Fuelling Happiness

2017 ANNUAL REPORT & ACCOUNTS

PETRON MALAYSIA REFINING & MARKETING BHD (3927-V)

COVER RATIONALE

Website
www.petron.com.my

Since 2015, we've been 'fuelling happiness' and promising more satisfying and rewarding 'Petron' experiences to our legion of customers. We've made greater strides in Malaysia by placing a premium on customer satisfaction, innovative products and services and quality rewards for our customers.

This is how we've differentiated ourselves, by elevating service excellence at each and every station to make Petron the brand of choice. Providing care and having that personal touch not only keep our customers moving, but also ensure they keep fuelling happy.

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RM405 MILLION NET PROFIT

9% VOLUME GROWTH
34.9 MILLION BARRELS SOLD

MORE THAN 600 SERVICE STATIONS*

40 NEWLY OPENED SERVICE STATIONS*

2017 AT A GLANCE

SOCIAL MEDIA EXCELLENCE WINNER
MALAYSIA SOCIAL MEDIA WEEK AWARDS 2017

PRIME MINISTER'S HIBISCUS AWARD
'EXCEPTIONAL ACHIEVEMENT IN ENVIRONMENTAL PERFORMANCE 2016/2017' FOR PORT DICKSON REFINERY

FORMULA 4
SEA CHAMPIONSHIP
OFFICIAL FUEL AND ENGINE OIL

TURBO DIESEL EURO 5
POWERS RAINFOREST CHALLENGE

* PMRMB and sister companies

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.

OUR
STORY

THE PETRON MALAYSIA GROUP

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

Petron Corporation joined Malaysia's dynamic and progressive market with the acquisition of ExxonMobil's downstream businesses in March 2012. Petron subsidiaries in Malaysia comprise of Petron Malaysia Refining & Marketing Bhd ("PMRMB"), a public company listed on the Main Board of Bursa Malaysia Securities Berhad, Petron Fuel International Sdn. Bhd., and Petron Oil (M) Sdn. Bhd.

PMRMB 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) and aviation fuel. Our world-class fuels are distributed from eleven strategically-located depots and terminals of Petron subsidiaries in Malaysia.

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 600 service stations nationwide, including stations that are of our sister companies. We 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 fuels, Blaze 100RON Euro 4M, Blaze 97RON Euro 4M, Blaze 95RON, Turbo Diesel Euro 5 and Diesel Max. Beyond just being a petrol station, Petron service stations also provide a one-stop service experience to travellers on the road. Our convenience store, Treats, offers amenities such as shopping marts and fast food restaurants.

Petron's premier LPG brand, Petron Gasul, provides efficient energy for 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 programmes 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 & 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.

HOW PETRON REACHES YOU

RETAIL

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

COMMERCIAL

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

LPG

Petron Gasul LPG in 12kg, 14kg and 50kg provides efficient, clean-burning liquefied petroleum gas.

OUR FACILITIES IN MALAYSIA

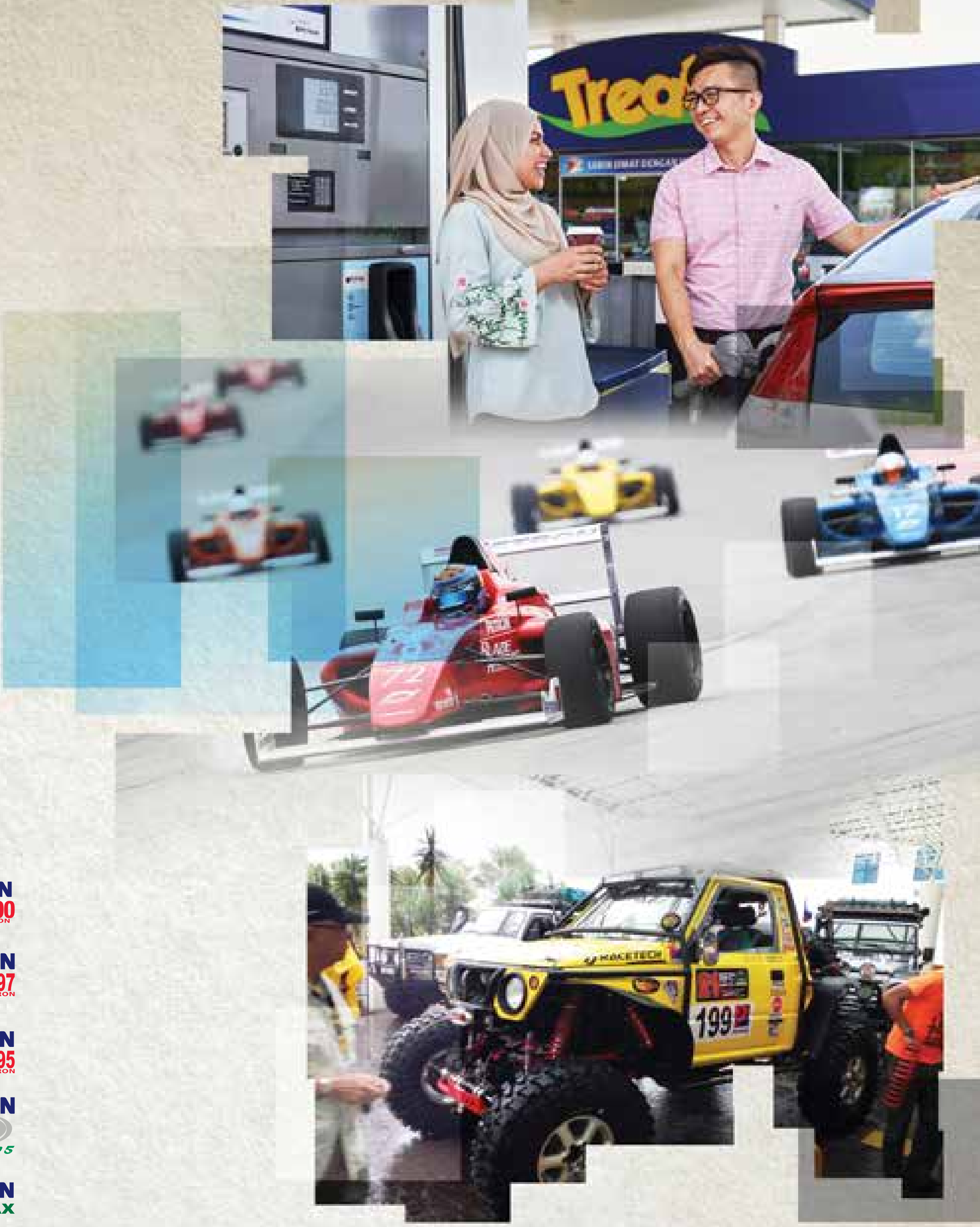
MORE THAN

600 PETRON

SERVICE STATIONS NATIONWIDE

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), Selangor*
6. KLIA Aviation Facility (JV-Petronas/Shell), Kuala Lumpur
7. Klang Valley Distribution Terminal (JV-Petronas/Shell)
8. Pasir Gudang Terminal (JV-Chevron), Johor*
9. Sepanggar Bay Terminal, Sabah*
10. Sandakan Terminal, Sabah*
11. Tawau Terminal, Sabah*

* PMRMB affiliate terminals



PETRON BLAZE 100 RON EURO 4M

PETRON BLAZE 97 RON EURO 4M

PETRON BLAZE 95 RON

PETRON TURBO DIESEL EURO 5

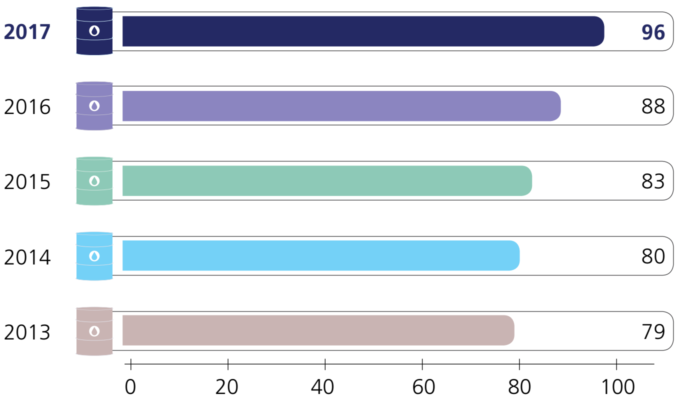
PETRON DIESEL MAX

Fuelling Your Journeys

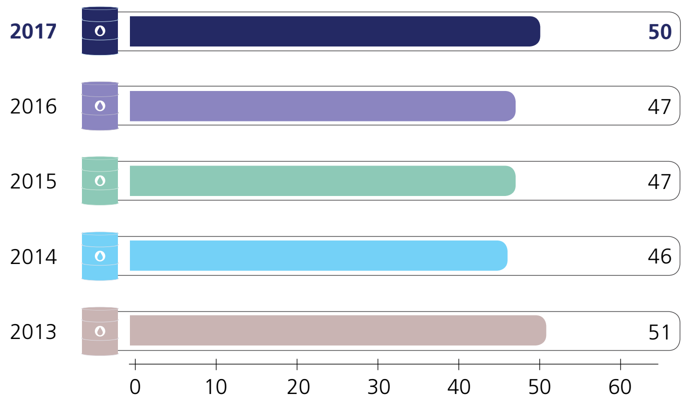
Innovative products, greater savings and friendly customer service are what makes Petron service stations the favourite fuelling station for all customers. Petron service stations become an integral part of our customers' lives by serving the best fuel products in the country with our top range automotive fuel products, and offer a convenient as well as comfortable one-stop centre for customers in their journeys. Petron Miles Card, unlike other loyalty card gives our customers more rewards, and benefits that are miles better.

FIVE-YEAR SUMMARY CHARTS

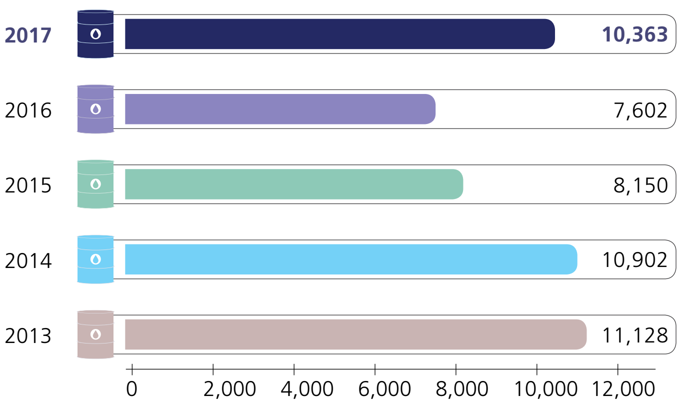
SALES VOLUME
Thousands of barrels per calendar day



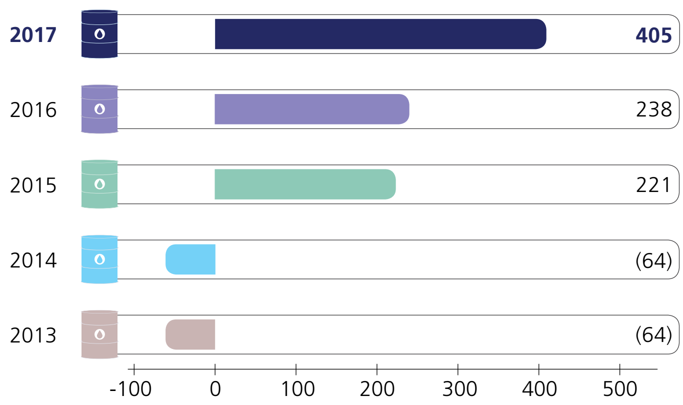
TOTAL THROUGHPUT
Thousands of barrels per calendar day



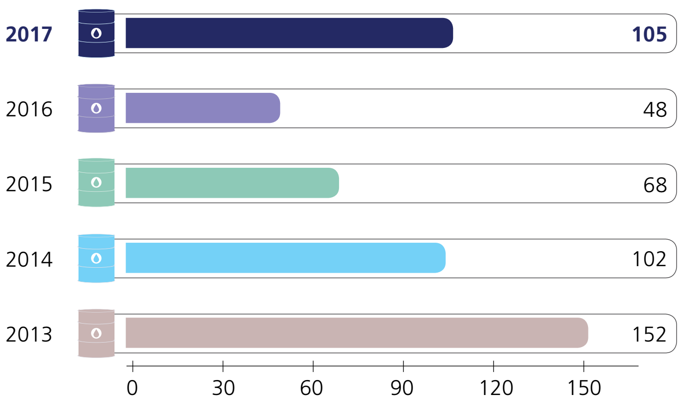
REVENUE (Net of government duties)
RM MILLION



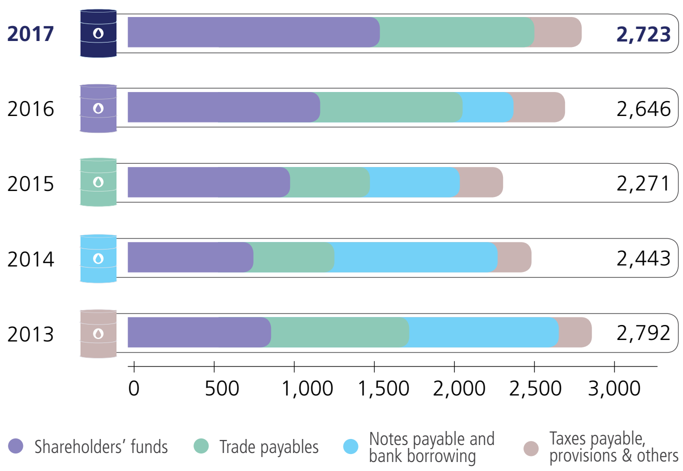
PROFIT/(LOSS) AFTER TAX
RM MILLION



CAPITAL EXPENDITURE
RM MILLION



TOTAL ASSETS EMPLOYED
RM MILLION (Financed by)



FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS	2017 *RM Million*	2016 *RM Million*	% Change
Revenue	**10,363**	7,602	36%
Profit after tax	**405**	238	70%
Earnings/(Loss) per ordinary share unit (sen)	**150.1**	88.0	71%
Dividend per ordinary share unit (sen)	**25**	22	14%
Total assets employed	**2,723**	2,646	3%
Total shareholders' fund	**1,512**	1,164	30%
Sales volume (thousand barrels per calendar day)	**96**	88	9%

SHAREHOLDERS' INFORMATION		2017	2016	2015	2014	2013
Earnings/(Loss) per ordinary share unit (sen)		**150.1**	88.0	81.7	(23.9)	(23.8)
Gross dividend per ordinary share unit (sen)		**25**	22	20	-	14
Dividend yield (%)		**3.0**	4.6	6.6	N/A	4.5
Share price (RM)	- Highest	**15.06**	7.31	5.10	3.21	3.60
	- Lowest	**4.09**	3.51	2.51	2.30	2.76
	- Average	**8.47**	4.80	3.02	2.90	3.11
Number of employees at year-end		**328**	315	303	292	293

CHAIRMAN'S STATEMENT

GIVING OUR BEST

Dear Shareholders,

It was a banner year for your company Petron Malaysia Refining & Marketing Bhd ("PMRMB") as we posted significant improvements in our financial and operating performance.

RM405 MILLION

NET PROFIT

The price of benchmark Dated Brent crude recovered gradually to average US$54 per barrel in 2017, compared to US$44 in 2016. As oil prices stabilised, our margins improved. Rising domestic consumption for goods and services reflected a stronger Malaysian economy which grew another 5.9%. This bodes well for your company's prospects.

We focused on expanding our network and reach, strengthening our logistics and production capabilities, and giving our customers innovative offerings. These underscore our commitment in delivering long-term value to our shareholders.

We focused on expanding our network and reach, strengthening our logistics and production capabilities, and giving our customers innovative offerings.

UNPRECEDENTED

Your company posted a record net profit of RM405 million for the financial year ending 31 December 2017, a 70% increase from RM238 million in 2016.

Revenues rose 36% to RM10.4 billion from RM7.6 billion previously, while the total gross profit recorded an increase of 21% to RM685 million compared to RM564 million in 2016.

The strong financial performance was fuelled by record sales with total volumes increasing to 34.9 million barrels, 9% higher compared to the 32.1 million sold in 2016. Retail volumes grew despite industry contraction while our commercial sales increased faster than the industry average.

We were able to capture additional demand with our innovative fuels, personalised customer service, and the growing trust in the Petron brand.

> Petron Behrang Layby Southbound Station, Petron's 600th Station

GIVING OUR BEST

We ensure that our products and services are relevant, and strive to introduce more innovative and rewarding programmes for our customers. For us, it's simply giving the best product, the best service, and giving our customers the best day.

We reached out to more customers and increased our market presence as we built an unprecedented 40 new stations under the Petron Malaysia Group. Our 600th station, Petron Behrang Layby Southbound was streamed in August, marking a significant milestone for the company.

