreement relating to the Company's purchase of a participating interest in the Multi Products Pipeline System and related distribution terminal facilities ("MPP"). The amount will be utilised for payment in respect of the vendor's real property gains taxes upon decision by the Inland Revenue Board.

4. Derivative financial assets/(liabilities)

	2014			2013		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	430,509	1,096	(362)	377,602	3,101	(909)
- Commodity swap	11,613	18,411	(472)	61,293	28	(1,472)
- Commodity options	-	-	-	70,139	-	(1,953)
	442,122	19,507	(834)	509,034	3,129	(4,334)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currency of the Company. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Commodity swap and options are used to mitigate crude and petroleum products price risks arising from volatile market fluctuations. All of the commodity derivative contracts have maturities of less than 180 days after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

5. Trade and other receivables

	2014 RM'000	2013 RM'000
Trade		
Trade receivables	122,097	187,166
Less: Individual impairment allowance	(1,585)	(1,733)
	120,512	185,433
Amounts due from related companies	109,929	119,081
	230,441	304,514
Non-trade		
Amounts due from related companies	330	1,207
Subsidies receivable	107,098	466,974
Prepayments	21,826	20,185
Other receivables	62,397	16,651
	191,651	505,017
	422,092	809,531

Related party balances

The trade balances due from related companies are subject to normal trade terms. The non-trade balances due from related companies are unsecured, interest free and are repayable on demand.

Subsidies receivable

Subsidies receivable are amount due from the Government of Malaysia under the Automatic Pricing Mechanism. On average, these receivables are collected within 2 to 3 months.

Estimation uncertainty and critical judgements

The Company makes impairment of receivables based on assessment of recoverability. Whilst management's judgement is guided by past experiences, judgement is made about the future recovery of debts.

NOTES TO THE FINANCIAL STATEMENTS

6. Inventories

	2014 RM'000	2013 RM'000
Crude oil	158,399	275,788
Petroleum products	274,436	409,752
Material and supplies	9,550	9,225
	442,385	694,765
Recognised in profit or loss:		
Inventories recognised as cost of sales	10,617,708	10,787,550
Write down to net realisable value, the write down is included in cost of sales	27,547	-

7. Property, plant and equipment

	Freehold Land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Plant and equipment RM'000	Capital project in-progress RM'000	Total RM'000
Cost						
At 1 January 2013	200,044	106,938	390,791	1,130,100	42,449	1,870,322
Additions	-	-	36,098	39,913	66,697	142,708
Disposal	-	-	-	(2,016)	-	(2,016)
Write off	-	-	(2,236)	(41,311)	-	(43,547)
Reclassifications	-	-	10,948	22,039	(32,987)	-
At 31 December 2013/ 1 January 2014	200,044	106,938	435,601	1,148,725	76,159	1,967,467
Additions	-	-	12,525	17,495	69,584	99,604
Disposal	(206)	(75)	-	(7,124)	-	(7,405)
Write off	-	-	(979)	(7,995)	-	(8,974)
Reclassifications	-	-	9,950	15,443	(25,393)	-
At 31 December 2014	199,838	106,863	457,097	1,166,544	120,350	2,050,692

NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment (continued)

	Freehold Land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Plant and equipment RM'000	Capital project in-progress RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2013	-	17,626	221,250	759,921	-	998,797
Depreciation during the year	-	1,185	18,150	41,289	-	60,624
Disposal	-	-	-	(1,603)	-	(1,603)
Write off	-	-	(1,274)	(34,782)	-	(36,056)
At 31 December 2013/ 1 January 2014	-	18,811	238,126	764,825	-	1,021,762
Depreciation during the year	-	1,185	18,425	40,220	-	59,830
Disposal	-	(37)	-	(7,108)	-	(7,145)
Write off	-	-	(234)	(5,112)	-	(5,346)
At 31 December 2014	-	19,959	256,317	792,825	-	1,069,101
Carrying amounts						
At 1 January 2013	200,044	89,312	169,541	370,179	42,449	871,525
At 31 December 2013/ 1 January 2014	200,044	88,127	197,475	383,900	76,159	945,705
At 31 December 2014	199,838	86,904	200,780	373,719	120,350	981,591

Included in the above property, plant and equipment is the net book value for the Company's 20% participating interest in the joint venture assets of MPP amounting to RM86,877,000 (2013: RM92,573,000).

During the financial year, the Company wrote off certain properties and equipment amounting to RM3,628,000 (2013: RM7,491,000) due to on-going rebranding of retail stations and replacement of equipment.

Included in carrying amounts of leasehold land is the net book value for leasehold land with unexpired lease period of more than 50 years amounting to RM82,570,000 (2013: RM83,675,000).

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term assets

	2014 RM'000	2013 RM'000
Prepaid lease rentals	153,058	160,599
Deposits	2,459	2,574
Marketing assistance to dealers	20,413	23,914
Others	7,837	12,369
	183,767	199,456

The movement in the long term assets are as follows:

At 1 January	199,456	211,896
Addition	4,337	9,703
Amortisation	(20,823)	(20,347)
Reclassification from short term	1,034	29
Others	(237)	(1,825)
	183,767	199,456

Prepaid lease rentals

Included in the above prepaid lease rentals are leasehold land amounting to RM1,336,000 (2013: RM1,368,000) for the Company's 20% participating interest in the joint venture assets of MPP.

Marketing assistance to dealer

The marketing assistance programme is provided to selected dealers to assist in the construction of the service stations in order for the Company to gain access to locations and generate future revenue streams and is amortised over the period of the agreements.

9. Intangible assets - software

	2014 RM'000	2013 RM'000
Cost	24,294	24,294
Accumulated amortisation	(17,811)	(15,156)
Net book value	6,483	9,138
At 1 January	9,138	12,310
Amortisation	(2,655)	(2,728)
Write off	-	(444)
Net book value	6,483	9,138

NOTES TO THE FINANCIAL STATEMENTS

10. Loans and borrowings

	2014 RM'000	2013 RM'000
Current		
Working capital facility	790,000	900,000
Non-current		
Long term loan	198,276	-
	988,276	900,000

- (a) In April 2012, the Company entered into 5-year Working Capital Facility Agreement of RM900 million with Maybank Investment Bank Berhad (as the agent) for working capital requirements, payment of inter affiliate payables and the refinancing of the existing facilities and existing instruments then. Borrowings are normally settled within 30 to 60 days.
- (b) During the year, the Company entered into two 5-year Term Loan Facility Agreement of RM100 million each with Malayan Banking Berhad and CIMB Bank Berhad.