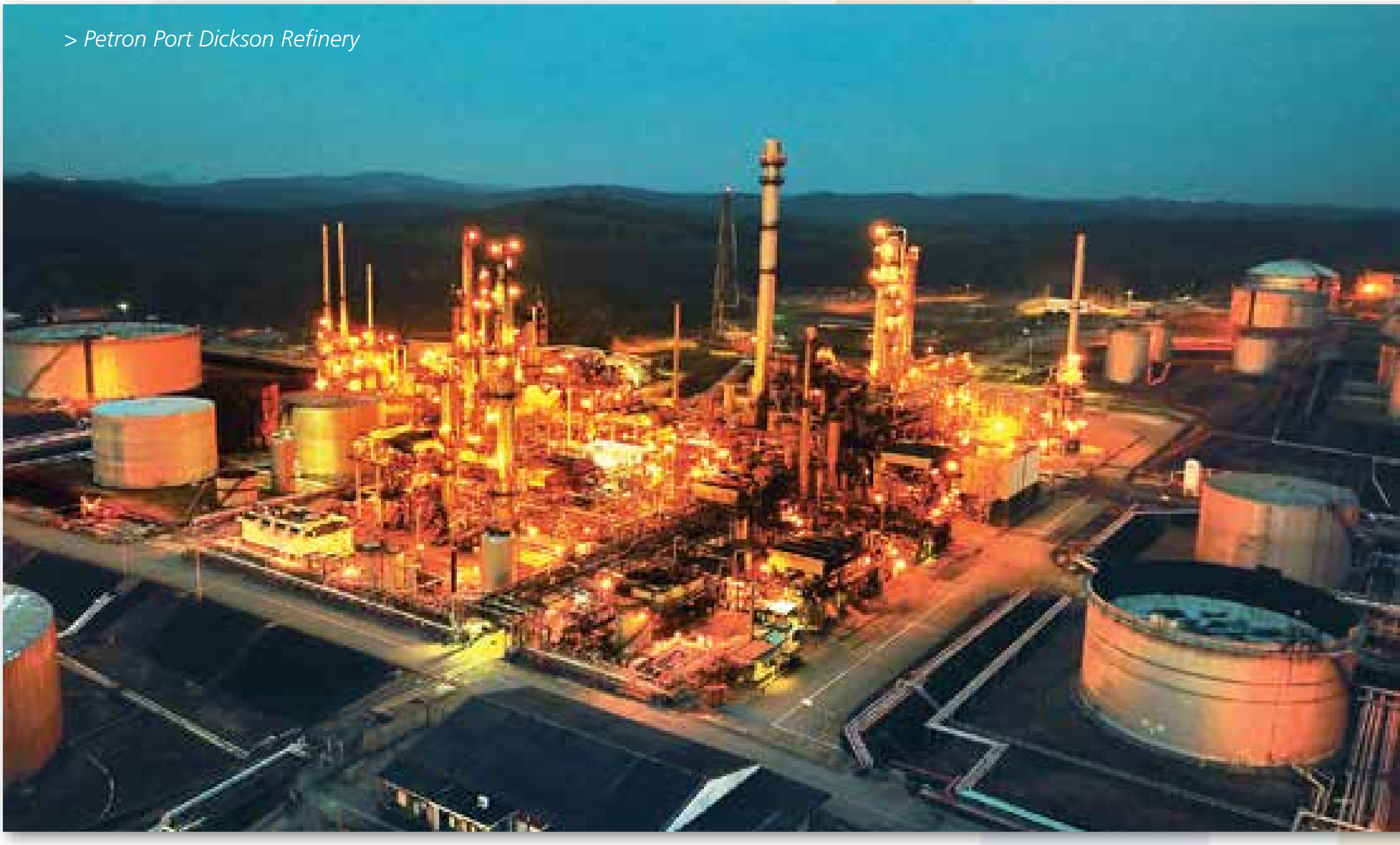
Our revolutionary high performance fuel **Blaze 100 Euro 4M**, the only one of its kind in the country, gained more traction with higher demand. Blaze 100 Euro 4M now fuels the FIA Formula 4 Southeast Asia Championship. The environment-friendly and high cetane diesel fuel, **Turbo Diesel Euro 5** became the fuel of choice in the extreme Rainforest Challenge Grand Final competition. Through these partnerships, we were able to test and prove our innovative fuels deliver improved power, better engine protection and better mileage.

We are proud that the prestigious Putra Brand Awards gave us the distinction as one of the most preferred brands in Malaysia for the third straight year.

The confidence in the Petron brand spurred the signing of more commercial accounts while we continue to serve key industries, which are vital to the progress and development of the nation.

We were able to capture additional demand with our innovative fuels, personalised customer service, and the growing trust in the Petron brand.

> Blaze 100 Euro 4M fuels Formula 4 SEA Championship



> *Petron Port Dickson Refinery*

The confidence in the Petron brand spurred the signing of more commercial accounts while we continue to serve key industries, which are vital to the progress and development of the nation. We also successfully tapped into more aviation accounts due to additional routes and gained higher diesel volumes to fuel major industries.

We strengthened our logistics capabilities in our refinery and terminals in line with our retail and commercial expansion. Port Dickson Refinery (PDR) is acquiring an existing marine pipeline to relieve congestion at our product jetty and started the design for a new Diesel Hydrotreater (DHT) to comply with Euro 5 diesel standards by 2020. We also completed a new product tank at Bagan Luar Terminal in Penang.

As we continued to grow our operations, our commitment to be a leader in occupational safety and health (OSH) were in lockstep. We are proud to be the first service station in the industry to be recognised by the Department of Safety and Health (DOSH) for meeting safety and health requirements. This is part of a bigger programme to ensure the welfare of our customers whenever they visit our stations.

PDR and our other facilities were recognised for initiatives in safety, security, health and environment across Malaysia. PDR received the prestigious Prime Minister's Hibiscus Award while Kuantan Terminal won notable Grand Award in the Malaysian Society for Occupational Safety & Health Award. These distinctions further inspire us to sustain operational excellence.

We continuously work on strengthening our brand to develop a close affinity with our customers' and exceed their expectations consistently. We are definitely on track to achieve more exceptional milestones in our journey to become the most preferred fuel brand in the country.

> All Petron service stations are Go-To Safety Points

GIVING BACK TO OUR COMMUNITIES

This year, we are producing our first ever Sustainability Report available on our website, to measure our progress in economic, environmental, social and governance performance.

By measuring these key areas, we will be able to streamline our processes, reduce costs, and improve efficiency. More importantly, we will be able to improve our sustainability practises as we build better communities and help in nation-building.

We continued to partner with key government agencies to make our roads safer. With the help of the Road Safety Department and the Road Transport Department, we were able to bring our road safety campaign to more public universities. Our partnership with the Royal Malaysian Police, meanwhile, has been essential in safe and secure communities. Now on its fifth year, Vision Petron continues to promote our youth's talent and vision for a better nation through the arts.

We believe that as our business thrives, we need to ensure our communities will benefit from the Company's presence and growth.

By measuring these key areas, we will be able to streamline our processes, reduce costs, and improve efficiency. More importantly, we will be able to improve our sustainability practises as we build better communities and help in nation-building.

CORPORATE GOVERNANCE

We are pleased to share that we have a Board comprised of individuals who are knowledgeable and experienced in business and governance. They each hold a high level of integrity and strong sense of ethics. Your Directors work cohesively in the best interests of the Company.

2018 promises to be a challenging one with volatile oil markets, currency fluctuations, and uncertainties in the world economy. Despite these external risks, we will continue to focus on giving our customers more rewarding journeys with more convenient and innovative offerings.

On 23 November 2017, we welcomed a new Board member, Mr. Antonio M. Cailao, who brings a wealth of invaluable knowledge and experience.

REWARDING JOURNEYS

2018 promises to be a challenging one with volatile oil markets, currency fluctuations, and uncertainties in the world economy. Despite these external risks, we will continue to focus on giving our customers more rewarding journeys with more convenient and innovative offerings.

We will continue to grow and expand our business in a sustainable manner. We will build up our capabilities to be a more reliable and preferred supplier. Importantly, we will create more opportunities so we can serve our communities.

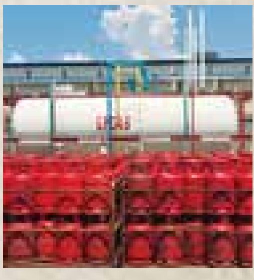
On behalf of the Board and Management team, we express appreciation to our colleagues for their dedication and commitment in giving their best to our stakeholders. We also thank our business partners, government agencies, media, and local communities for sharing our vision of a strong and caring company. We are also grateful to our Board and the Management team for their deep involvement and insights in ensuring your company's success. Finally, we wish to thank our customers for their continued trust and support. You continue to inspire us to do better, go the extra mile, and enhance the Petron experience. Thank you for trusting us in your journeys. You can be sure that we are committed to giving you only our very best.

Thank you!

Ramon S. Ang
Chairman
27 April 2018

> Fuelling Malaysia Airlines' Airbus A350-900 at KLIA

Great Partnerships



Being a key partner to the economy, Petron is committed to deliver service innovation to meet, if not exceed customers' expectations. We foster and nurture strategic partnerships with our station dealers, based on entrepreneurial culture that encourages teamwork, innovation and excellence. We develop partnership with distributors and delivery partners, to ensure seamless product delivery. We fuel more partnerships with the leaders in the industry and meeting industry energy demands with innovative, clean and efficient products in pursuit of growth opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Petron Malaysia Refining & Marketing Bhd's ("PMRMB") core business activities involve the refining of world-class petroleum products at its refinery in Port Dickson and the marketing of these products through Petron's retail network and commercial businesses.

PMRMB's retail business operates petrol service stations throughout the country. Commercial business covers industrial and aviation fuel sales, as well as sales of Liquefied Petroleum Gas (LPG) to industries and end consumers.

At the heart of our operations is the Port Dickson Refinery (PDR) which has a crude distillation capacity of 88,000 barrels per day. PDR produces a wide range of products including LPG, gasoline, aviation fuel, diesel, and low sulphur waxy residue. Our production is mainly geared towards fuelling Malaysian domestic energy demands. From the refinery, our products reach consumers through PMRMB and its affiliates' distribution network via terminals and depots strategically located in Peninsular Malaysia, Sabah and Sarawak.

BRAND BUILDING AND MARKET EXPANSION	SUPPLY CHAIN AND REFINERY IMPROVEMENTS
1 Profitable network of service stations	1 Efficiency in crude and finished product purchasing and prudent inventory management
2 Roll-out of innovative products and services	2 Refinery and logistics expansion and upgrade
3 Expansion of the commercial business through tie-ups with major customers that enhance the Petron brand	3 Robust risk management and enhancing operational excellence

Together with its sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. (that together form Petron Malaysia Group), Petron is the third largest fuel retailer in Malaysia, currently operating a network of more than 600 service stations nationwide.

STRATEGIC OBJECTIVES

In 2012, we started Petron in Malaysia with a vision to be the leading provider of total customer solutions in the oil sector and allied businesses. The Petron brand has since become a trusted name, becoming an integral part of the daily lives of consumers and being an important partner in fuelling industries, communities, and most importantly, the nation.

We implemented strategic initiatives that will ensure our growth and achieve our goals for long-term sustainable returns to our shareholders. In the year under review, we continued to invest in our network and facilities, strengthened our brand, and optimised our supply chain and logistics capabilities as well as ensuring safe and environment-friendly operations.

In 2017, Malaysia's oil consumption hit almost 600,000 barrels per day.

RETAIL

The country's retail demand however, softened with lower consumption of gasoline and diesel compared to 2016. Despite the softer market, the Petron Malaysia Group continued to register growth across all business segments through its retail network expansion programme, high quality fuels and successful marketing and promotional programmes.

The Group opened 40 new stations across the country (of which 14 were PMRMB's) to bring Petron's products and services closer to its customers. This network expansion is aligned with our strategy to expand our retail presence.

Along with our network expansion, we opened nearly 30 new Treats convenience stores and P Kedai marts, 12 of which are under PMRMB, to offer customers convenience to shop for daily consumables or a comfortable rest during long journeys as well as our partners' restaurants located in our stations. In suitable locations, we formed partnerships with quick service restaurants and car wash centres to give customers the full Petron experience.

Due to increased demand of our innovative fuels, the country's first and only RON 100 fuel, **Blaze 100 Euro 4M** is now available at over 70 stations under the Group. Locally produced at PMRMB's Port Dickson Refinery, **Blaze 100 Euro 4M** has become the fuel of choice for modern day cars and high-performance vehicles. Recently, it was tested under extreme racing conditions as the official fuel for the 2017 Formula 4 Southeast Asia (F4 SEA) Championship. The partnership marked another milestone for Petron in motorsports; a perfect platform to introduce and test our most advanced product innovations to world-class racing. We are proud to note that our products passed the demanding requirements of Formula 4 racing.

As a testament to the product's superior fuel quality and powerful engine performance - **Turbo Diesel Euro 5**, proved its capabilities when it powered 40 4x4 vehicles in the Rainforest Challenge Grand Final, which is considered among the top 10 most challenging 4x4 races in the world.

> All smiles for the home makeover winners

> PMiles card members and their prizes

Turbo Diesel Euro 5 powered off road vehicles that survived harsh conditions and navigated challenging terrain with mud, strong river currents, slippery and steep slopes. It proves that this cutting-edge fuel delivers on its promises - better power, excellent engine protection, and better mileage. Turbo Diesel is now offered at about 120 stations under the Group.

We value our dealers who are our strong business partners and brand ambassadors. They are entrepreneurs who share similar values and are committed to give each customer a consistent, unique and personalised Petron experience - the qualities that make our stations a preferred place to enjoy, relax, and fuel up in.

> Petron treats lucky customers with AirAsia BIG Point

> Petron flies two to London

With increasing competition in the industry, we aim to be at the forefront of customer service excellence by offering more value for money to our **Petron Miles Card** members. With our strategic partners, we give loyal customers more savings, rewards, and unique lifestyle experiences that continue to reward them. These include partnerships in the "Hypermarket Sweep" with Giant group, "Home Makeover" with Guardian, "Fuel & Fly Campaign" with Malaysia Airlines and AirAsia, and value-for-money purchases via the "Red Hot Special". We also tied up with international brands such as Marvel Studios to promote their movies in Malaysia such as "Thor: Ragnarok".

Our fuel card, **Petron Fleet Card** serves corporations, small-medium-industries and fleet companies to help manage their monthly fuel expenses via cashless payment. Through the latest microchip technology, Petron Fleet Card ensures better control, security and convenience; and allows for real-time tracking of vehicles.

Our commitment to innovation, customer service excellence and value-added benefits are qualities that make Petron the brand of choice.

We are proud to be the preferred partner of key industries, and it is a privilege to be fuelling Malaysia's economic progress.

COMMERCIAL

Our commercial business covers bulk sales to customers in the transportation, manufacturing, construction, mining, agriculture, fisheries, and power-generation sectors. With wider market acceptance of our products and after-sales services, we grew our sales through the acquisition of major accounts and successful expansion in the LPG market.

> Fuelling AirAsia plane at klia2

Petron Gasul grew increasingly popular among the Malaysian households while our newly launched 50KG industrial cylinders serve a wider base of customers. To support increasing demand for our LPG brand, we expanded our network of distributors and dealers. We improved operational reliability at Port Dickson Terminal and set up a new redistribution centre in Kuantan, Pahang to support sales in the east coast region.

We engaged in brand-building initiatives by promoting Petron Gasul with "*Kat Mana Sedap*", a food trail event held at Penang and Ipoh. We introduced "Bluey", Petron Gasul's official mascot. We participated in several programmes to connect with local communities, such as distribution of *Bubur Lambuk* during Ramadan in Bangi and Kampung Baru, Kuala Lumpur, the "*Kacau Dodol Perdana*" programme with Ministry of Domestic Trade, Co-operatives and Consumerism, and Corporate Social Responsibility programmes for the needy.

> Petron Gasul hunts for Malaysia's best food

As demand for air travel increases, Petron aviation recorded higher sales volumes. Petron is entrusted to fuel various multi-national and regional carriers at Kuala Lumpur International Airport (KLIA) and at klia2. In our effort to meet increasing demand and achieve better efficiency, we procured a new hydrant dispenser for refuelling aircrafts. This addition to our current fleet of refuelling equipment at the KLIA Distribution Terminal enables faster and more efficient refuelling services to our customers.

In a challenging business environment, Petron continues to demonstrate resilience and competitiveness as we strive for greater success. We maintain our commitment to develop strong and rewarding relationships with our partners.

> Kuantan LPG Redistribution Centre


> KLIA Distribution Terminal's New Hydrant Dispenser

For more than 50 years, the Port Dickson Refinery - the third largest producer and supplier of the country's petroleum needs - has built a reputation for excellence and safety. PDR employs the world's best safety and occupational health standards.

REFINERY, SUPPLY & DISTRIBUTION

Its practice of high safety standards and proven track record had earned impressive and notable industry acknowledgements throughout the year.

As of 22 April 2017, PDR reported flawless safety performance and has been operated for more than 15 years without any Lost Time Injury (LTI) to its workforce. PDR will continue to focus on an incident-free workplace through various initiatives including safety programmes and communications such as the Loss Prevention Self-Assessment tools at work site, enhancement of safety facilities, systems and competencies through structured safety training.

As a testament to its initiatives, the ISO:9001 certified facility received the prestigious Prime Minister's Hibiscus Award for 'Exceptional Achievement in Environmental Performance 2016/2017'.

To allow our plant to have the required maintenance and upgrading of equipment to improve its efficiency and reliability, we successfully completed a plant maintenance shutdown for 21 days in May 2017.

PDR initiated the Diesel Hydrotreater (DHT) project in compliance with the Government's requirement to implement Euro 5 specifications for Diesel by 1 September 2020. Upon completion, the DHT will enable PDR to supply more environment-friendly diesel that meets the Government's mandate.

To support future growth, we upgraded several facilities in PDR and are in the process of acquiring an existing pipeline and the associated offshore marine terminal facilities to decongest its existing product jetty. The reduced waiting time will also enable more savings in import freight cost. Augmenting the proposed product jetty, we plan to build two new 250,000 barrel product tanks to meet the growing demand of our products and further reduce costs through bigger parcel shipments.

As part of the logistics masterplan and ensuring our products reach the terminals and end-customers efficiently, we continue to improve our distribution facilities.

PMRMB's Bagan Luar Terminal successfully commissioned its new 50,000 barrel gasoline product tank. The new tank improves product availability in the northern region and optimises transportation costs.

> *Bagan Luar Terminal's New Product Tank*

> *PDR Won PM's Hibiscus Award for Exceptional Achievement in Environmental Performance 2016/2017*

In Kuantan, we rehabilitated and revived an LPG Redistribution Centre to support our ever expanding LPG sales in the East Coast of Peninsular Malaysia.