11. Trade and other payables

	2014 RM'000	2013 RM'000
Current		
- Trade		
Trade payables	550,941	830,680
- Non-trade		
Accrued expenses	52,313	72,947
MPP deposit	4,394	4,271
Others	495	241
Amounts due to related companies	25	10,901
	608,168	919,040

Related party balances

The trade balances due to related companies are subject to normal trade terms. The non-trade balances due to related companies are unsecured, interest free and are repayable on demand.

Accrued expenses

Other payables are generally those of a non-trade nature that arose from transactions other than the purchase of crude and petroleum products.

NOTES TO THE FINANCIAL STATEMENTS

12. Retirement benefits obligations

	2014 RM'000	2013 RM'000
Retirement benefits obligations		
- Current	4,452	4,604
- Non-current	42,304	42,000
	46,756	46,604

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The plan assumptions are reappraised by an independent actuary every three years. The latest actuarial appraisal was carried out in December 2013.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Movement in retirement benefits obligations

The following table shows reconciliation from the opening balance to the closing balance for the retirement benefits obligation and its components.

	2014 RM'000	2013 RM'000
Balance at 1 January	46,604	60,106
Included in profit or loss		
Current service cost	2,568	2,443
Interest cost	2,430	2,841
	51,602	65,390
Included in other comprehensive income		
Remeasurement of retirement benefit obligation		
Actuarial gain arising from:		
- Financial assumptions	-	(1,730)
- Experience adjustments	(719)	(14,063)
	(719)	(15,793)
Other		
Benefit paid	(4,127)	(4,538)
Intercompany transfer	-	1,545
	(4,127)	(2,993)
Balance at 31 December	46,756	46,604

NOTES TO THE FINANCIAL STATEMENTS

12. Retirement benefits obligations (continued)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	2014	2013
	%	%
Discount rate	5.5	5.5
Future salary growth	6.0	6.0

At 31 December 2014, the weighted average duration of the defined benefit obligation was 7.51 years (2013: 7.55 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Retirement benefits obligations			
	2014		2013	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(3,120)	3,554	(3,131)	3,566
Future salary growth (1% movement)	4,462	(3,979)	3,933	(3,522)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

13. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	19,574	-	(69,771)	(71,241)	(50,197)	(71,241)
Retirement benefits obligation	4,703	4,922	-	-	4,703	4,922
Tax loss carry-forwards	4,945	4,448	-	-	4,945	4,448
Other items	7,032	1,742	(4,668)	-	2,364	1,742
Net tax liabilities	36,254	11,112	(74,439)	(71,241)	(38,185)	(60,129)

NOTES TO THE FINANCIAL STATEMENTS

13. Deferred tax liabilities (continued)

Movement in temporary differences during the year

	At 1.1.2013	Recognised in profit or loss (Note 20)	Recognised directly in equity (Note 20)	At 31.12.2013/ 1.1.2014	Recognised in profit or loss (Note 20)	Recognised directly in equity (Note 20)	At 31.12.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(73,551)	2,310	-	(71,241)	21,044	-	(50,197)
Retirement benefits obligation	6,002	2,868	(3,948)	4,922	(10)	(209)	4,703
Tax loss carry-forwards	-	4,448	-	4,448	497	-	4,945
Other items	191	1,551	-	1,742	622	-	2,364
Net tax liabilities	(67,358)	11,177	(3,948)	(60,129)	22,153	(209)	(38,185)

14. Capital and reserves

Share capital

	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '000
Authorised: Ordinary share of RM0.50 each	150,000	300,000	150,000	300,000
Issued and fully paid shares: Ordinary share of RM0.50 each	135,000	270,000	135,000	270,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Capital redemption reserves

The Company's capital redemption reserve arises from redemption of 8,000,000 preference shares in 1986.

NOTES TO THE FINANCIAL STATEMENTS

15. Revenue

	2014 RM'000	2013 RM'000
Sales to related companies	2,417,700	2,740,861
Third party sales	8,477,780	8,382,283
	10,895,480	11,123,144
Credit card merchandise fees	(21)	277
Other revenues and rebates	5,263	4,198
Allied business rental	307	481
	10,901,029	11,128,100

Turnover represents the value of goods sold inclusive of subsidies and net of Government duties and taxes.

16. Finance income

	2014 RM'000	2013 RM'000
Interest income of financial assets that are not at fair value through profit or loss:		
- Advances to related companies	823	1,631
- Other finance income	214	181
	1,037	1,812

17. Finance costs

	2014 RM'000	2013 RM'000 Restated
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Loans	60,847	50,882
- Other finance costs	12,139	15,695
	72,986	66,577

NOTES TO THE FINANCIAL STATEMENTS

18. Loss before tax

	2014 RM'000	2013 RM'000 Restated
Loss before tax is arrived at after charging:		
Auditors' remuneration:		
- Audit fees	341	310
Foreign exchange		
- Realised foreign exchange loss	28,980	39,740
- Unrealised foreign exchange loss	302	5,767
Hire of plant and machinery	293	428
Impairment loss on trade receivables	-	105
Intangible assets		
- Amortisation	2,655	2,728
- Written off	-	444
Long-term assets		
- Amortisation		
- Prepaid lease rentals	11,185	10,577
- Marketing assistance to dealers	3,879	3,513
- Others	5,759	6,257
Personnel expenses (including key management personnel):		
- Contributions to Employees' Provident Fund	5,609	5,025
- Wages, salaries and others	50,399	44,665
- Retirement benefit	5,173	2,479
Property, plant and equipment		
- Depreciation	59,830	60,624
- Written off	3,628	7,491
- Loss on disposal	-	34
Inventories write down	27,547	-
Rental expense in respect of property	4,332	2,027
Repair and maintenance expense	29,470	35,759
Trucking cost	50,695	55,005
and after crediting:		
Licence fees	35,558	34,136
Gain on disposal of property, plant and equipment	9,834	-

NOTES TO THE FINANCIAL STATEMENTS

19. Other comprehensive income

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2014			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	719	(209)	510
2013			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	15,793	(3,948)	11,845

20. Tax benefits

Recognised in profit or loss

	2014 RM'000	2013 RM'000
Current tax expense		
Prior year	432	5
Real Property Gain Tax	427	-
Total current tax recognised in profit or loss	859	5
Deferred tax expense		
Origination and reversal of temporary differences	(16,064)	(10,268)
Over provision in prior year	(6,089)	(909)
Total deferred tax recognised in profit or loss	(22,153)	(11,177)
Total income tax benefit	(21,294)	(11,172)