As testimony to Petron's excellence in safety, our terminals scored another feat in 2017 by achieving 22.7 million safe man hours without lost injury while we recorded 20.8 years without LTI at all distribution terminals.

The Port Dickson and Bagan Luar Terminals are now ISO-certified Terminals, having obtained the Quality Management System (QMS) certification by SIRIM. The ISO certifications are consistent with our commitment to strengthen management practices and achieve higher productivity.

Our initiatives to ensure high occupational safety and health standards have been recognised. Our terminals, under the Petron Malaysia Group, won the Gold Merit Award and Gold Class I Award by the Malaysian Society for Occupational Safety & Health OSH Award.

Petron considers its employees its most valuable asset.

HUMAN RESOURCES

We continue to invest in our people to ensure we are at the forefront of our industry and able to contribute to communities we operate in.

To support our growing business, we implemented a young graduate trainee programme called Petron Associate Program (PAP) in February 2017 beginning with 10 graduate trainees. Trainees were selected from reputable universities and went through a stringent selection process before being assigned as on-the-job trainees with various departments to familiarise themselves with business operations. The programme aims to build a pool of young talent that fit and share our vision, mission and values.

> PAP Graduation Ceremony

We continue to promote work-life balance for colleagues with engagement through our recreation clubs. Employees are encouraged to participate in activities such as Badminton, Bowling, Dart & Pool, Water Colouring, Volleyball, Netball, Hiking, and Dance Class. Participation in the clubs' activities promotes good teamwork and open environment among the staff.

> Engaging employees through recreational activities

Cooking Up Happiness

Our clean burning Petron Gasul LPG gives the comfort of cooking for homes and eateries with its purity of LPG content, efficient energy burning and safety measures. More than cooking, Petron Gasul in the 50kg is widely used in commercial sector, providing complete and efficient energy for industries.

During the year under review, PMRMB recorded a net profit of RM405 million, a 70% increase from RM238 million profit in 2016.

FINANCIAL PERFORMANCE

The Company surpassed last year's performance with the sustained sales volume growth amidst favourable oil prices and strong margins.

REVENUE AND GROSS PROFIT

The Company's revenue for the year rose by 36% to RM10.4 billion from RM7.6 billion last year driven by higher oil prices and increased sales volumes. The price of global crude benchmark, Dated Brent averaged US$54 per barrel in 2017 compared to US$44 per barrel in 2016. After dipping to US$47 per barrel in June 2017, Dated Brent crude gradually climbed in the second half to average US$64 per barrel by December 2017. As oil prices moved up, the price differentials between finished products and crude were sustained resulting in favourable margins.

PMRMB's total sales volume in 2017 reached 34.9 million barrels, a 9% improvement from 32.1 million barrels sold the previous year.

In line with the increase in revenue for the year, the Company's gross profit also improved by 21% from RM564 million in 2016 to RM685 million in 2017. The Company increased its refinery production to capture favourable product margins.

INCOME AND EXPENSES

Other income increased more than 100% which was largely attributed to non-recurring gains from divested service stations following the compulsory land acquisitions by the Government. Finance costs were reduced as a result of the early settlement of long-term loans and lower level of short term borrowings.

DIVIDENDS

In June 2017, the Company received shareholders' approval for a dividend payment of 22 sen per share for financial year ended 2016. For the financial year ended 31 December 2017, the Board of Directors recommended a final single tier dividend of 25 sen per share to be approved at the Annual General Meeting.

FINANCIAL POSITION

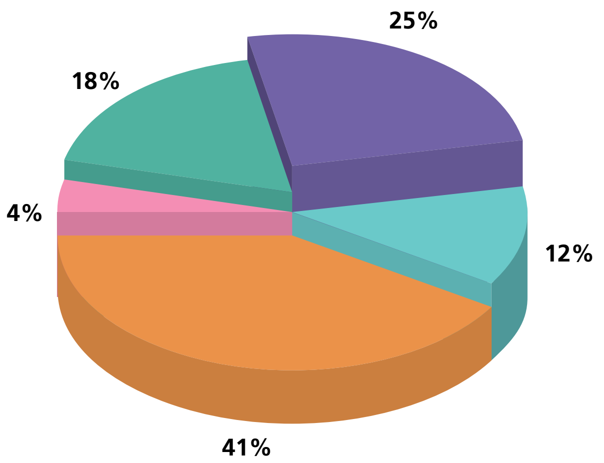
As of 31 December 2017, total assets increased by 3% to RM2.7 billion from RM2.6 billion the previous year mainly due to higher receivables from Government and higher prepaid leases in support of our service station network expansion.

Total liabilities by the end of 2017 decreased by 18% to RM1.2 billion from RM1.5 billion the previous year following the early settlement of long-term loans and reduced level of short term borrowings.

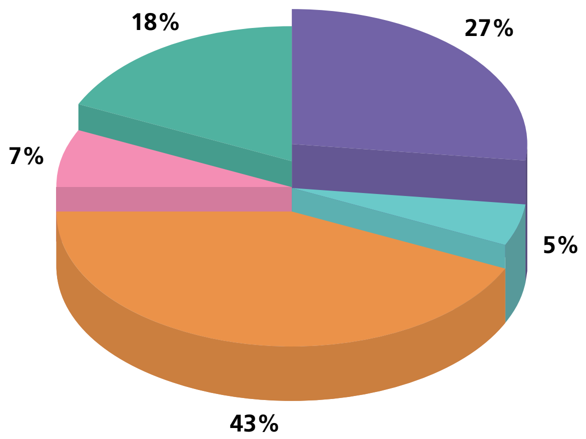
Simplified Statement of Financial Position

Total Assets

2017
RM2.7 Billion



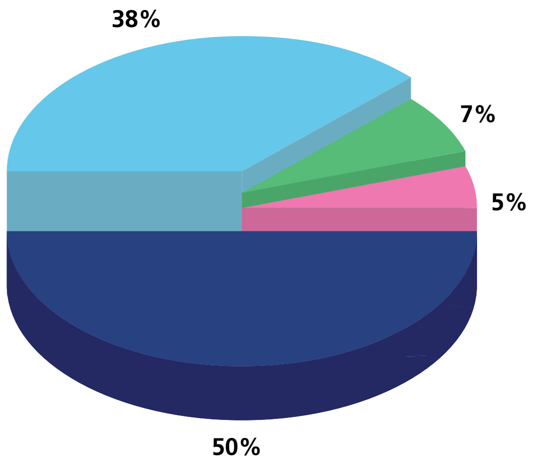
2016
RM2.6 Billion



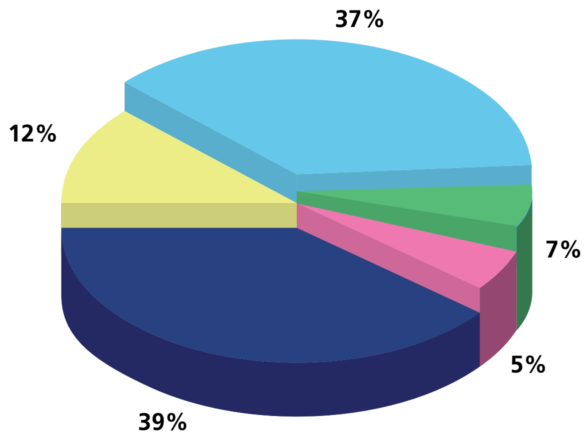
Cash and cash equivalents | Trade and other receivables | Inventories | Other current assets | Non-current assets

Total Equity and Liabilities

2017
RM2.7 Billion



2016
RM2.6 Billion



Loans and borrowings | Trade and other payables | Other liabilities | Share capital and reserves | Retained earnings

CAPITAL EXPENDITURE

For the financial year ended 31 December 2017, the Company's total capital expenditures including land leases amounted to RM105 million which is higher than the RM48 million spent in 2016. Bulk of the capital spending was on construction of new service stations and various improvements of refinery and terminal facilities. We expect an increase in our capital expenditure in 2018 as we continue to expand our Retail and Commercial network and start on major projects at PDR.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

With a strong cash position and prudent finance management, the Company was able to pay off its borrowings ending the year with no outstanding debt.

The Company's total share capital and reserves remained at RM143 million. With higher net profit registered this year, retained earnings continued to grow from RM1.0 billion last year to RM1.4 billion this year.

FORWARD LOOKING STATEMENT

While it has been a fruitful year for the Company in 2017, we are aware that our business is exposed to external factors beyond our control. It remains a challenge managing these uncertainties while staying competitive. Nevertheless, we are confident that we will continue to thrive by implementing value-adding strategic plans.

Our strong performance in 2017 proved that the strategies we implemented are on the right track. We will continue to build the Petron brand through effective marketing, roll-out world-class fuels and services, and secure higher market share by focusing on expansion in both Retail and Commercial sectors.

Internally, we are focused on achieving operational efficiencies by pursuing various initiatives in the areas of supply, logistics and facilities to support anticipated sales growth. In addition, we have been actively managing market uncertainties through a robust risk management system.

APPROACH TO RISK MANAGEMENT

Our approach to Risk Management is illustrated in the diagram below.

The Board Committee recognises that managing a 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, industrial requirements, safety and managing the human resources of the Company. To this end, and apart from fufilling a requirement of Corporate Governance, the Board is ensuring the management integrity system (including risk management and internal controls process) which is put in place over the years following the take-over by Petron Corporation continues to be strictly adhered to by the Company in ensuring seamless continuity of the business and safe operations. The Board recognises that risks can be mitigated and even eliminated by having an effective system in identifying the principal risks faced by the Company.

While the Company's Risk Management is operationally spearheaded by the Management, it also reports to the Board Audit & Risk Management Committee. With their vast knowledge and experience, the members of the committee are able to assist the Management and the Board further, providing them with valuable inputs and advice.

A summary of the risk management activities can be found on pages 65 to 71 in the Board Audit & Risk Management Committee Report.

The Risk Management system starts with identifying the relevant risks (any condition/ situation that has the potential to create unwanted impact on our business performance) associated with Petron Malaysia operations which in turn are further evaluated qualitatively/ quantitatively to determine the probability and consequence of business impacts. Corresponding planning will be determined to implement preventive and/or mitigation measures as well as the continued monitoring of any potential new risks that may affect the business and determine appropriate control measures.

In Petron Malaysia, the risks can be generalised into 4 categories:

- Operational Risk
- Financial Risk
- Strategic Risk
- Hazard Risk

OPERATIONAL RISK

We build our facilities in accordance with industry standards and regulatory requirements. To achieve flawless operations at our refinery and terminals, we put a premium on Operational Integrity. Process equipment failures can cause unplanned shutdowns and incidents such as fires could render our facilities inoperable. These incidents could cause disruption to our supply chain, thus, affecting the availability and delivery of products to our customers. All operating sites are required to conform to Petron's Safety Management System and Standards. We are a member of the Petroleum Industry of Malaysia Mutual Aid Group which can be called upon to respond in case of oil spills.

The Port Dickson Refinery is designed to process low sulphur crudes. Availability of this type of crude may depend on a few oil suppliers. To ensure continuous supply of feedstock, the Company has a long-term supply contract with ExxonMobil Exploration and Production Malaysia, Inc. ("EMEPMI"). We have secured forward purchase arrangements with other traders and suppliers. We also maintain long-term and spot contracts for the supply of finished products to complement our production.

FINANCIAL RISK

The Company's business and financial performance is always confronted with the risk of oil price volatility. Several factors which the Company has no control, such as global supply and demand, weather conditions and geopolitical situations, could influence oil prices. A sharp drop or climb in oil price may result in inventory holding gains or losses that could impact margins. The Company has been able to mitigate the impact of price volatility through an effective inventory management. Apart from this, the Company uses commodity hedging instruments to protect its exposure arising from such volatility.

Another financial risk that the Company is exposed to is the fluctuations in the value of Malaysian Ringgit against the U.S. Dollar (USD) as crude oil and finished products are denominated in USD. The Company uses forward exchange contracts to manage net foreign exchange (forex) exposures.

> Periodic fire drill for response readiness

> Emergency response and business continuity plans are tested regularly

STRATEGIC/MARKET RISK

We aim to be the Leading Provider of Total Customer Solutions in Oil Sector and Allied Businesses. The Company's strategies are regularly reviewed and updated with consideration to the changes in the external environment especially relating to addressing emerging customer requirements, major actions from competition and changes in government regulations.

We established a product quality management system to ensure strict control on product quality to reduce likelihood of incidents and efficient handling of customer complaints if there is a product quality issue.

HAZARD RISK

Procedure and controls are in place to target zero employee work related injury/illness, third party liability and property loss. Appropriate response for natural hazards is built in the Business Continuity Plan (BCP).

We have already put in place emergency response plans and business continuity plans in preparation for any potential emerging issues related to the respective risks. These plans are tested on a regular basis.

A key aspect to our capability in managing potential impacts of the abovementioned risks is our response readiness and capability, which are documented in the Emergency Response Plans (ERP) and BCP.

The **ERP** document details application of strategies and tactics by which Petron Malaysia deals with an event that is disruptive and threatening to the organisation, its stakeholders or the general public. The focus is mainly to address immediate threats such as fires and oil spills.

BCP forms a part of emergency response when the impacts require longer term attention to maintain or bring the business functions back to normal operations. Our strategy, in recognition of the need to minimise business disruption through (i) pre-incident pre-emptive risk assessment with preventive/mitigation measures and (ii) post incident execution of response tactics and strategies to recover and restore back the affected business functionality to normal operations, is documented in the **BCP**.

SUSTAINABILITY STATEMENT

SINCE 2012, WE HAVE SEEN THE CONTINUED SUCCESS AND GROWTH OF OUR BUSINESS IN MALAYSIA. A BIG REASON IS OUR DELIBERATE FOCUS ON ADOPTING SUSTAINABLE BUSINESS PRACTICES THAT WE HAVE INSTITUTIONALISED THROUGHOUT THE PETRON ORGANISATION.

In Petron, we believe in sustainability as both a business philosophy and a practice, that it should be the norm and not an option. For us it is simple, we believe in using only what we need, and we integrate sustainability practices in our operations. As such, we are committed to adopt and implement initiatives to ensure our business is economically, environmentally and socially sustainable for our stakeholders. These are anchored on the pillars of Environment, Safety & Security and Social Performance.

Starting 2017, we are detailing these programmes with the goal of publishing a Sustainability Report following global benchmarks and conforming with Bursa Malaysia Berhad's requirements.

A Sustainability Council led by the Petron Malaysia Operations Manager was established to provide direction to the Technical Working Group composed of heads of Human Resources, Finance, Legal, Corporate Safety, Security, Health, and Environment (SSHE), Retail Business, Commercial Business, Supply, Distribution & Terminal Operations, Business Planning, Procurement and Corporate Affairs.

Specific to sustainability reporting, the Council ensures that reporting guidelines are faithfully followed, and that performance indicators are completely and accurately disclosed.

DISCLOSURE ON SUSTAINABILITY PRACTICES

Petron Malaysia has been disclosing its sustainability practices in the Annual Report since 2012. 2017 is the first time that we are publishing a separate Sustainability Report, which also complements our 2017 Corporate Annual Report. The 2017 Sustainability Report is also available on our Company website www.petron.com.my.

PREPARING THE REPORT

This is Petron Malaysia's first sustainability report, prepared in accordance with the Global Reporting Initiative's (GRI) international guidelines on sustainability reporting. Utilising GRI's materiality matrix, we extensively discussed with our stakeholders the various performance indicators and their significance to the continued success of our business and our communities. Data for the report were mostly generated from monitoring and measurement methods in the environmental manual of all our facilities, whose systems are in compliance with all regulatory requirements.

COMMUNICATING SUSTAINABILITY

The Company undertakes regular trainings to effectively communicate its sustainability vision particularly among permanent and casual employees, contractors, community leaders, and programme beneficiaries. We also engage our service station dealers to ensure that our Safety, Security, Health, and Environment policies and practices are strictly followed across the organisation.

ECONOMIC PERFORMANCE

The Company constantly looks for opportunities to sustain growth and achieve long-term profitability. Despite a challenging business environment, we continued to focus on key projects aimed at expanding our business and reaching out to more customers. These have resulted in good returns which give us a solid platform to pursue our sustainability agenda.

In conducting our business, we firmly adhere to principles and policies that ensure effective corporate governance, transparency and accountability in all aspects of our operations.

The Company also maximises the use of cash generated from its operations to ensure sound cash management to maintain healthy financial ratios.

To sustain our growth, we give opportunities to local businesses to partner with us in providing materials and services for our operations. These strong partnerships give Petron a reliable source of human and material resources while helping to boost the local economy. However, these suppliers and contractors must conform to the same sustainability parameters of the Company, including strict adherence to corporate governance, environment, health and safety standards, and social responsibility.

ENVIRONMENTAL PERFORMANCE

We exert every effort to meet, even exceed, the country's environmental regulations and ensure to minimise our environmental footprint. The Corporate SSHE is tasked to help formulate and implement sound environmental policies, disseminate all applicable regulations, standards and corporate policies throughout the organisation, and share best practices on environmental management.

We develop our own systems for measuring, managing and minimising our footprint and continuously invest in cleaner and greener product lines. To manage emissions, Petron employs Greenhouse Gas-Air Pollutant Accounting and Energy Conservation measures. We also implement various internal and external programmes that focus on the reduction of waste, emissions, and energy consumption at our Port Dickson Refinery such as furnace operation optimisation, minimising distillation tower pressure, tracking of energy intensity index (EII), and increasing efficiency of crude refining.

In Petron facilities located near critical ecosystems such as coastal areas or watersheds, we undertake activities such as mangrove planting and river clean-ups to help protect natural habitats and promote biodiversity.

Our environmental initiatives have improved our performance in the areas of energy consumption, water use and emissions.