NOTES TO THE FINANCIAL STATEMENTS

20. Tax benefits (continued)

Recognised in profit or loss (continued)

	2014 RM'000	2013 RM'000
Reconciliation of tax expense		
Loss before tax	(85,772)	(75,418)
Income tax calculated using Malaysian tax rate of 25%	(21,443)	(18,855)
Reduction in tax rate	(1,545)	-
Non-deductible expenses	9,069	8,587
Tax-exempt income	(2,145)	-
Real Property Gain Tax	427	-
Over provided in prior years	(5,657)	(904)
	(21,294)	(11,172)
Income tax recognised directly in equity		
Retirement benefits obligations		
- deferred tax	209	3,948

21. Loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2014 was based on the loss attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

Loss attributable to ordinary shareholders

	2014	2013
Net loss attributable to shareholders (RM'000)	(64,478)	(64,246)
Number of ordinary share units in issue ('000)	270,000	270,000
Basic loss per share unit (sen)	(23.9)	(23.8)

Diluted EPS is not presented as the Company has no potential shares or other instruments with dilutive effects.

NOTES TO THE FINANCIAL STATEMENTS

22. Dividends

Dividends recognised by the Company:

	Sen per share RM	Total amount RM'000	Date of payment
2014			
Final 2013 ordinary (single tier)	14	37,800	25 June 2014
2013			
Final 2012 ordinary (net of tax)	14	28,350	20 June 2013

Considering the losses suffered by the Company for two consecutive years and the need to prioritise funds for operations and manage bank borrowings, the Directors are not recommending a dividend payout for 2014.

23. Operating segments

The Company is organised as one integrated business segment which operates to manufacture and sell petroleum products. These integrated activities are known across the petroleum industry as the Downstream segment. As such, the assets and liabilities are disclosed within the financial statements as one segment.

Revenues are mainly derived from the sale of petroleum products to domestic customers including its affiliates and competitors. A breakdown of the revenues by geographical location is as follows:

	2014 RM'000	2013 RM'000
Foreign	1,100,287	1,301,992
Domestic	9,800,742	9,826,108
	10,901,029	11,128,100

Major customers

The following are major customers with revenue equal or more than 10% of the Company's total revenue:

	2014 RM'000	2013 RM'000
Related party		
- Company A	2,417,700	2,666,518
Others		
- Company B	-*	1,171,267

* There is no external customer with revenue equal or more than 10% of the Company in 2014.

NOTES TO THE FINANCIAL STATEMENTS

23. Operating segments (continued)

Other than these major customers, there is no individual customer contributing to equal or more than 10% of the Company's total revenue for the current and previous financial years.

All non-current assets of the Company are located in Malaysia.

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
 - Held for trading ("HFT"), and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
2014			
Financial assets			
Trade and other receivables	400,266	400,266	-
Cash and cash equivalents	354,668	354,668	-
Derivative financial assets	19,507	-	19,507
	774,441	754,934	19,507
Financial liabilities			
Loan and borrowings	(988,276)	(988,276)	-
Trade and other payables	(608,168)	(608,168)	-
Derivative financial liabilities	(834)	-	(834)
	(1,597,278)	(1,596,444)	(834)
2013			
Financial assets			
Trade and other receivables	789,346	789,346	-
Cash and cash equivalents	97,593	97,593	-
Derivative financial assets	3,129	-	3,129
	890,068	886,939	3,129
Financial liabilities			
Loan and borrowings	(900,000)	(900,000)	-
Trade and other payables	(919,040)	(919,040)	-
Derivative financial liabilities	(4,334)	-	(4,334)
	(1,823,374)	(1,819,040)	(4,334)

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.2 Net gains and (losses) arising from financial instruments

	2014 RM'000	2013 RM'000 Restated
Net gain/(losses) on:		
Fair value through profit or loss:		
- Held for trading	18,673	(1,205)
Financial liabilities measured at amortised cost		
- Finance costs	(72,986)	(66,577)
- Unrealised foreign exchange loss	(506)	(7,400)
- Realised foreign exchange loss	(34,016)	(41,999)
	(107,508)	(115,976)
Loan and receivables		
- Finance income	1,037	1,812
- Allowance for doubtful debts	-	(105)
- Unrealised foreign exchange gain	204	1,633
- Realised foreign exchange gain	5,036	2,259
	6,277	5,599
	(82,558)	(111,582)

24.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than its credit term, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2014 RM'000	2013 RM'000
Domestic	41,775	81,510
Foreign	78,737	103,923
	120,512	185,433

Impairment losses

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Not past due	118,370	-	118,370
Past due 1 - 90 days	2,133	-	2,133
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	-	-	-
Past due more than 365 days	1,594	(1,585)	9
	122,097	(1,585)	120,512
2013			
Not past due	185,039	-	185,039
Past due 1 - 90 days	386	-	386
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	-	-	-
Past due more than 365 days	1,741	(1,733)	8
	187,166	(1,733)	185,433

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

No allowance for impairment losses of trade receivables has been made for the remaining past due receivables as the Company monitors the results and repayments of these customers regularly and are confident of the ability of the customers to repay the balances owing.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2014 RM'000	2013 RM'000
At 1 January	1,733	1,908
Allowance made during the year	-	105
Write off	(148)	(280)
At 31 December	1,585	1,733

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to related companies which are wholly owned by the immediate holding company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the related companies are not recoverable. The Company does not specifically monitor the ageing of advances to the related companies. Nevertheless, these advances have been overdue for less than a year.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents, bank facilities and inter-company financing arrangement deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company reviews its revolving credit facilities on a periodic basis. In addition the Company has subscribed to the fund pooling arrangements made available by its affiliates, Petron Fuel International Sdn. Bhd. ("PFISB") and Petron Oil Malaysia Sdn. Bhd. ("POMSB"). This inter-company financing arrangement allows the Company to either draw cash from the pool in the event of a shortfall, or place cash into the pool in the event of excess, at competitive interest rates on a daily basis.

The Company continues to optimise the mix of its borrowing facilities to maximise financing flexibility whilst reducing financing cost. These facilities are short-term in nature unless opportunities arise to secure favourable longer term borrowing facilities.