SOCIAL PERFORMANCE

Petron's long-term success depends largely on the people within and outside the organisation.

Our employees are our greatest assets. Thus, we work hard to provide our people with a safe and conducive workplace, and a sound and effective HR system that includes total remuneration, benefits and fair performance appraisal, and a robust training and development programme.

One such initiative is the employment of a Total Quality Management (TQM) programme throughout the Company to enhance our competitiveness and reinforce the Petron's core values – Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety (ExCITES). Through this, we are able to continually improve on our ability to provide quality services and customer satisfaction.

Externally, we continued to put a premium on raising the standards of customer care by establishing Petron Care hotline. This remains the main source for our customers and other stakeholders to reach Petron. Feedback received from the hotline is immediately directed to concerned departments for prompt action.

We also invest heavily in the well-being of communities through a host of corporate social responsibility programmes. Through these, we are able to help in building a better nation by addressing relevant social issues.

Road safety. Safety has always been a main focus for Petron and by working closely with the Royal Malaysia Police's (RMP) in the Go-To-Safety Points (GTSP) programme, we are able to foster stronger relationships between our station dealers and the RMP while providing a safe and secure haven for emergency victims to seek immediate assistance.

To do our part for a safer Malaysia, we launched an above-the-line safety awareness campaign to reach out to the community and promote safety. The campaign started out with safety awareness posters placed strategically in all our service stations. At the same time, we engaged with various social media platforms, including the daily Petron Traffic Updates on Astro Radio, to further spread our safety messages.

Continuing our partnership with the Road Safety Department, we organised a road safety campaign in seven universities and institutes of higher learning throughout Peninsular Malaysia, as well as in two secondary schools in Kuantan and Sungai Petani. These allowed us to further enlighten the Malaysian youth on road safety, particularly on traffic rules, regulations, safe passage and the correct use of roads in the country.

Youth development. By supporting the State Education Department and the State Government of Negeri Sembilan, we help to encourage and inspire our future leaders to excel in academics, sports, and the arts amongst the youth.

Our continued support for the Negeri Sembilan Human Capital Award of Distinction for the schools in the state underscore our commitment to recognise individuals and groups whether in schools, districts or state

> *Vision Petron promotes artistry amongst the youth*

education departments for not just sports excellence but also other fields such as Co-curriculum and Student Affairs. These aim to produce well-balanced human capital in our host state where our refinery is located.

Vision Petron. The 2017 Vision Petron Art & Painting Competition with the theme "Rediscovering the Ingenuity of Youth", attracted 900 entries under three categories which are painting, photography and videography. Through this competition, we not only nurture and promote artistry of Malaysian youth, but it also serves as a unique platform for the youth to promote national identity and culture through art.

Environmental protection. Together with the local government agencies, we continued to protect the environment through greening and beach clean-up activities, such as the *"Kempen Bumi Hijau"* projects under the Petron Group which saw more than 2,000 mangrove, casuarina and trees planted on more than 2 kilometres of shoreline along Kuantan, Butterworth and Port Dickson.

Employee engagement. Our ability to contribute to the betterment of our communities is further driven by the strong culture of volunteerism among our employees, as well as partners.

In 2017, Petron Malaysia organised four employee engagement activities through our Volunteerism in Action (VIA) to tap the enthusiasm of Petron Malaysia employees and partners in making a positive difference for our communities.

The first activity was a collaboration with Food Aid Foundation, a non-profit organisation to help provide hot *sahur* (pre-dawn) meals for those who stayed at the Universiti Malaya Medical Centre to care for their loved ones during the fasting month.

Another project was our first reading programme called the Petron VIA "Let's Read". This project aimed to help improve English literacy rates amongst students at a local school with regular reading activities.

The "Lighting Hearts & Homes" programme involved Petron's newly hired employees who helped needy families in Pahang to celebrate a special Deepavali (Festival of Lights) by providing them with new furniture, household items and new clothes.

In November 2017, the VIA committee once again organised our flagship "Back-to-School" programme, where Petron employees sponsored new sets of uniforms, shoes, bags and other school items for 80 needy students from 16 schools in Seremban and Port Dickson.

WORKPLACE DIVERSITY

	Petron Malaysia Refining & Marketing Bhd	Petron Fuel International Sdn Bhd	Petron Oil (M) Sdn Bhd	
ETHNIC				
Malay	221	119	5	345
Chinese	69	62	1	132
Indian	30	19	-	49
Others	8	28	9	45
GENDER				
Male	268	121	14	403
Female	60	107	1	168
AGE				
21 – 30	78	67	2	147
31 – 40	87	105	6	198
>40	163	56	7	226

It is the policy of the Company to provide equal employment opportunity in conformance with any applicable local laws, regulations and Malaysian Government policy (GOM Policy) in place to Malaysian nationals from time to time, regardless of gender, age and ethnicity, who are qualified to perform job requirements. The Company administers its personnel policies, programmes, and practices in conformance with any such applicable laws, regulations and GOM Policy in all aspects of the employment relationship, including recruitment, hiring, work assignment, promotion, transfer, termination, wage and salary administration, and selection for training.

Manager and supervisors are responsible for implementing and administering this policy, in maintaining a work environment free from unlawful discrimination, and promptly identifying and resolving any problem area regarding equal employment opportunity.
In addition to providing equal employment opportunity as set above, it is also the Company's policy to undertake in conformance with applicable local laws, regulations and GOM Policy, special efforts to:

- Develop and support educational programmes and recruiting sources and practices that facilitate employment of Malaysian nationals, regardless of gender;
- Develop and offer work arrangements that help to meet the needs of the diverse work force in balancing work and family obligations;
- Establish company training and development efforts, practices, and programmes that support diversity in the work force and enhance the representation of Malaysian nationals, regardless of gender throughout the Company;
- Foster a work environment free from sexual, racial, or other forms of harassment;
- Make reasonable accommodations that enable qualified disabled individuals to perform the essential functions of their jobs;
- Emphasise management responsibility in these matters at every level of the organisation.

Individuals who believe they have observed or been subjected to prohibited discrimination should immediately report the incident to their supervisor, higher management, or their designated Human Resources Department contact. Complaints will be investigated and handled as confidentially as possible.

Individuals will not be subjected to harassment, intimidation, prohibited discrimination or retaliation for exercising any of the rights protected by this policy.

VIEW FORWARD

In the first year since the company with over a century of established heritage in Malaysia combined with the Philippines' leading oil refining and marketing company to form Petron Malaysia, the goals of the organisation have been straightforward: grow the business, provide consistent returns to our shareholders, ensure a reliable supply of premium fuels to consumers, and care for the community and the environment. In short, we aim to give more value to all our stakeholders.

Over the past five years, we have remained focused not only in meeting those goals but in exceeding them year after year. Petron Malaysia is indeed well-positioned to meet the many challenges of operating in a highly competitive environment, buoyed by a strong team, sturdy financial discipline, and sound business strategies. Additionally, our definition of success extends to the growth of our stakeholders, and the communities where we are present.

In formalising our commitment to undertake sustainability reporting, we are institutionalising the values, policies, and processes that have allowed us to succeed. We are now consciously documenting our successes, meticulously measuring our triple bottom line performance (people, profit, and planet), actively engaging our stakeholders, and further improving all areas of our operations. Sustainability ensures a long and rewarding future, for us and our stakeholders, here in Malaysia.

CORPORATE INFORMATION

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

DIRECTORS

Mr. Ramon S. Ang
Chairman, Executive Director

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

Y. Bhg. Dato' Zainal Abidin Putih
Independent Director

Ms. Chua See Hua
Independent Director

Y. Bhg. Dato' Zuraidah Atan
Independent Director

Mr. Fong Seow Kee
Independent Director

Mr. Antonio M. Cailao
Independent Director

Ms. Aurora T. Calderon
Executive Director

Mr. Ferdinand K. Constantino
Non-Independent Non-Executive Director

COMPANY SECRETARY

Mr. Manoj Devadasan
(LS0006885)

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
(11324-H)

Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
Tel : +603-2783 9299
Fax : +603-2783 9222

Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

AUDITORS

KPMG PLT (No. LLP0010081-LCA & 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 Lee Hishamuddin Allen & Gledhill

REGISTERED OFFICE

Office of the Secretary,
Petron Malaysia Refining & Marketing Bhd
Level 12A, Menara I&P 1,
No. 46, Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur.
Tel : +603-2082 8400
Fax : +603-2082 8578

PROFILE OF BOARD OF DIRECTORS

MR. RAMON S. ANG

Chairman
Executive Director

Age **64** | Nationality **Filipino** | Gender **Male**

Mr. Ramon S. Ang was appointed as a Director on 30 March 2012 and appointed as Chairman/Chief Executive Officer of the Company on 2 April 2012. On 20 November 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 Executive Director of Petron Corporation in the Philippines since 8 January 2009 and the President of Petron Corporation since 10 February 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 holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines.

MR. LUBIN B. NEPOMUCENO

Chief Executive Officer

Age **66** | Nationality **Filipino** | Gender **Male**

Mr. Lubin B. Nepomuceno was appointed to the Board of the Company on 30 March 2012. On 20 November 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 10 February 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 Oil & Gas International Sdn. Bhd., Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. 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 Japan's Sakura Bank Business Management.

PROFILE OF BOARD OF DIRECTORS

Y. BHG. DATO' ZAINAL ABIDIN PUTIH

Independent Director

Chairman of the Board Audit & Risk Management Committee
Member of the Nominating Committee
Age **72** | Nationality **Malaysian** | Gender **Male**

Y. Bhg. Dato' Zainal Abidin Putih was appointed Director of the Company on 6 March 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, Land & General Berhad, CIMB Bank Berhad, Tokio Marine Insurans (Malaysia) Berhad and Touch 'n Go Sdn. Bhd. Y. Bhg. Dato' Zainal Abidin Putih acts as a Trustee of the National Heart Institute Foundation and effective 21 March 2018 he is a member of Frost & Sullivan's FinTech Advisory Council. Y. Bhg. 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 Board Audit & Risk Management Committee
Chairman of the Nominating Committee
Age **64** | Nationality **Malaysian** | Gender **Female**

Ms. Chua See Hua was appointed a Director of the Company on 31 May 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 specialising 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 B.A (law) from the University of East London, United Kingdom. She also completed her Masters in Law at the University of Cambridge specialising in companies & securities laws and international law.

Y. BHG. DATO' ZURAIDAH ATAN

Independent Director

Member of the Board Audit & Risk Management Committee
Age **59** | Nationality **Malaysian** | Gender **Female**

Y. Bhg. Dato' Zuraidah Atan was appointed as a Director of the Company on 20 February 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 also 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 served for a period as President and CEO of Affin Merchant Bank, a local investment bank, and was also the first female Director of HSBC Bank Malaysia. She is an Independent Director on the Board of Kenanga Islamic Investors Berhad. She is also a Non-Executive Director of S P Setia Berhad. Dato' Zuraidah was a public interest Director on the Board of Bursa Malaysia Berhad Group and she was also 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 holds a Certificate in Legal Practice. She is a former student of Tunku Kurshiah College.

MR. FONG SEOW KEE

Independent Director

Member of the Board Audit & Risk Management Committee
Age **61** | Nationality **Malaysian** | Gender **Male**

Mr. Fong Seow Kee was appointed as a Director of the Company on 18 August 2016. His career spans 38 years in the finance and investment industry. He worked in investment banking in Malaysia, Hong Kong and Singapore before joining a Singapore based venture capital group in 1992 where he was responsible for investments across Asia and also the United States. In 2000, he co-founded an investment management and advisory firm and from 2001 to 2010, managed a technology focused venture capital fund owned by Ministry of Finance, Malaysia. He has been active in the development of the Capital Market and Venture Capital Industry in Malaysia where he has sat on various industry working groups, including that pertaining to the Malaysia's capital market reforms announced by the Securities Commission in 2009. He was actively involved in the Malaysian Venture Capital & Private Equity Association in various capacities including as Chairman between 2008 and 2010. Mr Fong was one of the founder members of the Fintech Association of Malaysia of which he is currently President and is a member of the Advisory Committee on Technology for Finance established by Bank Negara Malaysia. Since 2010, he has been a director of GHL Systems Bhd, and sits as its senior independent director and Chairman of the Audit and Risk Committee and Remuneration Committee. He graduated with a BA (Hons) Economics and Social Studies from the University of Manchester, England, is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

PROFILE OF BOARD OF DIRECTORS

MR. ANTONIO M. CAILAO

Independent Director

Member of the Audit Committee
Age **71** | Nationality **Filipino** | Gender **Male**

Mr. Antonio M. Cailao was appointed to the Board on 23 November 2017. Mr. Cailao is currently an Independent Director of RCBC Savings Bank (Philippines) and is also a Faculty Lecturer in the Institute of Corporate Directors (Philippines). Mr. Cailao joined Citibank in 1973 on an Executive Trainee Development program and went on to serve Citibank in various capacities and positions of increasing responsibilities. In this regard, he has served with Citibank in Manila, Hong Kong, Seoul, Caracas and Ho Chi Minh. His last position with Citibank (from 1997-2001) was in Singapore as Citibank's Asia Regional Head (Pan Asian Corporations). From 2001 to 2013, Mr. Cailao was Managing Directors of Asian Region Head (e-banking and Commercial Banking) for Fleet Bank of Boston (in Singapore). From 2003-2005, Mr. Cailao was the Senior Executive Vice-President/Chief Operating Officer of United Coconut Planters Bank (Philippines). From 2007 to 2016, Mr. Cailao was the President and CEO of the Philippine National Oil Company. Mr. Cailao obtained Bachelor of Business Administration from University of the Philippines (1968) and MBA, University of the Philippines (1973). He completed an Executive Development Program from Columbia University, New York, U.S.A (1989) and also Professional Directors Program – Certified Independent Directors by the Institute of Corporate Directors (2007).

MS. AURORA T. CALDERON

Executive Director

Age **63** | Nationality **Filipino** | Gender **Female**

Ms. Aurora T. Calderon was appointed to the Board of the Company on 30 March 2012. Ms. Calderon has served as a Director of Petron Corporation since 13 August 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-MERALCO (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. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants.

PROFILE OF BOARD OF DIRECTORS

MR. FERDINAND K. CONSTANTINO

Non-Independent
Non-Executive Director

Member of the Nominating Committee
Age **66** | Nationality **Filipino** | Gender **Male**

Mr. Ferdinand K. Constantino was appointed to the Board on 30 August 2013. Mr. Constantino is the Chief Finance Officer and Treasurer, and Corporate Information Officer of San Miguel Corporation (SMC) and has previously served as a Director of SMC (2010-2018). He is the Chairman of San Miguel Foundation Inc., Director/President of Anchor Insurance Brokerage Corporation, Director and Vice-Chairman of SMC Global Power Holdings Corp., and Director of Top Frontier Investment Holdings Inc. He is also a Director of various SMC businesses namely: San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Purefoods International, Ltd., San Miguel Holdings Corp. (SMC Infrastructure), Citra Metro Manila Tollways Corporation (Skyway) and Northern Cement Corporation. He previously served as Director of San Miguel Pure Foods Company Inc. (2008-2009) and San Miguel Properties Inc. (2001-2009), and was Chief Finance Officer of San Miguel Brewery Inc. (2007-2009) and Manila Electric Company (2009). Mr. Constantino obtained a Bachelor of Arts in Economics from University of the Philippines in 1972.

PROFILE OF MANAGEMENT COMMITTEE

MR. LUBIN B. NEPOMUCENO

Chief Executive Officer and Executive Director
Chairman of the Management Committee

B.Sc (Chemical Engineering) – De La Salle University
M.B.A (Hons.) – De La Salle University

Age 66 | Filipino | Male

- Mr. Lubin B. Nepomuceno was appointed as the Chairman of the Management Committee and has held the position since the 2012 take-over of ExxonMobil's downstream businesses in Malaysia by Petron Corporation.
- He is an Executive Director on the Board of Directors of the Company. The complete profile for Mr. Nepomuceno can be found in the Profile of Directors on page 35.

MR. JAIME O. LU

Operations Manager/Alternate Chairman of the Management Committee

B. Sc (Chemical Engineering) – Pamantasan ng Lungsod ng Maynila, Philippines
M.B.A (Hons.) – Ateneo de Manila University, Philippines

Age 54 | Filipino | Male

- Mr. Jaime O. Lu is the Operations Manager of the Petron Malaysia group and has held the position since the 2012 take-over of ExxonMobil's downstream businesses in Malaysia by Petron Corporation.
- He is a Vice President of Petron Corporation and is also the Executive Director of Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. Prior to this role, he was Vice President and General Manager of Philippine Polypropylene, Inc. a subsidiary of Petron Corporation.

MS. MYRNA C. GERONIMO

Chief Finance Officer

Bachelor in Accountancy (Magna Cum Laude)
Polytechnic University of the Philippines
Certified Public Accountant (Philippines)
Certified Management Accountant (ICMA, Australia)

Age 51 | Filipino | Female

- Ms. Myrna C. Geronimo has held the position of Chief Finance Officer of PMRMB since 2014.
- She is an Assistant Vice President of Petron Corporation and is also the CFO of the other subsidiaries of Petron Corporation in Malaysia.
- Prior to this, she was attached with Petron Corporation for 24 years and has held various positions including with Internal Audit and Business Planning.

PROFILE OF MANAGEMENT COMMITTEE

MR. MANOJ DEVADASAN

General Counsel/Company Secretary

B. Soc. Sc. (Hons.) (Law/Politics), University of Keele, United Kingdom
Barrister-at-Law (Lincoln's Inn, United Kingdom)
Masters in Law (LL.M), University of Malaya, Malaysia
Licensed Company Secretary

Age 54 | Malaysian | Male

- Mr. Manoj Devadasan has held the position of General Counsel/ Company Secretary of PMRMB since 2012.
- He also serves as the General Counsel/Company Secretary of the other subsidiaries of Petron Corporation in Malaysia.
- He has served as the Company Secretary of the ExxonMobil Subsidiaries in Malaysia (including then Esso Malaysia Berhad) from 2006.