Liquidity risk may also arise if debtors are not able to settle obligations to the Company within the normal credit term. To manage this risk, the Company periodically assesses the financial viability of debtors and may require certain debtors to provide bank guarantees or other security.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2014						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	608,168	-	608,168	608,168	-	-
Loans and borrowings	988,276	5.2% - 6.1%	1,067,846	848,050	50,699	169,097
	1,596,444		1,676,014	1,456,218	50,699	169,097
<i>Derivative financial assets</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	430,509	430,509	-	-
Inflow	(734)	-	(431,243)	(431,243)	-	-
Commodity swap (gross settled):						
Outflow	-	-	11,613	11,613	-	-
Inflow	(17,939)	-	(29,553)	(29,553)	-	-
Commodity options	-	-	-	-	-	-
	1,577,771		1,657,340	1,437,544	50,699	169,097

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2013 Restated						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	919,040	-	919,040	919,040	-	-
Loans and borrowings	900,000	5.9%	906,675	906,675	-	-
	1,819,040		1,825,715	1,825,715	-	-
<i>Derivative financial assets</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	377,602	377,602	-	-
Inflow	(2,192)	-	(379,794)	(379,794)	-	-
Commodity swap (gross settled):						
Outflow	1,444	-	61,915	61,915	-	-
Inflow	-	-	(60,471)	(60,471)	-	-
Commodity options	1,953	-	1,953	1,953	-	-
	1,820,245		1,826,920	1,826,920	-	-

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

24.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD") and Euro ("EUR").

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to hedge its foreign currency risk. All of the forward contracts have maturities of less than one year after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
	USD RM'000	EUR RM'000	SGD RM'000
2014			
Cash and cash equivalents	41,802	-	-
Trade and other receivables	78,738	-	-
Trade and other payables	(441,049)	(6)	(488)
Net exposure	(320,509)	(6)	(488)
2013 Restated			
Cash and cash equivalents	48,530	-	-
Trade and other receivables	103,923	-	-
Trade and other payables	(784,232)	(27)	(6)
Net exposure	(631,779)	(27)	(6)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from USD. The exposure to other currencies is not material and hence, sensitivity analysis is not presented.

A 10% (2013:10%) strengthening of the RM against USD at the end of the reporting period would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2014 RM'000	2013 RM'000
USD	32,051	63,181

A 10% (2013:10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, practice and processes for managing the risk

Interest rate exposure arising from the Company's borrowings is managed through monitoring and reviewing interest rate changes in the market and its impact to the Company's financial performance. The Company does not use derivative financial instruments to hedge its debt obligations.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2014 RM'000	2013 RM'000
Floating rate instruments		
Financial liabilities	(988,276)	(900,000)

Interest rate risk sensitivity analysis

(a) Cash flow sensitivity analysis for variable rate instruments

The borrowings are generally based on floating interest rates unless opportunities arise for competitive fixed rate financing. The Company's financing arrangements are typically tracked against the Kuala Lumpur Interbank Offered Rate ("KLIBOR"). The impact of a 10 basis point ("bp") change in interest rate affecting the Company's borrowing would not be material to the Company's financial statements.

A change of 10 basis points in interest rates at the end of the reporting period would have increased/(decreased) after tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	2014		2013	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(25)	25	(21)	21

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The table below 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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2014										
Financial assets										
Forward exchange contracts	-	1,096	-	1,096	-	-	-	-	1,096	1,096
Commodity swap	-	18,411	-	18,411	-	-	-	-	18,411	18,411
	-	19,507	-	19,507	-	-	-	-	19,507	19,507
Financial liabilities										
Forward exchange contracts	-	(362)	-	(362)	-	-	-	-	(362)	(362)
Commodity swap	-	(472)	-	(472)	-	-	-	-	(472)	(472)
Commodity options	-	-	-	-	-	-	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	(988,276)	(988,276)	(988,276)	(988,276)
	-	(834)	-	(834)	-	-	(988,276)	(988,276)	(989,110)	(989,110)
2013										
Financial assets										
Forward exchange contracts	-	3,101	-	3,101	-	-	-	-	3,101	3,101
Commodity swap	-	28	-	28	-	-	-	-	28	28
	-	3,129	-	3,129	-	-	-	-	3,129	3,129
Financial liabilities										
Forward exchange contracts	-	(909)	-	(909)	-	-	-	-	(909)	(909)
Commodity swap	-	(1,472)	-	(1,472)	-	-	-	-	(1,472)	(1,472)
Commodity options	-	(1,953)	-	(1,953)	-	-	-	-	(1,953)	(1,953)
Loans and borrowings	-	-	-	-	-	-	(900,000)	(900,000)	(900,000)	(900,000)
	-	(4,334)	-	(4,334)	-	-	(900,000)	(900,000)	(904,334)	(904,334)

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments (continued)

24.7 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, 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. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2013: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable input used in the valuation model.

Financial instruments not carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Loans and borrowings	Discounted cash flows	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

25. Capital management

The Company's objective when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company monitors capital via carrying amount of equity as stated in the statements of financial position.

The debt-to-equity ratios as at 31 December 2014 and as at 31 December 2013 were as follows:

	2014 RM'000	2013 RM'000
Total loans and borrowings (Note 10)	988,276	900,000
Total equity	760,023	861,791
Debt-to-equity ratios	1.30	1.04

There was no change in the Company's approach to capital management during the financial year.

26. Operating leases

Leases as lessee

	2014 RM'000	2013 RM'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,509	1,227
Between one and five years	3,066	3,659
More than five years	4,603	2,554
	9,178	7,440

The Company leases land under operating leases. The leases typically run for a period of 3 to 10 years, with an option to renew the lease after the date. None of the leases includes contingent rentals.

27. Capital and other commitments

	2014 RM'000	2013 RM'000
Capital expenditure commitments		
Plant and equipment		
Authorised but not contracted for	159,847	201,988
Contracted for but not provided for	48,927	63,140
	208,774	265,128

Included in the above are non-contracted and contracted for the joint venture assets of the MPP amounting to RM1,053,000 and RM12,031,000 respectively. (2013: non-contracted: RM2,447,000; contracted: RM32,934,000).

NOTES TO THE FINANCIAL STATEMENTS

28. Other proceeding

The Company is defending an action brought by a transportation contractor in Malaysia. The action was filed in the month of October 2014 and served on the Company in early November 2014. The monetary claim against the Company amounts to approximately RM41 million. The Company had reviewed those claims previously and determined the same as unsubstantiated and duly rejected the claims. Based on legal advice, the Company has an arguable defense in resisting the claims and thus the Directors do not expect the outcome of the action to have a material effect on the Company's financial position.

As the matter is currently being heard in court, the Directors are of the view that any further disclosure of any information about the above matter would be prejudicial to the interests of the Company.

29. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its holding company, significant investors, related companies and key management personnel.

Significant related party transaction

In the ordinary course of business, the Company undertakes transactions with these related parties which include the sales and purchases of products, which are carried out on commercial terms and conditions negotiated amongst the related parties, and the sharing of services and facilities at cost apportioned on a mutually agreed basis.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 5, 10 and 11.

	2014 RM'000	2013 RM'000
Purchases of petroleum products from a related company:		
Petron Fuel International Sdn. Bhd.	1,401,627	1,345,728
Sales of petroleum products to related companies:		
Petron Fuel International Sdn. Bhd.	2,417,700	2,666,518
Petron Oil (M) Sdn. Bhd.	-	68,265
Air Philippines Corporation	-	2,548
Philippines Airlines Inc.	-	3,530

NOTES TO THE FINANCIAL STATEMENTS

29. Related parties (continued)

Significant related party transaction (continued)

	2014 RM'000	2013 RM'000
Sales of petroleum products to former related companies:		
Air Philippines Corporation	29	-
Philippines Airlines Inc.	837	-
Central management, shared facilities and services costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	62,692	63,677
Charged to:	(1,638)	(1,680)
	61,054	61,997
Central management, shared facilities and services costs with intermediate and ultimate holding companies,		
Petron Corporation		
Charged from:	24	144
Key management personnel		
<i>Non-Executive Directors</i>		
Fees	222	175
Other short term employee benefits	89	72
	311	247

30. Interest in joint operations

Details of the joint operations are as follows:-

Name of joint operation	Other joint operation parties	Principal place of business	Principal activity	Percentage of ownership	
				2014	2013
Joint Venture Agreement for Multi-Products Pipeline and Distribution Terminal	Petronas Dagangan Berhad ("PDB") and Shell Malaysia Trading Sendirian Berhad ("SMTSB")	Port Dickson	Construct, own and operate a multi-products pipeline ("the MPP")	20%	20%
Joint Facilities Operating Agreement	Shell Refining Company ("Operator")	Port Dickson	Construction of the part of the facilities relating to the receipt and carriage of crude and feedstocks as common carrier pipeline facilities.	50%	50%

NOTES TO THE FINANCIAL STATEMENTS

31. Comparative figures

Certain comparative figures of the Company have been restated to conform with current year's presentation. The restatements do not have any material impact to the Statement of profit or loss and other comprehensive income. The effects are disclosed below:

	2013	
	As restated RM'000	As previously stated RM'000
Revenue	11,128,100	11,128,100
Cost of sales	(10,947,771)	(10,947,996)
Gross profit	180,329	180,104
Other operating income	76,927	56,656
Other operating expenses	(182,333)	(182,333)
Administrative expenses	(24,205)	(24,205)
Results from operating activities	50,718	30,222
Other income	3,280	(39,063)
Other expenses	(64,651)	-
Finance income	1,812	-
Finance costs	(66,577)	(66,577)
Loss before tax	(75,418)	(75,418)

The restatements do not have any material impact to the statement of cash flows. The effects are disclosed below:

	2013	
	As restated RM'000	As previously stated RM'000
Cash flow from operating activities		
Finance costs	66,577	61,229
Change in trade and other payables and other financial liabilities	93,592	98,940

The above restatement does not have any impact on the earnings for ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

32. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2014 RM'000	2013 RM'000
Total retained earnings of the Company		
- realised	636,836	782,495
- unrealised	(19,813)	(63,704)
Total retained earnings	617,023	718,791

The determination of realised and unrealised profits is based on 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 on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 50 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 94 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Ramon S. Ang

.....
Y.Bhg. Dato' Zainal Abidin Putih

Kuala Lumpur

Date: 10 April 2015

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Myrna C. Geronimo**, the officer primarily responsible for the financial management of Petron Malaysia Refining & Marketing Bhd, do solemnly and sincerely declare that the financial statements set out on pages 50 to 94 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 10 April 2015.

.....
Myrna C. Geronimo

Before me:

.....
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF PETRON MALAYSIA REFINING & MARKETING BHD
(COMPANY NO. 3927-V) (INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of Petron Malaysia Refining & Marketing Bhd, which comprise the statement of financial position as at 31 December 2014, and the statements of profit and loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 93.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

INDEPENDENT AUDITORS' REPORT

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 94 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information.

In our opinion, the information has been properly compiled, in all materials respects, in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by The Malaysian Institute of Accountants and presented based on format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Ow Peng Li

Approval Number: 266/09/15(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 10 April 2015

INFORMATION ON SHAREHOLDINGS

As at 23rd March, 2015.

Class of shares : Ordinary share unit (RM0.50)
Voting rights : One vote per share unit

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Units Held	% of Issued Capital
Less than 100	306	3.483	12,039	0.004
100 - 1,000	2,713	30.882	2,428,619	0.899
1,001 - 10,000	4,790	54.524	19,120,050	7.081
10,001 - 100,000	901	10.256	24,647,397	9.128
100,001 - 13,499,999	74	0.842	25,612,832	9.486
13,500,000 and above	1	0.011	198,179,063	73.399
	8,785	100.000	270,000,000	100.000

THIRTY LARGEST SHAREHOLDERS

As at 23rd March, 2015.

Name	No. of Units Held	% of Issued Capital
1. MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399
2. UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,271,500	0.841
3. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	2,099,600	0.777
4. JOHAN ENTERPRISE SDN. BHD.	1,660,000	0.614
5. LIM GAIK BWAY @ LIM CHIEW AH	1,194,400	0.442
6. NEOH CHOO EE & COMPANY, SDN. BERHAD	1,000,000	0.370
7. CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	799,768	0.296
8. CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	647,800	0.239
9. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOHN DEVARAJ SOLOMON (8103033)	600,000	0.222
10. CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (473163)	565,000	0.209

INFORMATION ON SHAREHOLDINGS

THIRTY LARGEST SHAREHOLDERS (continued)