PN. FARIDAH ALI

Head of Retail Business

B.Sc. (Hons.) Accounting, University of East Anglia, United Kingdom
Institute of Chartered Accountant (England & Wales)

Age 53 | Malaysian | Female

- Pn. Faridah Ali is the Head of Retail Business of Petron Malaysia Group and has held the position since 2012.
- She is also the Executive Director of Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.
- She was the Retail Business Director and Executive Director of the former Esso Malaysia Berhad, now PMRMB. She also held various positions under ExxonMobil as the Marketing Support Manager and Business Analyst and Reporting Manager.

MR. CHOONG KUM CHOY

Head of Commercial Business

B. Eng (Hons.), University of Malaya, Malaysia

Age 55 | Malaysian | Male

- Mr. Choong Kum Choy is the Head of Commercial Business of Petron Malaysia Group and has held the position since 2012.
- He was ExxonMobil's Asia Pacific Wholesale Manager and the Country Lead for Industrial and Wholesale Business.

CIK FADZILAH MOHD TAHIR

Head of Refinery

B.Sc./MSc.(Chemistry), Illinois State University, US

Age 55 | Malaysian | Female

- Cik Fadzilah Mohd Tahir has held the position of Head of Port Dickson Refinery since 2013.
- Prior to this role, she was the refinery's Process Manager.
- She has held various positions including Process Superintendent, Refinery Coordination Advisor and Crude Optimiser.

PROFILE OF MANAGEMENT COMMITTEE

EN. MOHD NIZAM MANSOR

Head of Supply Department

B.Sc. (Hons.) (Actuarial Science), University of Kent at Canterbury, United Kingdom

Age 50 | Malaysian | Male

- En. Mohd Nizam Mansor was appointed as Head of Supply Department with functional organisation implementation in 2015.
- Prior to this role, Nizam was the Supply Manager of PMRMB.
- He has held various roles including the Refinery Coordination & Business Support Manager, member of the Global Marine Transportation Optimisation group and Supply Associate.

EN. IBRAHIM ATAN

Head of Distribution & Terminal Operations

B.E (Hons.) (Civil Engineering), University of Malaya, Malaysia
Graduate member of Board of Engineers, Malaysia
Registered Competent Person with DOSH - Control of Industrial Major Accident Hazards (CIMAH)

Age 56 | Malaysian | Male

- En. Ibrahim Atan was appointed as Head of Distribution & Terminal Operations for PMRMB in 2015.
- Prior to this, Ibrahim was the Supply & Distribution Planning Manager.
- He has held various roles including Logistics Business Development Advisor, Senior Coordinator for SHE & Controls in Distribution Department and Terminal Manager.

None of the above Management Committee members have any family relationship with any Director and/or major shareholder of Petron Malaysia Refining & Marketing Bhd, no conflict of interest with Petron Malaysia Refining & Marketing Bhd, not convicted of any offences within the past five (5) years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

The disclosure on the particulars of the above Management Committee members of Petron Malaysia Refining & Marketing Bhd is made in compliance with the requirements under Appendix 9C of Bursa Malaysia Securities Main Market Listing Requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

NOTES

- This is a Corporate Governance Overview Statement relating to Petron Malaysia Refining & Marketing Bhd ("PMRMB" or "Company"). The full report on the compliance status of the Company in relation to the Malaysian Code on Corporate Governance 2017 ("CG Code 2017") as approved by the Board and submitted to Bursa Malaysia Securities Berhad ("Bursa Malaysia") as per requirements of the Main Market Listing Requirements ("MMLR") can be accessed at www.petron.com.my.

- As at 1 January 2017, the Company was neither a company that was on the FTSE Bursa Malaysia Top 100 Index, nor a company with a market capitalisation of RM2 billion. As such for the reporting period of 2017, PMRMB is not deemed to be a "Large Company" as defined by the CG Code 2017.

- The following documents relating to the Company and its governance, can be accessed on the Company's website www.petron.com.my:

    - Board Charter
    - Management Committee Charter
    - Board Audit & Risk Management Committee Terms of Reference
    - Nominating Committee Terms of Reference
    - Standards of Business Conduct of Petron in Malaysia
    - Policy on Gender Equality (Diversity)
    - Policy on Corporate Disclosure

- This Corporate Governance Overview Statement will highlight the following:

    - Board leadership and its effectiveness
    - Effective audit and risk management
    - Integrity in corporate reporting and meaningful relationship with stakeholders
    - Key Focus Areas and Future Priorities in relation to Corporate Governance

PART A. BOARD LEADERSHIP AND ITS EFFECTIVENESS

General

The Board has nine (9) members (as of the end of 2017), with five (5) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman).

Independent Directors on the Board

The Company recognises the value of having a majority of Independent Directors on the Board as their diverse qualifications, experience, skills and ability to provide a 'cold-eye' critical review of Management's proposals and presentations, will help the overall management of the Company and allow the Company's strong governance process to continue improving.

In the first half of 2017, the Company had a Board of eight (8) Directors, of which fifty per cent (50%) were Independent Directors.

The Board appointed an additional Independent Director, thus having a majority of Independent Directors on the Board by the 4th quarter of 2017.

The Company's Board of nine (9) members now is comprised of:

- three (3) Executive Directors (including the Chairman);
- one (1) Non-Executive Director; and
- five (5) Independent Directors

Independent Director, Y. Bhg. Dato' Zainal Abidin Putih, who is also the Chairman of the Board Audit & Risk Management Committee, has exceeded a tenure of nine (9) years on the Board. The Company recognises the rationale for the imposition of a nine (9) year tenure limit 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.

The Company however wishes to highlight that whilst Y. Bhg Dato' Zainal may have joined the (then Esso Malaysia Berhad) Board in 2002, the Board and Senior Management of the Company, had substantially changed with the takeover by Petron in 2012.

The Company further takes the view that, the guidance of an experienced and respected Independent Director such as Y. Bhg. Dato' Zainal Abidin bin Putih, with his impeccable reputation and vast knowledge and understanding of the Company's business, will benefit the Company and the Executive Directors in furthering the successful implementation and plans for the development and sustainability of the Company's business.

Y. Bhg. Dato' Zainal Abidin bin Putih's presence on the Board will also enable him to assist in the selection and training of his eventual successor as Chairman of the Board Audit & Risk Management Committee.

The election process for Y. Bhg. Dato' Zainal Abidin Putih at the 2018 Annual General Meeting, will follow the 'two-tier' voting system prescribed by the CG Code 2017. The voting will be by poll.

The Board Charter

The Company has a Board Charter that has been in place since 1974 and is periodically updated. The most recent update was on 24 May 2016. The Board Charter will, in 2018, undergo further revisions to meet the requirements of the new Malaysian Corporate Governance Code 2017.

In 2016, as an avenue to communicate the Company's approach to important governance practices, the Company formalised its Board Charter and made it public by providing access to it on the Company's website. The Board Charter deals with its purpose, authority, role of the Board, the Board Committees, the relationship between the Board and Management, responsibilities specifically reserved for the Board and the Board's other responsibilities, the Board composition, the individual roles of the Chairman and the Chief Executive Officer, annual assessment of the Board, Board Committees and individual Directors, tenure of Independent Directors, annual election/re-election of Directors, Directors' responsibilities in relation to the Board and Board Committees, meetings of the Board, minutes and review of the Board Charter. Whilst the Board has not appointed a Senior Independent Director, relevant provisions will be incorporated into the Board Charter as part of the 2018 review.

However, recognising that the Board cannot manage day to day operational matters, necessary delegation of authority by the Board (as is permitted by law and the constitution of the Company) is in place. Such delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Management Committee and individual Management personnel, as well as the relevant level of authority that has been delegated by the Board. The Board Charter and the Management Committee Charter are reviewed periodically by the Board and updated as necessary. Both the Board Charter and the Management Committee Charter, will be reviewed in 2018. Changes to the delegation of authority to individual Management personnel are reviewed at quarterly Board meetings.

Board's Management of the Company

The Board forms the mind and management of the Company and leads the Company. To ensure that it is able to fulfil its obligations to the Company and to ensure proper management of the Company, the Board meets at least four (4) 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.

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, Non-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.

Currently, Y. Bhg. Dato' Zainal Abidin bin Putih is the longest serving Independent Director of the Company. Although he has not been formally appointed as the Senior Independent Director, shareholders are at liberty to approach Y. Bhg. Dato' Zainal Abidin bin Putih, or any of the other Independent Directors, to seek clarification should they have any queries or concerns relating to the Company and its Management. This would be in addition to the ability of the shareholders and other stakeholders directly contacting the Executive Directors or Senior Management. 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 the downstream oil & gas business. The engagement with the Independent Directors also enables the Company to manage Minority Shareholders' expectation that their rights continue to be protected.

The strategic plans of the Company and the operating plans for the year to grow the business, including the key factors taken into consideration in determination of the plans, are considered and approved by the Board. Approval by the Board is also obtained for the Company's budget. The progress of plans and budget as approved, are reviewed mid-year (following an internal mid-year review at Senior Management level) with adjustments made where deemed necessary. Adherence to the budget is also monitored in conjunction with the periodic review of the financials.

The key to the strategic plans of the Company is long-term sustainability. This explains the success of the Company (and indeed its rate of expansion in the downstream oil & gas business in Malaysia) since 2012 with:

- the Company's rapid growth in the market as a major oil & gas company;
- the successful establishment of the 'Petron' brand in the Malaysian market, leading to the Company winning awards such as the 'Putra Brands Awards';
- the introduction of innovative products such as the only RON100 gasoline in Malaysia and the high-end Euro 5 Turbo Diesel fuel;
- the strengthening financial position of the Company; and
- the gains in the Company's share price that benefits the shareholders of the Company via healthy yields in investments.

All this was done whilst maintaining an impeccable safety record with the Company's terminals having operated over twenty-two (22) years without any loss time injury and the Refinery operating over fifteen (15) years without any loss time injury.

Apart from the adoption of the Company's Vision and Mission Statements (adopted in 2012), to drive the Company's growth, the Company issued the Value Handbook in 2016. Entitled "ExCITES", it incorporates key values that will ensure the Company's success and long term sustainability. ExCITES stresses on six (6) key values namely:

- **Ex**cellence;
- **C**ustomer Focus;
- **I**nnovation;
- **T**eamwork;
- **E**thics; and
- **S**afety.

While the ExCITES project was driven by Management, it was the employees who formed, planned and executed the project as part of a cross functional Department team effort. This move to empower them ensured that employees take ownership of the values and help drive those values.

The Board recognises 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 by the Company. The Board nevertheless acknowledges that it is there to manage a business, and risks (as in all businesses) are inherent part of the business. The Board recognises that identifying and adopting solutions to manage those risks is imperative in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognises as necessary for its sustainability. The matters pertaining to risk management can be further viewed under the Statement of Risk Management and Internal Controls at pages 62 to 64, as well as the Board Audit & Risk Management Committee Report at pages 65 to 71. An overview of the Company's risk management is also stated below in Part B of this Corporate Governance Overview Statement.

The Chairman of the Board

The Chairman of the Board, Mr. Ramon S. Ang, was appointed by the Board on 2 April 2012 upon the take-over of the Company by Petron Corporation on 31 March 2012, a takeover that he was instrumental in driving.

Mr. Ang is the President of the ultimate holding company, San Miguel Corporation, and is also Chief Executive Officer of parent company, Petron Corporation. With his senior executive positions at the group level, he has and continues to provide the vision and executive leadership that has in a span of some six (6) years since the takeover, led the Company to its present success as a major downstream oil & gas company in Malaysia.

Mr. Ang in his capacity as Chairman of the Board, reviews and approves the Agenda for every Board meeting. Similarly, all Board papers and Board resolutions (including those completed via circulars) are reviewed and approved in order that the papers and resolutions meet the needs of the Board in relation to information necessary for the Board to make a determination. As Chairman, with the assistance of the Company Secretary, he ensures that the relevant Board papers are disseminated to the Directors in advance of the Board meetings to enable the Directors to read, understand, evaluate and raise issues for discussion or clarification, before a determination is made by the Board. As a general rule, the Board papers are disseminated at least five (5) days before a meeting.

The Chairman chairs meetings of the Board (and leads the Board at the Annual General Meeting). The Chairman seeks the input from members of the Board and encourages members of the Board to express their views; even where the views may be divergent to the proposal moved by Management with the support of the Executive Directors. The Chairman strongly believes in unanimous decisions by the Board as Directors take collective responsibility for decisions. As a general practice, where there are divergence in views, the matter will be referred by the Chairman to Management for a further review (to take into consideration views expressed by Board members) and for Board to make a determination at a later date.

As a further measure to encourage active discussions in a candid manner (without the presence of the Chairman at such discussion), as a general practice, matters that are referred to the Board (be it for approval or notation) are first reviewed by either the Board Audit & Risk Management Committee (or where within its purview, the Nominating Committee). Discussions and views expressed at these meetings are then shared with the Board.

The Chairman in his capacity as an Executive Director is actively involved in the day-to-day management issues especially where they relate to strategic acquisitions or disposals, major procurement issues and plans for business development. The Chairman is also provided an extensive management and business update monthly by Management, from which Management receives instructions from the Chairman on expectations.

The Chairman reviews plans by Management in engaging stakeholders and shareholders. Communication plans and proposed meetings (for example with potential investors, plant visits requests, visits by regulators and other Government officials) including plans on discussion and presentation to shareholders during general meetings, are reviewed with the Chairman. The aim is to provide meaningful information to the shareholders and stakeholders whilst seeking to avoid providing information that may be confidential or business sensitive that could prejudice the Company and its interests.

To ensure adherence with the governance requirements, the Chairman ensures that the Board is provided updates on all new laws and regulations pertaining to corporate matters including governance. In 2017, the Directors received in-house training on the impact of the new Companies Act, 2016 as well as measures taken by the Company to manage certain new but unclear provisions that may impact the Company. Directors also received a briefing on the new Malaysian Corporate Governance Code 2017. This in turn enables the Directors to ensure that the Company and Management not only adhere to the requirements on governance but also continue to practice the well- entrenched principles and policies of its Code of Conduct in managing the Company as a well-managed and sustainable business entity. Directors are also encouraged to attend additional training programmes, details of which can be viewed in Part D of this Corporate Governance Overview Statement.

The Chairman of the Board will not also hold office as Chairman of the Board Audit & Risk Management Committee at the same time.

The Chairman and the Chief Executive Officer

The position of Chairman and Chief Executive Officer are held by different persons. Mr. Ramon S. Ang is the Chairman of the Board. He is also an Executive Director. Mr. Lubin B. Nepomuneno is the Chief Executive Officer. He is also an Executive Director and the Chairman of the Management Committee that is tasked with the day-to-day operational management of the Company.

The separation was implemented in 2013 as recommended by the then Malaysian Corporate Governance Code 2012. The Company and the Board will continue with this practice. The separation in offices is also expressly stated in the Board Charter. The Board Charter further specifies the separate roles and responsibilities of the Chairman of the Chief Executive Officer.

Diversity on the Board

The Board Charter specifies that the Board will at all times endeavour to ensure that at least thirty per cent (30%) of the Directors of the Company are women. The Company has practiced the same for many years. The Company also does not seek to look at the thirty per cent (30%) as a target but a minimum number and when considering appointment of new Directors, also seek to give preference to women directors. Since 2012 following the takeover of the Company by Petron, two (2) male Independent Directors have retired and the Company has engaged since then four (4) new Independent Directors; two (2) of whom are women, one (1) of whom was also appointed as the Chairperson of the Nominating Committee.

The Board of Directors is currently comprised of persons with a diverse range of qualifications, experience and skills. These include qualified engineers, accountants, lawyers with diverse experience including in the downstream oil & gas industry, banking, corporate advisory, finance and venture capital work, all of which brings to the Board a diverse pool of highly talented individuals who are able to critically review and provide the Board and Senior Management candid views and advice on the strategy, business plans, operations, finance, products and other areas including customer relations and marketing. Their diverse cultural backgrounds - Malaysian and Filipino - provide the Board with a balance of understanding in managing the expectations of the stakeholders and, at the same time, the Company's business needs.

The Board of nine (9) members has three (3) women Directors; two (2) of whom are Independent Directors and one (1) an Executive Director.

In regard to selection of candidates for Board appointments, the Board does not rely only on the Board members but also external consultants to recommend potential candidates for appointment to the Board.

Of the five (5) Directors appointed to the Board since the takeover by Petron in 2012, two (2) were proposed by Directors, one (1) was proposed by Management and two (2) by a consultant. In each case there is extensive review undertaken (including an interview) before the candidate is proposed for consideration.

Nominating Committee

The Nominating Committee's Report can be found at pages 72 to 75.

Remuneration Committee

The Company ceased to have a Remuneration Committee in 2014. The reason for this is due to the fact that:

- the Chairman, two (2) Executive Directors (that includes the Chief Executive Officer) and the one (1) Non-Executive Director of the Company, do not receive remunerations from the Company; and

- as the Remuneration Committee was comprised of only Independent Directors at the time, and only reviewed and recommended their own remunerations, the Remuneration Committee members opined that there was a conflict of interest.

The Remuneration Committee also played no role in relation to the remunerations received by Senior Management personnel. Each Senior Management personnel on the Management Committee are regular employees who individually undergo an annual performance appraisal conducted by their superiors. These appraisals, determination of ratings and the resulting level increments and performance bonus (if any) are conducted and determined independent of the said Senior Management personnel. This process includes reviews by the Chairman and Executive Directors. Each Senior Management personnel has no control over the determination of the appraisal results, or changes in their remunerations following from the said appraisal process.