Name	No. of Units Held	% of Issued Capital
11. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON	559,400	0.207
12. KUMPULAN WANG SIMPANAN GURU-GURU	539,200	0.199
13. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG	500,000	0.185
14. UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	491,260	0.181
15. DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR GOVERNMENT OF THE PROVINCE OF ALBERTA	490,000	0.181
16. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANAY A/P M J ARUMANAYAGAM	485,700	0.179
17. YEOH PHEK LENG	474,000	0.175
18. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SELINA SHARMALAR SOLOMON (8112136)	457,100	0.169
19. ENG GUAN CHAN SDN. BERHAD	453,800	0.168
20. CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG CHIN CHYE (472268)	412,000	0.152
21. LEE YEOW TENG	399,000	0.147
22. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANAY A/P M J ARUMANAYAGAM (8061712)	344,700	0.127
23. JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PARAGON PACIFIC VENTURES SDN BHD (MARGIN)	340,000	0.125
24. LIM SOO HIAN	335,000	0.124
25. KIM POH HOLDINGS SDN BHD	300,000	0.111
26. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	289,204	0.107
27. NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
28. CHONG CHIEW TSHUNG	273,000	0.101
29. LIM SOO THEAN	256,500	0.095
30. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR DEVA DASSAN SOLOMON (MY1091)	246,000	0.091
	216,942,995	80.349

SUBSTANTIAL SHAREHOLDER

As at 23rd March, 2015

1. MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399
--	-------------	--------

TOP 10 PROPERTIES

AS AT 31 DECEMBER 2014

	Tenure	L.A. (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net Book Value
FEDERAL TERRITORY							
PETRON East-West Link (PBL#302815) Lot 18113, Lebuhraya Hubungan Timur-Barat, 56000 Wilayah Persekutuan	F	3,185	Service Station	01.01.2004		11	6,615,957
PETRON Sg. Besi West Highway (PBL#101086) Lot 26494, Mile 6.5 Jalan Sg. Besi 57100 Wilayah Persekutuan	F	5,669	Service Station	01.05.1995		20	6,230,649
PETRON MRR2 Melati (PBL#305552) PT8085, SPK. Jalan Taman Melati 53100 Wilayah Persekutuan	F	2,992	Service Station	01.01.2008		7	7,563,023
SELANGOR							
PETRON Puncak Jalil (PBL#304551) Lot PT 62357, Taman Puncak Jalil 47100, Puncak Jalil, Selangor	L	4,047	Service Station	06.01.2004	09.06.2103	11	6,258,282
PETRON Jalan Kebun (PBL#101211) Mile 3, Jalan Kebun 41400, Klang, Selangor	L	2,787	Service Station	01.12.1996	30.06.2099	19	5,626,927
PETRON Bukit Sentosa (PBL# 101464) Lot 4844, Jalan Orkid 2B, Seksyen BS2, Bukit Sentosa, 48300, Rawang, Selangor	F	3,035	Service Station	22.07.1997		18	5,457,175
PENANG							
Bagan Luar Terminal Lots 95-125, 128, Lot 2327-2338 Section 4, Town of Butterworth District of Seberang Perai Utara, Pulau Pinang	F	44,024	Storage and distribution terminal	Revalued in 1982		55	11,514,518
PETRON Jelawat (PBL#303054) Lot 5371, Jalan Jelawat Mukim 1, 13700, Seberang Jaya, Pulau Pinang	L	3,693	Service Station	01.07.2003	18.08.2073	12	6,406,336

TOP 10 PROPERTIES

	Tenure	L.A. (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net Book Value
NEGERI SEMBILAN							
Lots 2645 & 2647, Mukim of Port Dickson (Lot 2646 & 2648), 1926-1930, 1593-1595, 1805, 1838, 1803, 1836, 1757, 2278 & 1222 Mukim Port Dickson	F	1,631,970	Refinery, storage and distribution terminal	Revalued in 1982		55	10,489,953
MPP and KVDT	L	784,000	MPP/KVDT Facilities	01.03.2001	01.02.2100	14	19,942,205

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Sixth Annual General Meeting of the Company will be held at the BALLROOM, Ground Level , GRAND DORSETT SUBANG HOTEL, JALAN SS12/1, 47500 SUBANG JAYA, SELANGOR D.E, on Tuesday, June 16, 2015 at 2:00p.m., for the purpose of transacting the following business:

1. To receive the Company's Audited Accounts for the year ended December 31, 2014 and the Directors' and Auditors' Reports thereon. **(Resolution 1)**
2. (a) To elect Y. Bhg. Dato' Zainal Abidin Putih, as Independent Director in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. **(Resolution 2a)**
(b) To re-elect Mr. Ramon S. Ang, retiring in accordance with Articles 104 and 105 of the Company's Articles of Association. **(Resolution 2b)**
(c) To re-elect Ms. Aurora T. Calderon, retiring in accordance with Articles 104 and 105 of the Company's Articles of Association. **(Resolution 2c)**
3. To approve the payment of Directors' Fees for the Independent Non-Executive Directors. **(Resolution 3)**
4. To appoint Messrs. KPMG as Auditors of the Company and to authorize the Directors to determine their remuneration. **(Resolution 4)**
5. As Special Business to consider and, if thought fit, to pass the following Special Resolution:-
"THAT the alteration, modifications, variations or additions to the Memorandum and Articles of Association of the Company as set out per Appendix A attached to the Circular to Shareholders dated April 29, 2015 be and are hereby approved; and
THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things as are necessary in order to give full effect to the Proposed Amendments, with full power to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."
(Resolution 5)
6. To transact any other ordinary business of the Company.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that:

For purpose of attendance at the Annual General Meeting: shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on June 5, 2015.

By Order of the Board,
Manoj Devadasan (LS0006885)
Company Secretary
Kuala Lumpur
April 29, 2015.

Note:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that holds shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy must be deposited at the Share Registrar's office at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than 48 hours before the time set for the Annual General Meeting.

On the day of the Annual General Meeting:

1. Registration counters (located outside the Ballroom at Grand Dorsett Subang Hotel) will be opened from 11:15a.m. and will close at 2:15p.m.
2. Refreshments will be served at the same place from 11:15a.m to 2:15p.m.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for election/re-election

Executive Directors, Mr. Ramon S. Ang and Ms. Aurora T. Calderon, retire by rotation and are eligible for re-election pursuant to Articles 104 and 105 of the Company's Articles of Association.

The Board of Directors, following a report by the Nominating Committee (on its annual evaluation of the Board's performance), concluded that both Mr. Ramon S. Ang and Ms. Aurora T. Calderon, in performing their duties as Directors, have met and/or exceeded expectations and therefore (based on representations by the Nominating Committee) recommends to the shareholders that Mr. Ramon S. Ang and Ms. Aurora T. Calderon be duly re-elected to the Board.