As such, the Remuneration Committee was dissolved, and the Board took charge of the erstwhile Committee's functions and has policies in place in regard to the determination of the Independent Directors' remunerations. These are as stated in the Board Charter.

Independent Directors on the Board may provide their input to the Board on any proposal regarding their benefits, but shall otherwise abstain from any decision making process at the relevant Board meeting that decides the recommendations to be made to shareholders for approval.

The Board and Management

The Board in ensuring the success of the Company's plans and operations, has in place a highly energetic and motivated team of Senior Management personnel (that form the Management Committee). This Committee is led by the Chief Executive Officer. The Management Committee is comprised of a mix of Malaysian personnel as well as senior personnel seconded from the parent company (Petron Corporation) each of whom have impeccable qualifications, vast experience in the industry and the management skills necessary to deliver on the plans and objectives of the Company. Each key department is headed by a Head of Department with personnel identified and groomed to eventually succeed the Head of Department as part of the succession plan. This is part of an on-going review and the plans include rotation of the personnel's assignment to various functions within the Company to gain experience and exposure on the overall business and management of the Company.

Diversity in Senior Management

The Company's Code of Conduct, called the "Standards of Business Conduct", specifies that the Company is an equal opportunities employer and does not discriminate on gender, race or religion in relation to employees, including in relation to hiring and promotions.

The Company operates purely on a merit-based process in determining hiring and promotions. Gender plays no role whatsoever in the process. For instance, the Company engaged women managers to replace the men in key positions such as the Head of Refinery and as the Chief Finance Officer.

Senior Management is made up of nine (9) Heads of Department / Managers that are in charge of key Departments. These are the Chief Executive Officer (who is also the Chairman of the Management Committee), the Operations Manager (who is also the Vice Chairman of the Management Committee), the Chief Finance Officer, Head of Retail Business, Head of Commercial Business, Head of Refinery, the Terminal and Distribution Manager, the Supply Manager and the General Counsel/ Company Secretary.

These Heads of Department and Managers form the Management Committee of the Company. They are each professionally qualified (with many having post graduate qualifications) and each have decades of experience in the downstream oil & gas business and in their respective fields of expertise, that helps the Board in implementing the strategies and managing the day-to-day business and operations.

Of the Management Committee of nine (9) members, three (3) are women holding key portfolios as Chief Finance Officer, Head of Retail Business and Head of Refinery.

Effective Stakeholder Communications

The Company has written guidelines on shareholders communication that are incorporated in the Company's Corporate Communication and Disclosure Guidelines that can be accessed on the Company's website. The guidelines also incorporate the parent company's best practices on all matters pertaining to communication, be it with shareholder or other stakeholders.

Code of Conduct

The Company has a written Code of Conduct in place that can also 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 requirements. These include policies on business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships. The Code of Conduct was updated in 2017 to incorporate revised guidelines issued by the parent company in relation to enhanced restrictions on receipt of gifts. 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 will be adhered to at all times. All employees of the Company have undergone training on the Standards of Business Conduct and new hires are required to undergo a comprehensive and compulsory training on the Standards of Business Conduct. Such training for new hires was continued in 2017, and is conducted twice yearly to facilitate training of new employees joining the Company. In 2018, a 'refresher' training programme on the Code of Conduct will be implemented for all employees.

A key factor toward ensuring that the Code of Conduct is effective, is the flow of information to Management of any violations or purported violations. The Code of Conduct provides for 'whistle-blower' protection.

In order for such information to be forthcoming, the employees are (as part of their training on the Code of Conduct) provided guidance on how they should report violations and are given assurance of the protection of 'whistle-blowers'.

All investigations are carried out expeditiously and confidentially by the relevant Head of Department, and all such investigations are conducted with the support of the offices of the General Counsel and Human Resources Department. The process for any investigations on purported misconduct will be carried out in accordance with the Company's written guidelines on managing misconduct. Where there is any conflict of interest that can impact an independent investigation, the services of the Internal Audit Department can be sought.

The policies on protection of 'whistle-blowers' are to be enhanced in 2018 and conveying the assurance of 'whistle-blowers' protection will be reinforced during the planned "refresher" training programme for employees in 2018.

PART B. AUDIT AND RISK MANAGEMENT

Board Audit & Risk Management Committee

Report of the Board Audit & Risk Management Committee (including its composition, role and activities) can be found at pages 65 to 71.

Permanent agenda items for the Board Audit & Risk Management Committee's quarterly meetings include review and endorsements of the financials that are to be tabled to the Board for approval, review of related party transactions, review on transaction exceeding RM5 million that are not in the ordinary course of business, accounts receivables written-off, and risk management updates.

As a general practice to allow for candid discussion by (especially) the Independent Directors (usually in the absence of the Chairman and Executive Directors), matters that are to be tabled to the Board will first be raised at and be reviewed by the Board Audit & Risk Management Committee and views expressed in Board Audit & Risk Management Committee are then raised at the Board meeting as well. This allows for the Board to have all views before deciding on such matters brought to it for determination.

Diverse Skills and Experience / Financial Literacy on the Board Audit & Risk Management Committee

The Chairman of the Board Audit & Risk Management Committee, Y. Bhg. Dato' Zainal Abidin Putih, is a chartered accountant and the current chairman of the board of a major bank. Ms. Chua See Hua is a practicing lawyer specialising mainly in corporate and finance matters. Y. Bhg. Dato' Zuraidah Atan is a practicing lawyer with investment banking experience. She sits on the boards of several public listed companies. Mr. Fong Seow Kee, is a chartered accountant and is also the chairman of the audit committee of another public listed company. Mr. Antonio M. Cailao is a former senior banker with an international banking group and later headed the Philippines National Oil Company.

Apart from their financial literacy, each member of the Board Audit & Risk Management Committee brings to the job, her/his ability to grasp and understand complex business and financial related issues that are to be considered by the Board Audit & Risk Management Committee and the Board. They also have considerable experience dealing with management (in various other companies) and possess the necessary ability and independence to probe and seek clarifications on the financials, as well as on progress made and weaknesses detected in any financial or business matters or transactions presented by Management.

The Independent Directors are presented with the financials in considerable detail at all quarterly meetings. Much time is spent discussing questions on the financial and operations issues (and its impact on the financials) and actions taken by Management to address matters of concern.

The Board Audit & Risk Management Committee also has the ability to request the presence of the internal and external auditor to provide independent advice whenever deemed necessary and appropriate.

Chairman of the Board Audit & Risk Management Committee

In compliance with the CG Code 2017, the offices of the Chairman of the Board and the Chairman of the Board Audit & Risk Management Committee are separate.

Relationship with External Auditor

As a rule, the external auditor reports to Board Audit & Risk Management Committee on all audit related matter, be it routine statutory audits or special audits (if any) for which it is engaged. The Audit Plan is also reviewed annually and approved by the Board Audit & Risk Management Committee. The Board Audit & Risk Management Committee further ensures that it has private discussions twice a year with the external auditor in the absence of Management/Executive Directors.

The external auditor's fees are reviewed and endorsed by the Board Audit & Risk Management Committee before being tabled to the Board for approval. Similarly, the Board Audit & Risk Management Committee reviews the suitability of the external auditor and recommends appointment or re-appointment (as the case may be) to the Board, before being tabled for approval at the Annual General Meeting.

The policy on the assessment of the external auditor is stated in the Board Audit & Risk Management Committee Charter. The assessment although practised at all times, is now expressly mentioned in the Board Audit & Risk Management Committee Charter as part of the amendments to the Board Charter arising from the Malaysian Corporate Governance Code 2017.

In evaluating the suitability of the external auditor, the Board Audit & Risk Management Committee, with input from Management, considers the following:

- the external auditor's reputation, resources and quality of audit;
- nature and extent of non-audit services rendered and the level of fees; and
- the independence and continued independence of the external auditor and written assurances of the same.

This process includes obtaining assurances from the external auditor that each of its partner(s) and personnel is free of any conflict or potential conflict of interest that may impair her/his judgment or objectivity. The external auditor further provides the Board Audit & Risk Management Committee with an assurance that the external audit staff undergoes stringent reviews based on their global practices to ensure that personnel assigned to audit the Company are indeed free of any conflicts or potential conflicts of interests.

Relationship with Internal Auditor

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 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 current arrangement ensures that Management of the Company has no control over the function of the internal audit. To ensure independence from Management, the internal audit personnel assigned to the Company's internal audit are not subject to any determination of their remuneration (or increase thereto) by the Company's Management. In order to maintain total independence from the Company's Management, their remunerations are not set or paid by the Company. The cost incurred for internal audit in 2017 was RM196,843.65.

The internal audit function undertakes independent, regular and systematic audit reviews of the Company's system of internal controls to assess the adequacy and effectiveness of those controls and overall control environment. This is to provide reasonable assurance that such systems are operating effectively. The internal audit process covers the audit of selected units and operations based on risk assessment. Internal Audit has a mid-year and annual review with the Board Audit & Risk Management Committee on audit carried out including the results/findings. Follow-up action plans arising from the audits, as recommendations by Internal Audit, are also reviewed.

The Board Audit & Risk Management Committee also reviews and approves the audit plan for the subsequent year. Further, where there are any amendments to the approved audit plan, such amendments to the plan will require approval from the Board Audit & Risk Management Committee.

The Board Audit & Risk Management Committee has reviewed the internal audit findings for 2017 as well as the closing out of recommendations made by the internal audit. The Board Audit & Risk Management Committee has also been informed of the new Audit Rating System that was implemented in 2017 in line with the system adopted by the parent company.

With effect from 2018, per revisions made to the Board Audit & Risk Management Committee Charter in light of the Malaysian Code on Corporate Governance 2017, the Board Audit & Risk Management Committee will:

- satisfy itself of the independence of the internal audit function;
- satisfy itself that the resources allocated to the internal audit function are adequate;
- identify the name of personnel assigned to internal audit of the Company and their qualification and experience; and
- if the internal audit is carried out to recognised standards framework.

This will be in addition to the review and approval of the annual internal audit plan, as well as the mid-year review, on the audits carried out, follow through action and close-out of audit issues.

It is to be noted that a key function of internal audit is to not only identify weaknesses and recommend improvements but also to be mindful of new concepts and techniques used in the industry and at Petron Corporation and to suggest improvements and seek process and controls synergy. This has been an important focus area for internal audit since 2012.

Risk Management Committee

The Board Audit & Risk Management Committee is the Board Committee that oversees the risk management framework and policies. The Board Audit & Risk Management Committee has a regular agenda item on risk management at its quarterly meetings. The Company's Statement of Risk Management and Internal Controls is reviewed by the external auditor as part of its special engagement for that purpose. The external auditor also reports to the Board Audit & Risk Management Committee on its review.

The Company's Statement of Risk Management and Internal Controls ("SORMIC") can be found at pages 62 to 64. The SORMIC has been reviewed by external auditor, KPMG.

Controls and Management Systems

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 continue to be guided by these same systems until such time they are revised. As the systems involve employees, contractors and vendors whose engagement spanned the take-over, it was recognised 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 sets of management systems to govern the Company that are in line with the policies and systems of the parent company. The Board and the Board Audit & Risk Management Committee with the assistance of an independent internal audit function, help ensure that the policies and the management systems are fully implemented and consistently enforced.

To manage risk, the Company's risk matrix (based on a likelihood/impact analysis) is reviewed annually to establish risks based on existing and projected factors. The risks identified are those which may have a high financial risk or a non-financial risk such as health and safety, environmental, regulatory and reputation risks. Key risks are identified and the processes to manage these risks are determined. These include the business recovery processes that are put in place. For 2018, the key risks identified include, major incident that disrupts supply of products and or operations, oil spill during shipment that causes catastrophic environmental impact and cyber-security risks. The review of risk management issues are a permanent agenda item at the Board Audit & Risk Management Committee meetings.

Apart from various controls processes in place to ensure financial matters are properly managed, the Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorised 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. The powers of the Management Committee are spelt out in the Management Committee Charter. The Management Committee Charter can be viewed on the Company's website. All matters that are not within the purview of the Management Committee (per the Management Committee Charter) are powers specifically reserved for the Board.

A summary of how the process of controls and risks are reviewed and managed are as follows:

Controls

- Controls are formulated, implemented and enforced strictly at each function and process. This ensures that all matters including day to day operations, procurement of materials and supplies and financial transactions follow set protocols and levels of independent verification. This includes set authority levels for independent approvals.

- The controls are applicable in all Departments be it a business or support function.
- As regulatory compliance is key to ensuring the continued operations of the Company, all corporate regulatory matters are reviewed by the Law Department, Controllers Division and the Tax Division. Matters pertaining to security, safety, health and environment ("SSHE") are managed by the SSHE Department in collaboration with the Government Affairs unit. Other day to day business and regulatory matters are also managed by the respective Departments, that have controls and processes in place that are strictly followed.
- The Management Committee and other Heads of Department meet weekly to review the business and the controls issues or any non-compliance (if any). Formulation and recommendation of solutions, to address any controls issues, form part of these discussions.

These processes and controls are also subjected to reviews by internal audit where any deficiencies are highlighted to the Department concerned with suggestions on improvements. The implementation of suggested improvements in the processes and controls are then monitored by internal audit in order to close out audit issues.

There is thus a clear framework in place for reporting on internal controls and compliance. This framework allows the members of the Management Committee to review all issues pertaining to compliance, not only with laws including the Listing Requirements, but also compliance with the Company's policies on expected conduct of the Company and its employees. Any issue of non-compliance can also be 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 that such non-compliance does not recur. The Company's established 'whistle-blower' protection system in its Standards of Business Conduct safeguards employees from any recriminations for highlighting any non-compliance by any employee (including by a Director).

Where it involves a disciplinary issue, the matter of purported misconduct may be dealt with using the Company's internal guidelines for managing misconduct.

Risk Management Group

- Each Department has a risk management process specific to that Department's business, and with a business recovery process in the event of a business disruption.
- In some high risk areas especially when there could be high financial impact, there are inter-departmental groups tasked with evaluating risk seeking solutions. Such would include weekly meetings on hedging (on both commodities and crude and finished product as well as foreign exchange risk associated with the Company's business).
- The Management Committee that meets weekly also review risks in each Department.
- The Risk Management Group then meets once every two (2) to three (3) months to review the updates and findings. The Risk Management Group also reviews the risk matrix for the year and considers any updates that need to be done.
- The Board Audit & Risk Management Committee is then updated every quarter on risk management issues.

PART C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Integrity in Reporting

The Board and Management do not allow for any compromise in the factual accuracy of all reporting to stakeholder and require the need for such reporting to be made in a timely matter. To this end all reporting requirements such as financial reporting (both quarterly and at financial year end), disclosures to the stock exchange and the Securities Commission, reporting to the Companies Commission, regulatory reporting and response In relation to request for information to the regulators (collectively, "Reports"), are:

- prepared by the relevant Department charged with preparing the Report;

- reviewed by other Departments that have an interest in the Report;
- reviewed independently by the Law Department / Controller's Division, as appropriate; and
- approved for release (for example, by the Board or by Senior Management).

This process will ensure that Reports submitted meet the necessary factual accuracy and disclosure integrity required.

In 2017, the Company was not subjected to any sanction or fines by the Securities Commission, Bursa Malaysia, the Companies Commission or other regulatory authority.

Stakeholder Engagement

The Board recognises the need for engaging stakeholders and maintaining a healthy line of communication with the stakeholders. The Board is also mindful that:

- the downstream oil & gas business in Malaysia is highly competitive and much of the information (especially on strategy and business plans and investment) are highly confidential in nature; and
- there are no other public listed integrated downstream oil & gas company (with both a refinery and a retail/ commercial business) in Malaysia (like Petron Malaysia Refining & Marketing Bhd) , that are also subject to stakeholder engagement recommendations under the Malaysian Code on Corporate Governance 2017. Competitors in the industry that are not public-listed, are not subject to such disclosure requirements.

As such in order to be a sustainable business and in the best overall interest of the Company, the Board and Management recognises the need for transparency to be tempered with discretion.

The Board and Management nevertheless recognise 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.

At the Annual General Meeting, a Management presentation will be made about the Company's performance for the year under review. Some information may also be provided about plans going forward. As a general rule the Company does not make or disclose any future financial performance estimates. The Annual General Meeting allows shareholders to ask questions and seek clarification on the Company, including on its financials, business, operations and governance matters. Shareholders are also allowed to submit written questions in advance and these will be addressed at the Annual General Meeting. Since 2013, all voting on all resolutions tabled at the Annual General Meetings of the Company have been by poll as recommended by the then Malaysian Corporate Governance Code. This method of voting will continue to be applied. Since the 2017 Annual General Meeting, voting has been fully electronic. For efficiency and accuracy of vote tabulation, an independent scrutineer monitors the entire tabulation of proxy submissions and poll voting process. The independent scrutineer is also the one who announces the voting results. The Company does not yet see it as necessary for 'remote' attendance and participation by shareholders at the Company's general meeting, given the relatively small number of shareholders the Company has and the convenient location where the Company's Annual General Meeting are held.

The Company's website has a Management Committee member as its named contact person with contact details, to ensure that shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. 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.

A summary of the key stakeholder engagement and communication is as follows:

Shareholders

Annual General Meeting ("AGM") forms the most important avenue for shareholders to question/seek clarification form the Board and Management. The Company receives questions in advance in writing from shareholders including the Minority Shareholders' Watchdog Group, all of which are addressed at the AGM.

The AGM also enables the Board and Management to update shareholders of the year's business and finances as well as to provide some input on what the business and oil industry outlook would be.

In addition, there are questions that are directed to the Company via the Company Secretary as lead for investor relations. Where the information sought is not unpublished price sensitive information, written responses or verbal responses are provided.

Further, the Company ensures that all disclosure requirements mandated by the Listing Requirements as well as voluntary disclosures (where necessary) are made to provide the investing public with relevant information.

Potential Investors

Management often engages with investment banks on request for briefings for themselves or their major clients who are keen to invest in the Company.

Regulators

Engaging the Company's regulators is an important facet of stakeholder communication. Over the years, the Company has maintained a close rapport with its regulators as we believe a working partnership with the relevant agencies in realising the Company's business and the downstream oil & gas industry, are synonymous and interlinked.

Customers

As the customers are crucial to the success of the Company's business, communication with these customers via various means (including print and social media, and in collaboration with other partners), enable the current and potential customers of the Company to know and appreciate the products and services on offer as well as the benefits of being a customer of the Petron brand. This is in line with the Company's 'Customer Focus' values.

Dealers

The dealers and their frontline personnel are the Company's ambassadors with the customers and communications with them on the Company's plans and aspirations, requirements, and set targets are an important part of the Company's stakeholder engagement.

Employees

Communication with employees is key to ensuring that they are fully aware of the Company's plans and goals and how they can help grow the business as envisaged. To this end, the various Departments have annual 'kick-off' sessions with their personnel to ensure that everyone is fully on board and will fulfil their part in making the Company a success.

PART D. KEY FOCUS AREAS AND FUTURE PRIORITIES IN RELATION TO CORPORATE GOVERNANCE

The following are areas that will be focused on by the Company as a priority:

Constitution

Arising from the Companies Act 2016, the constitution of the Company (previously referred to as the Memorandum and Articles of Association), will be amended to bring it in line with the same. These amendments are planned to be tabled for shareholders' approval at the Annual General Meeting in 2019.

Investor Relations

Finding effective ways to manage requests for analyst briefings and the need to manage information that is disclosed which meets the requirements of the analysts and the Company's disclosure obligations. We will also explore avenues to encourage analysts to issues analyst reports pertaining to the Company so that shareholders will be able to make informed investment decisions.

The following matters are also disclosed as additional information:

The Directors' attendance at meetings of the Board meetings, the Board Audit & Risk Management Committee and Nominating Committee in 2017 are as follows;

Directors	Board of Director Meetings		Board Audit & Risk Management Committee Meetings		Nominating Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr. Ramon S. Ang	4	4	Non-Member	Non-Member	Non-Member	Non-Member
Ms. Aurora T. Calderon	4	4	Non-Member	Non-Member	Non-Member	Non-Member
Mr. Lubin B. Nepomuceno	4	4	Non-Member	Non-Member	Non-Member	Non-Member
Mr. Ferdinand K. Constantino	4	4	Non-Member	Non-Member	2	2
Ms. Chua See Hua	4	4	5	5	2	2
Y. Bhg. Dato' Zainal Abidin Putih	4	4	5	4	2	1
Y. Bhg. Dato' Zuraidah Atan	4	4	5	5	Non-Member	Non-Member
Mr. Fong Seow Kee	4	4	5	5	Non-Member	Non-Member

Remunerations Paid to the Independent Directors in 2017

As approved by the Board at the Annual General Meeting on 15 June 2017, the benefits paid to the Independent Director for 2017 are as follows:

- an Annual Fee of RM65,000 per Independent Director;
- attendance allowance of RM3,000 for the Independent Directors who are Chairpersons of the Board Audit & Risk Management Committee and the Nominating Committee, AND
- an attendance allowance of RM2,500 for each other Independent Director. The attendance allowance is for each meeting attended by the Independent Director;
- a fuel reimbursement of up to RM500 per month for each Independent Director; and
- an ex-gratia payment of RM15,000 each for each Independent Director who served a full term in 2016 (and pro-rated for those who served a shorter term in office).

An analysis of the remuneration paid by the Company to the Independent Directors for the financial year ended 31 December 2017 is set out below:

Independent Directors	Ex-Gratia Benefits (RM)	Directors' Fees (RM)	Attendance (RM)	Fuel Reimbursement (RM)	Total (RM)
Y. Bhg. Dato' Zainal Abidin Bin Putih	15,000	65,000	32,500	4,195	116,695
Ms. Chua See Hua	15,000	65,000	35,000	4,292	119,292
Y. Bhg. Dato Zuraidah Binti Atan	15,000	65,000	25,000	4,106	109,106
Mr. Fong Seow Kee	5,625	65,000	25,000	4,815	100,440
Mr. Antonio M. Cailao *(appointed on 23 November 2017)*	-	6,250	-	-	6,250

Remunerations Paid to Senior Management in 2017

The top five (5) Senior Management personnel for this reporting are:

- Mr. Lubin B. Nepomuceno (Chief Executive Officer)
- Mr. Jaime O. Lu (Operations Manager)
- Ms. Myrna C. Geronimo (Chief Finance Officer)
- Pn. Faridah Ali (Head, Retail Business)
- Cik Fadzilah Mohd Tahir (Head, Refinery)

Three of the above Senior Management personnel, namely the Chief Executive Officer, Operations Manager and Chief Finance Officer, are employees of Petron Corporation. The Operations Manager and Chief Finance Officer are seconded to Petron in Malaysia. Due to privacy requirements, the Company opts not to disclose the components of their remunerations. The total remunerations of the top five (5) Senior Management (attributable to the Company) is RM3,363,526.

In relation to the above total remunerations paid to the said Senior Management personnel, the following is to be noted:

- Like all staff, the top five (5) Senior Management personnel, may be employees of the parent company or a sister-company, that provides service to Petron Malaysia Refining & Marketing Bhd via agreements to share resources. The sum of RM3,363,526 stated above is that attributable to Petron Malaysia Refining & Marketing Bhd. The percentage employed is based on a pre-determined service sharing ratio that would vary depending on the function that they serve. This service sharing ratio may be updated as needed for changes in activity level within each affiliated company.
- The sum is inclusive of salaries, fixed allowances and bonuses paid in 2017. The Company does not provide any share option scheme for Senior Management personnel.
- The total bonuses paid in 2017 comprised of:
  - two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel;
  - an ex-gratia of one (1) month based on the Senior Management personnel's and the Company's financial performance for the year.

  The provision of three (3) months bonus/ex-gratia was the same as in 2016.

Training Attended by Directors in 2017

The training programmes attended by Directors in 2017 are as follows:

Directors	Date
MR. RAMON S. ANG	
• Key Issues on Malaysia Companies Act 2016	23 Mar
• Senior Management Responsibilities in Listed Company SFC Recent Enforcement Cases Sharing & Discussion	11 Oct
• Corporate Governance Training	11 Dec
MR. LUBIN B. NEPOMUCENO	
• Key Issues on Malaysia Companies Act 2016	23 Mar
• Senior Management Responsibilities in Listed Company SFC Recent Enforcement Cases Sharing & Discussion	11 Oct
• Corporate Governance Training	11 Dec
DATO' ZAINAL ABIDIN BIN PUTIH	
• L&G In House Directors' Training – The Companies Act 2016	8 Mar
• Global Transformation Forum	22-23 Mar
• BNM Annual Report 2016/Financial Stability & Payments Systems Report 2016 Briefing Session	23 Mar
• 4th BNM-FIDE Forum Annual Dialogue with Deputy Governor of BNM	27 Mar
• Compliance Conference 2017	18 May
• FIDE CORE PROGRAM – Module A for Insurance	2-3 Aug
• 2018 Group Risk Posture Workshop for Combined Board Risk Committees	10 Aug
• CIMB Joint Audit Committees & Board Risk Committees Sharing Sessions	17-18 Aug
• 2017 Global Symposium on Development Financial Institutions	19 Sept
• Khazanah Megatrends Forum 2017 – Cerebrum X Algorithm : Building True Value in a Post-Truth World	2-3 Oct
• 2017 CIMB Group Annual Management Summit	17-18 Nov
MS. CHUA SEE HUA	
• The Velocity of Global Change & Sustainability – The New Business Model : Bursa Malaysia	10 Jan
• Fintech and Digital Economy Conference : MIA & MICG	12 Jan
• The New Malaysia Code of Corporate Governance : Malaysian Institute of Accountants	10 Aug
• Building the Bridge Towards Better Corporate Recovery. Insolvency Conference organised by MIA	11 Sep
• Internal Audit : Poised for the Future : IIA Malaysia National Conference	9-10 Oct
• Strategic Decision Making in Today's Fiscal Environment : BDO Tax Forum Series	7 Nov
• INSOL International Kuala Lumpur 1 Day Seminar	28 Nov

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors	Date
DATO' ZURAIDAH BINTI ATAN	
• IMD Seminar: Value Creation & Business Partnering by Professor Salvatore Cantale, Professor of Finance at IMD (Institute of Development Management, Switzerland) by PNB	1 Mar
• Global Transformation Forum 2017	22-23 Mar
• Islamic Finance by IBFIM : Mudharabah - Fundamental and its Application	24 Jan
• Shariah Contracts in Islamic Finance by IBFIM	28 Apr
• Fundamentals of Shariah by IBFIM	26 Jul
• Application of Shariah - Bai' Dayn by IBFIM	30 Oct
• Project Management International Talk by PMI (Malaysian Chapter)	15 Aug
• UNV Conference on South-South Dialogue, Bangkok, Thailand	20-23 Jul
• IVCO 2017 - Korea International Cooperation Agency (KOICA) & International Forum for Volunteering in Development (FORUM) - Seoul, South Korea	22-27 Oct
• IAVE Asia Pacific Regional Youth Conference, KLCC	22-26 Nov
MR. FONG SEOW KEE	
• Fintech & Digital Economy	12 Jan
• Audit Committee Conference	5 Apr
• Global Banking Conference	1 Aug
• Cyber Security Asia	7 Aug
• Money Services Business AP Conference	Sep
• Payment System Forum	8 Dec
MS. AURORA T. CALDERON	
• Agenda Forum	28 Jan
• Key Issues on Malaysia Companies Act 2016	23 Mar
• BMW Business Conference	4 Jul
• Economic Briefing	1 Aug
• Economic Briefing	2 Aug
• Corporate Governance Training	9 Aug
• Breaking Barriers to Competitiveness in the Asian Finance Sector	13 Oct
• Business Planning	7 Nov
MR. FERDINAND K. CONSTANTINO	
• Philippine Conference	6-7 Feb
• Key Issues on Malaysia Companies Act 2016	23 Mar
• Prosperity for All Summit 2017 (ASEAN)	28 Apr
• AMLA Law, and the AML Risk Rating System	7 Jul

Directors	Date
• 16th LCF CSR Expo Conference : Disrupting for Social Good	19 Jul
• Corporate Governance Seminar: Key Developments in the Code of Corporate Governance and other topics on Data Privacy	15 Sep
• Corporate Governance : Directors and Senior Executives Liabilities – SFC's New Regulatory Approach	11 Oct
• Breaking Barriers to Competitiveness in the ASEAN Financial Sector	13 Oct
• 2017 San Miguel Scholars Conference	9 Nov
• Corporate Governance Seminar	11 Dec

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 2016 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, 2016 and to safeguard the assets of the Company.

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 new contracts in 2017 that are of a related party nature have been duly disclosed to Bursa Malaysia Securities Berhad during the year.

Non-audit Fees

No non-audit fees were paid or are payable to the external auditor, KPMG PLT, by the Company for the financial year ended 31 December 2017.

Other Information

Family Relationship

None of the Directors have any family relationship with any other Director(s) and/or major shareholder(s) of the Company.

Conflicts of Interest

None of the Directors have any conflicts of interest with the Company that had not been disclosed to the Board.

Conviction for Offences (excluding Traffic Offences)

None of the Directors have been convicted for any offences within the past five (5) 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 resolution of the Board dated 22 February 2018.

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Corporate Governance Report

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises 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 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 safe operations. The Company has since made necessary changes as was deemed necessary to enhance and 'localise' its systems. Recognising that the parent company, Petron Corporation, too is in downstream oil and gas business and the management integrity systems it has in place, the Company has opted to align or adopt, where possible, best practices from Petron Corporation's own systems. In this regard, the Company continues to receive technical advice and support from Petron Corporation via its technical advisers based in Malaysia. The Company also receives technical support via formal arrangements with ExxonMobil.

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

1. The alignment or 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 assessment on the system's effectiveness;

2. A defined organisational structure with clear lines of accountability and delegation of authority;

3. Reviews of controls including through 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, trainings are provided periodically to employees, vendors and contractors. All new employees for example are required to undergo a mandatory training on the Code of Conduct. Where there are any serious violations, a 'controls stand-down' with employees will be carried out to reinforce the need for adherence. Employees are also reminded annually to adhere to the requirements of the Code of Conduct and to disclose to the Company any areas of concerns. This includes where there are potential conflicts of interests and receipt of festive gifts and adherence to our internal guideline on such receipt of gifts. Revised guidelines on receiving of gifts (based on the new policy implemented by San Miguel Corporation), were implemented in 2017;

5. A management integrity system based on Petron Corporation's best practices to assess and sustain the effectiveness of the organisation's system of controls; and

6. The effective lines of communications within the Management with regular Management Committee 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.

The Board Audit & Risk Management Committee (a Committee comprised solely of Independent Directors) has oversight on the Company's Risk Management framework and policies.

It should be noted that systems of internal controls and risk management are designed to manage or mitigate 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 programme 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, recognising 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 and assessment, where necessary. Examples of such evolution of this was the deletion previously of the risk of subsidy removal by the Government (following the removal of subsidies and the successful management of that subsidy removal by the Company), as well as the removal of GST implementation related risks following successful implementation and management by the Company on all GST related requirements. In 2017, cyber-security risk was given more prominence following a spate of world-wide incidence of hacking and ransom-ware.

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. In 2016, a fire incident at the Company's Port Dickson Refinery, caused a temporary shutdown of the facilities. The business continuity plan was immediately activated. The areas covered included two critical areas, namely repairs and re-starting operations at the Refinery, and in the interim, management of incoming crude supply and continued supply of petroleum products to customers. Both these critical factors were successfully managed in accordance with the business continuity plans in place. The successful activation of the Business Continuity Plans during the fire incident in 2016 prompted a review in 2017 of other critical areas and the adequacy of the Business Continuity Plans in those critical areas.

Key control-related matters in relation to 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 manner 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;

4. Review of any contracts over the value of RM5 million that were not in the ordinary course of business;

5. 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;

6. Review of amendments to the Company's List of Authorised Signatories; and

with effect from 2017, Risk Management updates was included as a fixed item in all Quarterly Board Audit & Risk Management Committee Meetings.

The risk management framework is internally developed based on the Company's experience in the down-stream oil and gas business requirements and honed over 50 years of experience in the business. The Company's Port Dickson Refinery and Terminals at Port Dickson and Bagan Luar had also obtained the ISO certification in 2017. The Company's Port Dickson Refinery and Terminals at Port Dickson and Bagan Luar had also obtained the ISO certification in 2017. The Company has also embarked on a Total Quality Management programme using the internationally recognised Malcolm Baldridge Excellence Framework (locally adapted as Malaysian Business Excellence Framework).

From a day to day management perspective, certain other controls are in place for reviews and approvals are at various levels and Departments. Such an authorisation process minimises the risk of any possible abuse of authority. These include some critical areas such as approvals required in the procurement process for various Departments and acquisition of land for retail station expansion. Critical processes are also reviewed periodically by Internal Audit to ensure independent evaluation of the effectiveness of such controls. Overall, the Company's various risks and internal controls are not only periodically reviewed internally but are also the subject matter of review by Internal Audit and recommendations by Internal Audit are implemented within set time frames.

The Board has also received assurance from the CEO and CFO that the Company's risk management and internal control systems (for financial year ended 2017 and up to the date of this Report) are operating adequately and effectively, in all material respects.

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

As at 31 December 2017, the Board Audit & Risk Management Committee ("Committee") comprises four (4) Independent Directors*. The following are the Committee members:

1. Y. Bhg. Dato' Zainal Abidin Putih - the Chairperson of the Committee;
2. Ms. Chua See Hua
3. Y. Bhg. Dato' Zuraidah Atan; and
4. Mr. Fong Seow Kee

**Mr. Antonio M. Cailao, who joined the Board as an Independent Director on 23 November 2017, was appointed to the Board Audit & Risk Management Committee on 22 February 2018.*

The profile of the Committee members can be found at pages 36 to 38.

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

The Committee's Terms of Reference are as contained in the Company's website. The Terms of Reference were reviewed and updated in 2018 in light of the new recommendations in the Malaysian Code on Corporate Governance 2017.

The Committee had five (5) meetings during the last financial year. The details of the attendance of each Committee member have been tabulated under the Corporate Governance Statements section, which can be found at page 56. Executive Directors are encouraged to attend these meetings to provide guidance to the Committee. However, Management Committee Members, in particular the Alternate Chairman of the Management Committee/Operation Manager, 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 external auditor and met twice in 2017 with the internal auditor.

As part of the new Petron-led management corporate governance culture, and to ensure that Independent Directors are kept fully 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 the 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 at its meeting. In 2017, this was done once in relation to Y. Bhg. Dato' Zainal Abidin.

Similarly, where a Circular Resolution of the Committee is moved, 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 Duties of the Committee 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 auditor reports directly to the Committee on all audits carried out in relation to the Company.

The Internal Audit Department of Petron Corporation is highly experienced in auditing downstream oil & gas business and this enables the Internal Auditor to conduct the audits efficiently with minimal familiarisation and also be in a position to provide Management with much input process improvements in the Company's systems. Further, information about the internal audit function can be viewed under the Corporate Governance Statements on the www.petron.com.my.

Meeting with the internal auditor (23 November 2017)

Following the mid-year review with the internal audit manager on 25 May 2017, the Committee reviewed the audits carried out and completed in 2017 as follows:

Status of 2017 Audit Plan

- Review of the Commercial Business' Fixed Assets acquisition, installation and pull-out was completed in the 1st Quarter 2017. The findings were deemed "Satisfactory".
- Review of Port Dickson Refinery's Finished Product Management and Oil Loss Monitoring process was completed in the 1st Quarter 2017. The findings were 'Very Satisfactory'.
- Review of Pricing and Discounting Process – Industrial Fuel & Aviation - was completed in the last quarter of 2017. The overall assessment rating is "Very Satisfactory".
- Review of Port Dickson Refinery Warehouse was completed in the last quarter of 2017. The overall assessment rating is "Satisfactory".
- Review of Service Station Maintenance and Repairs was completed in the first quarter of 2018. The overall assessment rating is "Satisfactory".
- Review of the Order and Delivery Management was re-scheduled and approved as part of the 2018 approved audit plan.