Y. Bhg. Dato' Zainal Abidin Putih is an Independent Director of the Company. As Y. Bhg. Dato' Zainal Abidin Putih has served on the Board for more than nine (9) years, in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance, he will retire. The Board is however desirous of appointing Y. Bhg. Dato' Zainal Abidin Putih for another term as an Independent Director. The Board is of the opinion that Y. Bhg. Dato' Zainal Abidin Putih, who is also the Chairman of the Board Audit & Risk Management Committee, has a wealth of experience and knowledge about the Company's business and the oil & gas industry and can greatly contribute to the Board. Likewise, the Nominating Committee following its annual evaluation of the Board's performance, concluded that Y. Bhg. Dato' Zainal Abidin Putih, in performing his duties as a Director, has met and/or exceeded expectations. The Board (based on representations by the Nominating Committee) recommends to the shareholders that Y. Bhg. Dato' Zainal Abidin Putih be elected to the Board as an Independent Director for another one year term.

Independent Director, Y. Bhg. Tan Sri Abdul Halim Ali, having exceeded nine (9) years in office, will retire at the conclusion of the Annual General Meeting and in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance, will not be seeking re-election at the Annual General Meeting.

Proposed Amendments to the Memorandum and Articles of Association

The proposed amendments are intended to allow for the use of audio and audio-visual technology by Directors, both in terms of attendance at and in conducting Board and Board Committee Meetings.

Mode of Voting

In line with the recommendation of the Malaysian Code on Corporate Governance 2012, and for the purpose of providing fair representation of votes based on shareholding, voting at the Annual General Meeting shall be by Poll.

Details of Directors standing for election/re-election

(i) Profiles

The profiles of the Directors standing for election/re-election are set out in pages 26 and 27 of the Annual Report.

(ii) Statement of shareholdings

None of the Directors standing for election/re-election holds shares in the Company.

(iii) Family relationship

None of the Directors standing for election/re-election have any family relationship with any Director and/or major shareholder of the Company.

(iv) Conflicts of Interest

None of the Directors standing for election/re-election have any conflicts of interest with the Company.

(v) Conviction for offences (excluding traffic offences)

None of the Directors standing for election/re-election has been convicted for offences within the past ten (10) years.



CDS Account No. of Authorised Nominee:
--

PROXY FORM

I / We _____ (Name of Company / Business / individual's full name
in Block Capitals (as per NRIC)), NRIC / Company No. _____ (new) _____ (old)
of _____ (full address)
being a member / members of the Company, hereby appoint _____ (full name of proxy)
NRIC / Company No. _____ (new) _____ (old)
of _____ (full address)
or failing which the Chairman of the Annual General Meeting as my / our Proxy to attend and vote for me / us on my / our behalf at the
Annual General Meeting of the Company to be held on Tuesday June 16, 2015 at 2:00p.m. and at any adjournment thereof.

My / Our instruction to my / our proxy (on each Agenda Item as per the Notice of Meeting) are as follows:

Resolutions		For	Against
1.	Received and adopt Company's Audited Accounts		
2.	(a) Elect Y. Bhg. Dato' Zainal Abidin Putih		
	(b) Re-elect Mr. Ramon S. Ang		
	(c) Re-elect Ms. Aurora T. Calderon		
3.	Payment of Independent Directors' Fees for 2015		
4.	Appoint KPMG as Auditors and authorize the Directors to determine their remuneration		
5.	Amendments to the Memorandum and Articles of Association		
6.	Any other business		

(Please indicate an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his / her discretion)

Signature / Common Seal

Number of shares held : _____

Date : _____

Notes:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. In the case of a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy must be deposited at the Share Registrar's office at **Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur**, not less than 48 hours before the time set for the meeting.

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AFFIX
STAMP
HERE

The Share Registrar of Petron Malaysia Refining & Marketing Bhd

Tricor Investor Services Sdn Bhd (118401-V)

Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

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www.petron.com.my



PETRON MALAYSIA REFINING & MARKETING BHD
(Company No. 3927-V)

Level 12A, Menara I & P1,
No. 46 Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur, Malaysia

Tel: +603-20828400

Fax: +603-20828578

E-mail: contactus@petron.com

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR IMMEDIATELY.

If you have sold or transferred all your shares in PETRON MALAYSIA REFINING & MARKETING BHD (Co. No. 3927-V) (or “the Company”), you should at once hand this Circular in its entirety to the purchaser or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Pursuant to paragraph 3.2 of Practice Note No. 18/2005 of the Listing Requirements of Bursa Malaysia Securities Berhad (or “BMSB”), BMSB has not perused the information on the proposed amendments to the Memorandum and Articles of Association (or “M&A”) prior to issuance as it is an exempt circular. BMSB takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



PETRON MALAYSIA REFINING & MARKETING BHD

(Company No. 3927-V)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE SPECIAL RESOLUTION AS CONTAINED IN THE NOTICE OF THE 56TH ANNUAL GENERAL MEETING OF THE COMPANY PERTAINING TO PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY TO PROVIDE FOR VIDEO AND TELE CONFERENCING AS A MEANS OF PARTICIPATING IN MEETINGS OF THE BOARD AND COMMITTEES.

The Notice convening the **56th Annual General Meeting of the Company to be held at Ballroom, Grand Dorsett Subang Hotel, Jalan SS12/1, 47500 Subang Jaya, Selangor, on Tuesday June 16, 2015 at 2:00p.m** is set out in the Company's Annual Report for the financial year ended December 31, 2014. A Proxy Form is enclosed in the said Annual Report. Please complete and deposit the duly completed Proxy Form at the Share Registrar's office at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on or before the time and date indicated below:

- Last day for lodging Proxy Form : Friday June 12, 2015 by 5:00 p.m.

The lodging of the Proxy Form will not preclude a shareholder from attending and voting in person at the said 56th Annual General Meeting should the shareholder subsequently wish to do so.

This Circular is dated April 29, 2015.

CONTENTS

Circular to Shareholders containing:

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• DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST	5
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NOTICE OF 56TH ANNUAL GENERAL MEETING
AND PROXY FORM

Enclosed in Annual Report 2014

DEFINITIONS:

Unless the context requires otherwise, the following definitions shall apply throughout this Circular:-

AGM means the 56th Annual General Meeting of the Company to be held on Tuesday June 16, 2015 at 2:00 p.m. or any adjournment thereof.

Board of Directors means the Board of Directors of the Company for the time being and the term 'Director' shall have the same meaning given to the term in section 4 of the Companies Act, 1965 read together with Section 2 of the Capital Markets and Services Act, 2007.

Bursa Malaysia Securities Berhad (or "BMSB") means the Malaysian securities exchange upon which the Company is listed.

Company means Petron Malaysia Refining & Marketing Bhd (Company No. 3927-V)

Listing Requirements means the Main Market Listing Requirements of BMSB including any amendments thereto and such Practice Notes or circulars as may be issued by the BMSB from time to time

Major Shareholder means a person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:

- (i) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or
- (ii) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, 'interest in shares' shall have the meaning given to the phrase 'interest in shares' in section 6A of the Companies Act, 1965.

M&A means the Memorandum and Articles of Association of the Company.

Professional Adviser means an adviser or person offering professional advisory service.

Proposal means proposed amendments to the M&A

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any legislation is a reference to that legislation as for the time being amended or re-enacted. Any reference to a time in a day in this Circular shall be a reference to Malaysian time, unless otherwise specified.



PETRON MALAYSIA REFINING & MARKETING BHD

(Company No. 3927-V)

REGISTERED OFFICE

Office of the Secretary,
Level 12A, Menara I&P 1,
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur

DIRECTORS

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

To: The Shareholders of the Company

Dear Sir/Madam,

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

INTRODUCTION

On April 10, 2015, the Company announced that it will seek to have the resolution set out below be passed as a Special Resolution at the forthcoming AGM of the Company to be held at Ballroom, Grand Dorsett Subang Hotel, Jalan SS12/1, 47500 Subang Jaya, Selangor on Tuesday June 16, 2015 at 2:00 p.m.:-

“THAT the alterations, modifications, variations or additions to the Memorandum and Articles of Association of the Company, as set out per Appendix A attached to the Circular to the Shareholders dated April 29, 2015, be and are hereby approved; and

THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary in order to give full effect to the Proposed Amendments, with full power to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities.”

The purpose of this Circular is to provide you with details of the Proposal. The Notice convening the AGM has been set out, and the Proxy Form is enclosed, in the Annual Report 2014.

RATIONALE FOR THE PROPOSAL

The Proposal is undertaken to enable the use of technology in the form of video or tele conferencing means at Board and Committee Meetings, thus enabling Directors' participation at such meetings by use of such technology. The M&A is currently silent on the matter. The amendments would allow for more efficiency and cost effectiveness in organizing and conducting a Board or Committee meeting.

FINANCIAL EFFECTS OF THE PROPOSAL

The Proposal will not have any effect on the share capital, net assets, working capital and earnings of the Company.

DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposal.

DIRECTORS' RECOMMENDATION

The Board of Directors, having considered all aspects of the Proposal, is of the opinion that the Proposal as contained in Appendix A to this Circular is in the best interest of the Company and its shareholders and accordingly recommend that you vote in favour of the Special Resolution to be tabled for shareholders' approval at the AGM.

APPROVAL REQUIRED

The said Proposal is subject to the approval of the shareholders at the AGM.

ANNUAL GENERAL MEETING

The AGM, the notice of which is set out in the Annual Report, will be held at Ballroom, Grand Dorsett Subang Hotel, Jalan SS12/1, 47500 Subang Jaya, Selangor, Tuesday June 16, 2015 at 2:00 p.m, for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary and special resolutions set out in the notice of the AGM.

If you are unable to attend and vote in person at the AGM, you are requested to duly complete and deposit the Proxy Form enclosed in the Annual Report, in accordance with the instructions therein, as soon as possible so as to arrive not less than 48 hours before the time set for the AGM. The completion and the deposit of the Proxy Form do not preclude you from attending and voting in person at the AGM should you subsequently wish to do so. If however you do attend the AGM, your proxy shall be precluded from attending and voting at the AGM.

Please be informed that where all shares have been sold or transferred by the addressee, this Circular and any other relevant documents should be passed on to the purchaser or transferee or to the person through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

FURTHER INFORMATION

(i) **Directors' Responsibility Statement**

This Circular has been reviewed and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that after making all reasonable inquiries, to the best of their knowledge and belief, there are no other facts, the omissions of which, would make any statement herein misleading.

(ii) **Material Contracts**

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company within the two (2) years immediately preceding the date of this Circular.

(iii) **Material Litigation**

The Company is not engaged in any material litigation, or claim or arbitration either as plaintiff or defendant that has not been disclosed and the Directors have no knowledge of any other litigation, claim or arbitration pending or threatened against the Company or of any fact likely to give rise to any litigation, claim or arbitration that might materially affect the position or business of the Company as a going concern.

(iv) **Documents For Inspection**

The following documents are available for inspection at the Registered Office of the Company during normal business hours for the period from the date hereof up to and including the date of the AGM:-

- (i) Memorandum and Articles of Association of the Company; and
- (ii) Audited accounts of the Company for two (2) financial years ended December 31, 2013 and December 31, 2014.

Should there be any doubt as to what action you should take, kindly consult appropriate independent Professional Advisers.

Yours sincerely,

For and on behalf of the Board of Directors

PETRON MALAYSIA REFINING & MARKETING BHD

RAMON S. ANG

Chairman

Dated this 29th day of April 2015.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

That the following Articles set out in the column headed “Article No:” in the table below be amended by adopting the proposed amendments set out in the column headed “Proposed Amendments” in the table below:

Note: highlights are for convenience of reference only.

Article No. / Rationale	Existing Provisions	Proposed Amendments
<i>Article 2 (Interpretation) To define the new terms</i>	-Nil-	<u>New term:</u> “Technological Means” <u>With corresponding meaning:</u> “Tele-communication or audio-visual electronic communication facility that enables any or all persons participating in a meeting to be either aurally and/or visually discernible to the others and be able to communicate concurrently with each other without any intermediary and to be able to participate effectively at the meeting”.
<i>Article 111(aa) Introduction of a new Article</i>	-Nil-	<u>Tele-conferencing or Video Conferencing</u> Unless restricted by the Act, the Listing Requirements or any other relevant laws, for purposes of a meeting of the Directors or any committee of Directors, where a Director or several or all of the Directors meet using Technological Means, such meeting shall be deemed a valid meeting as would be the case if the Director or Directors participating in such meeting by such Technological Means, had attended the said meeting in person.
<i>Article 112(a) (Quorum) Amendment to cater for participation via Technological Means</i>	The quorum necessary for the transaction of the business of the Directors shall be not less than half the membership of the full Board of Directors and a certificate signed by the Secretary of the Company shall be final and conclusive for the determination of a quorum.	The quorum necessary for the transaction of the business of the Directors shall be not less than half the membership of the full Board of Directors (present in person at the meeting or participating by Technological Means as permitted by Article 111(aa) and a certificate signed by the Secretary of the Company shall be final and conclusive for the determination of a quorum.