Internal Controls Assessment

- No issues that could have significant impact on the Company's financial statements and operations were noted.
- Some minor safety concerns at the Jetty Port and minor lapses on preparation of product volume reconciliation reports were observed.

Other Projects/Activity

The Internal Quality Program initiated by the San Miguel Group Audit that includes the following was implemented:

- computer-assisted auditing tools and techniques;
- the Quality Assurance and Improvement Program; and
- alignment activity with Corporate IT and IT Group Audit.

Audit Plan for 2018

The Committee at its meeting on 23 November 2017, approved the following audit plan for 2018.

	Units to be Reviewed	Schedule
1	Commodity Hedging Process	1st Q 2018
2	Compliance with Compensation Related Regulatory Requirements	1st Q 2018
3	Materials and Services Procurement Process	1st Q 2018
4	IT General Controls	2nd Q 2018
5	Crude Importation and Vessel Chartering Process	2nd Q 2018
6	Bagan Luar Terminal	3rd Q 2018
7	Port Dickson Terminal	4th Q 2018

The Committee also noted that arising from the recommendations of the Malaysian Code on Corporate Governance 2017:

- Whilst the Internal Audit Department is separate from the Company, it is necessary for the Committee to be given an opportunity to evaluate the performance of internal audit and provide feedback to Petron Corporation (as part of the Internal Audit Department's performance evaluation).
- Internal Audit Department would be required to provide the Committee with a written assurance of independence and continued independence from Management of the Company.

DUTIES OF THE COMMITTEE

A summary of the Committee's activities carried out by the Committee in discharging its duties in 2017 are as follows:

Review of Risk Management matters:

The Committee reviews and provides recommendations to Management and (where necessary) approve risk management reviews and findings. The Committee also reviews the mitigation initiatives implemented by the Company.

In 2017, Risk Management was included as a fixed agenda item in all quarterly meetings of the Committee.

The Committee was informed that for 2017, Management had determined that the revised 'Major Risk' would be:

Major Risk	Type of Risk
Price volatility (both crude and petroleum products)	• Financial
Major incident rendering facilities inoperable	• Operations/Environment/Reputation
Shipping incident/Oil Spill	• Operations/Environmental/Reputation- Operations
Supply disruption/over dependence on few suppliers	• Operations/Financial
IT Systems/Infrastructure outage/Cybersecurity	• Financial
GST Recovery (likely temporary only)	• Financial
Competition	• Financial
Product Quality	• Operations/Financial
Regulatory compliance	• Regulatory/Reputation/Operations

For each of these identified risks, there are risk management tools and existing business continuity programmes in place. In this regard, the Committee was briefed on the effectiveness of the Business Continuity Plan (relating to the Refinery Operations and the potential Supply disruption) that was activated and used to successfully manage the disruptions as a result of the fire incident in 2016 and deployed to re-commence operations at the Port Dickson Refinery, following the said incident.

The Committee also took note that for 2018, the same major risks in 2017, will continue to be regarded as major risks (i.e. that with highest impact on the Company). Thus the major risks for 2018 would be:

a) Commodity price risk/forex risk;
b) Major incident rendering facilities inoperable;
c) Shipping incident/oil spill;
d) Supply disruption/over dependence on few suppliers; and
e) IT Systems/Infrastructure outage/Cybersecurity.

For each of this major risk (with the exception of Commodity price risk/forex risk), the Management continues to review and (where necessary) revise the existing Business Continuity Plans (a major part of the risk management activity in 2017) and its effectiveness in managing risks/threats to the business.

Review with the internal auditor and external auditor

The meeting with internal auditor is as described above.

In 2017, external auditor, KPMG PLT ("KPMG") met privately with the Committee on 20 February 2017 in relation to the 2016 audited Financial Statements and the review of the Statement of Risk Management and Internal Controls (SORMIC) that were then included in the 2016 Annual Report. KPMG also met with the Committee on 7 December 2017 to present and seek approval of the Committee for the 2018 Audit Plan and Strategy. The matters discussed at this meeting included:

1. The scope of the audit and that the audit would be conducted based on the Approved Standards on Auditing in Malaysia;
2. Materiality used in the audit;
3. Matters relating to the audit and the identified focus areas and the approach to be taken;
4. New MFRS requirements especially in relation to revenue recognition;
5. Assurance on the independence of KPMG; and
6. A review of the SORMIC.

The Committee also met privately with the external auditor without the presence of Management. On 20 February 2018, KPMG presented the audit findings in relation to the audit for the year ended 31 December 2017 as well as its review of the SORMIC (to be included in the 2017 Annual Report) to the Committee. A summary of the discussion is as follows:

Key Audit Matters

The Key Audit Matters identified were:

a) Revenue recognition; and
b) Valuation of inventories.

KPMG presented to the Committee the audit procedures performed and the findings in relation to the areas highlighted as Key Audit Matters. The Committee was also informed of the related party transactions that have been disclosed in the financial statements. The Committee was also informed that KPMG expects to sign the auditor's report without any modifications, and that the disclosures made were in compliance with requirements and relevant standards.

Review of the Annual Report

As required under the auditing standards, KPMG would review the statements contained in the Company's 2017 Annual Report which was obtained prior to the date of the auditor's report to identify any inconsistency with material information that KPMG is aware and identify the same for the Management.

Statement of Risk Management and Internal Controls (SORMIC)

KPMG highlighted to the Committee that the purpose of its engagement was to express an independent limited assurance whether anything has come to its attention that causes KPMG to believe that the SORMIC is not prepared, in all material respects, in accordance with the reporting criteria as set out in paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SRMICG"), or is factually inaccurate. In this regard, KPMG informed the Committee that nothing has come to its attention that the SORMIC is not prepared, in all material respect, in accordance with the SRMICG.

KPMG also highlighted that the Management had been fully cooperative and has provided KPMG all necessary documentation and explanations. The Committee was informed by KPMG that it has not come across any offence involving fraud or non-compliance during the audit.

Ensure that the internal auditor and external auditor receive Management's co-operation

The Committee had sought and received confirmation at meetings with internal auditor and external auditor that Management and the Company's employees had extended the fullest co-operation to the internal auditor and the external auditor. At the Committee's meeting on 7 December 2017, the Committee also received assurances from KPMG that the internal auditor shared its findings with KPMG.

Adequacy of the independence, scope, functions, competency and resources of the internal audit function

The Committee at its meeting on 23 November 2017 had reviewed the independence, scope and functions of the internal audit and found that it had the necessary authority to carry out its tasks. The audit findings, the follow-up action as well as audit plan for 2018, were reviewed and approved. The Committee was assured that there was no element of interference or influence by Management with its audit findings.

Reporting of any internal audit issues

There were no special internal audit programme, processes, the results of the internal audit programme, or investigation undertaken, or action that had been taken, that were needed to be reported to the Board in 2017.

Endorsement of Financial Statements

The Committee reviewed and reported to the Board the quarterly results in 2017 and year-end financial statements as at 31 December 2017, including the statement of financial position and statement of profit or loss and other comprehensive income, prior to submission of the statements to the Board for approval. The Committee had also paid particular attention to ensuring compliance with changes in existing accounting policies as well as implementation of new accounting policies, significant and unusual events (if any). The Committee also reviewed and ensured compliance with legal requirements including disclosures to the stock exchange and relevant authorities.

Endorsement of major transactions and related party transactions

The Committee reviewed and endorsed related party transactions in 2017 for the Board to consider and approve. A related party transaction was reviewed on 23 November 2017 by the Committee relating to the tenancy agreement involving sister company, Petron Fuel International Sdn. Bhd. There were no major (non-related party) transactions that required the Committee's endorsement in 2017.

Review of other significant matters

Apart from major transactions and related party transaction, the Committee at all quarterly meetings in 2017, reviewed:

a) All contracts (if any) with a value of over RM5 million that are not in the ordinary course of business;
b) Accounts receivables written-off (if any);
c) Amendment to the List of the Company's Authorised Signatories; and
d) Risk management updates.

Review of Conflict of Interest

As part of its review of any transactions undertaken by the Company, the Committee ensures that any conflicts of interest or potential conflicts of interests are highlighted. Where there is a conflict of interest, Directors involved abstain from discussion and voting on such matters. As a result, in relation to the above Related party transactions, Mr. Ramon S. Ang and Mr. Lubin B. Nepomuceno abstained from discussion and voting on the matter as they are also directors of Petron Fuel International Sdn. Bhd. As an additional note, Independent Directors, Y. Bhg. Dato' Zainal Abidin Putih, Ms. Chua See Hua, Y. Bhg. Dato' Zuraidah Atan, Mr. Fong Seow Kee and Mr. Antonio M. Cailao, abstained from discussion and voting on the matter of the Independent Directors' Fees at the Board Meeting on 22 February 2018.

Auditor's Re-Appointment/Fees

The Committee at its meeting on 22 February 2018, reviewed and endorsed the fees proposed to be paid to the external auditor, KPMG. The Committee at the same meeting in 2018 considered and recommended to the Board the re-appointment of KPMG as the Company's external auditor for the ensuing year.

Report to the Stock Exchange on matters pertaining to the Company

There were no matters in 2017 that was brought to the attention of the Board that was not acted on (and resulted in a breach of the Main Market Listing Requirements of BMSB) that required the Committee to report to the BMSB.

This Statement is made in accordance with the resolution of the Board dated 22 February 2018.

NOMINATING COMMITTEE REPORT

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 Charter was last reviewed and approved by the Board of Directors in November 2013. The Charter was reviewed by the Committee and the Board in 2018. The Charter can be accessed on the Company's website www.petron.com.my.

The Nominating Committee is responsible for the recommendation of candidates for Independent, Non-Executive and Executive Directors and the recommendation of Directors for Board 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) – Chairperson of the Committee

2. Y. Bhg. Dato' Zainal Abidin Putih
   (Independent Director)

3. Mr. Ferdinand K. Constantino
   (Non-Executive Director)

The composition of the Nominating Committee complies with the Malaysian Corporate Governance Code 2017.

Role of the Nominating Committee and Activities in 2017

Annual Assessment and Evaluation

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 assessments and evaluations to assess 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 22 February 2018.

Training Programmes

The Nominating Committee can also direct Management to plan induction training programmes for new Directors (on request) to familiarise them with the fiduciary duties and need for compliance with securities and corporate laws. As directed by the Chairperson of the Nominating Committee, all Directors are informed by the Company Secretary of available training programmes, and where requested by the Directors, the Company will arrange for Directors to attend such training programmes.

Board Diversity

The Nominating Committee, in recommending candidates, places emphasis on recommending the 'best person for the job and for the Company' regardless of race, religion, gender or social background. The same applies to the appointment of Directors to the Board. In considering candidates for appointment to the Board, the Nominating Committee places emphasis on the candidates experience, qualifications, character, integrity, competence and available time to commit to the Company. As is the Company's practice of diversity, the Board and indeed the Nominating Committee is also keen to ensure diversity not only in gender but also in relation to age and ethnicity.

The Nominating Committee recognises that diversity on the Board in terms of having one-third women directors was a call from the Government, which the Nominating Committee will strive to always achieve and maintain. In 2017, the Board had three (3) women directors, out of nine (9) directors; thus complying with the recommendation on gender diversity. Of the three (3) women Directors, one is an Executive Director whilst two (2) are Independent Directors.

Recommendations for Board Appointments

In accordance with the Company's Constitution, the Board can appoint any person to be a Director as and when it is deemed necessary. However, consistent with the Malaysian Corporate Governance Code 2017, 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 2017, the Nominating Committee carried out the following activities:

- conduct and review of the annual evaluation of the Directors, Board and Board Committees for the year ended 2017 and to report the same to the Board in February 2018. A report of the same was then reported in the Annual Report of 2017;

- review of candidates proposed for appointment as Independent Director (Mr. Antonio M. Cailao) who was appointed by the Board on 23 November 2017;

- review of candidates to retire by rotation and to recommend their re-election (Mr. Ramon S. Ang and Ms. Aurora T. Calderon);

- review of the Independent Directors having exceeded nine (9) cumulative years in office and making recommendations to the Board on retention for another term (Y. Bhg. Dato' Zainal Abidin Putih); and

- directing the induction programmes for the new member of the board, Mr. Antonio M. Cailao, both in Kuala Lumpur and the Refinery in Port Dickson in January 2018 covering, amongst others, the Company's corporate information, governance framework and management information. Arrangements for Mr. Cailao to attend the Mandatory Accreditation Program for all new Directors of a public listed company was also arranged in January 2018 (required to be completed within four (4) months of appointment)

Appointment of Director(s) in 2017

In 2017, the Committee evaluated and recommended Mr. Antonio M. Cailao to be appointed as a new Independent Director. In evaluating Mr. Cailao's suitability for appointment, the Committee took into consideration his qualifications and his vast experience with a major international financial institution (which he had served in a senior capacity in many parts of the world), and later as the Chief Executive Officer of the Philippines National Oil Company. The Committee also noted that with his current portfolio of directorships, he would have time to commit to (and discharge his obligations as a Director of) PMRMB. The Committee also took cognisance of character reference received and concluded that he is a person of high integrity. Based on the recommendation of the Committee, the Board of Directors at its Meeting on 23 November 2017, appointed Mr. Cailao as an Independent Director.

Annual Review of Board/Committees/Directors Performance

For the Annual Evaluation, the Nominating Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Nominating Committee also considered its role in charting the course for the Company, setting out the strategic plans for the Company, and stewarding the implementation process. The Nominating 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 Main Market Listing Requirements (MMLR).

A customised evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was used for the 2017 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 Directors (ii) the performance of the Board Committees (iii) the performance of the main Board (iv) the Board members' skills sets and (v) the Directors' performance and contribution to the Board.

The 2017 annual evaluation was completed in January 2018 and the results were presented to the Nominating Committee and the Board on 22 February 2018. A summary of the results are as follows:

- **Independent Director's 'Independence'** - All five (5) Independent Directors meet the necessary criteria for 'independence' and they are in compliance with the 2012 Corporate Governance Code.
- **Board Committee Evaluations** – There were no adverse findings and the average rating of the Audit Committee was 4.83 and the Nominating Committee's average rating was 4.75. The ratings are consistent with the ratings in 2016.
- **Board Evaluation** - The ratings received indicated an overall average of 4.51 indicating 'Consistently Good'. The overall average rating received in 2016 was 4.6; comparable with the ratings in 2017.
- **Board Skill Evaluation (Peer Assessment)** - The Directors were rated between 4.50 and 4.74, again indicating that, on the average, each Director was ranked as 'Consistently Good'. The ratings received in 2016 were between 4.72 to 4.83, indicating a consistency with 2017.
- **Performance Evaluation (Self-Assessment and a Peer Assessment by each Director)** - Each Director was rated between 4.56 and 4.87, again indicating that, on the average, each Director was ranked as 'Consistently Good'. The ratings received in 2016 were between 4.30 and 5.00; indicating consistency with ratings in 2017.

The evaluation in relation to the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the necessary requirements, under the MMLR, of independence. One (1) of the Independent Directors namely Y. Bhg. Dato' Zainal Abidin bin Putih has exceeded the recommended nine (9) cumulative years in office but his continued presence on the Board, approved at the preceding Annual General Meeting, also fulfils the necessary requirements as recommended by the Malaysian Corporate Governance Code 2017.

The Board was satisfied with the results of the other evaluations, which showed the Directors, the Board 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.

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 Nominating Committee 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.

This report is dated 22 February 2018.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2017.

Principal activities

The Company is principally engaged in 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.

Ultimate holding company

The Company is a subsidiary of San Miguel Corporation, which is incorporated in the Philippines and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Results

	RM'000
Profit for the year	405,173

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except for the transfer of RM8,000,000 from the capital redemption reserves account to the share capital account as disclosed in Note 15 to the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a final ordinary dividend of 22 sen per ordinary share totalling RM59,400,000 in respect of the financial year ended 31 December 2016, declared on 15 June 2017 and paid on 30 June 2017.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2017 is 25 sen per ordinary share totalling RM67,500,000 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Y. Bhg. Dato' Zainal Abidin Putih
Y. Bhg. Dato' Zuraidah Atan
Mr. Ramon S. Ang
Ms. Aurora T. Calderon
Mr. Lubin B. Nepomuceno
Ms. Chua See Hua
Mr. Ferdinand K. Constantino
Mr. Fong Seow Kee
Mr. Antonio M. Cailao (appointed with effect from 23 November 2017)

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 1.1.2017	Acquired	Sold	At 31.12.2017
Common shares of ultimate holding company (San Miguel Corporation)				
Ramon S. Ang	**757,873**	**587,556**	**-**	**1,345,429**
Aurora T. Calderon	**22,600**	**-**	**-**	**22,600**
Lubin B. Nepomuceno	**7**	**-**	**-**	**7**
Ferdinand K. Constantino	**254,309**	**154,020**	**-**	**408,329**
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**

None of the other Directors holding office as at 31 December 2017 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 those fees and benefits included in the aggregate amount of remuneration 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 issued and paid-up capital of the Company during the financial year except for the transfer of RM8,000,000 from the capital redemption reserves account to the share capital account as disclosed in Note 15 to the financial statements.

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.

Indemnity and insurance costs

The indemnity insurance coverage provided for the Directors and officers of the Company is RM15,000,000. The premium paid amounted to RM50,360. During the financial year, no indemnity claim or payment was made.

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 2017 has 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 PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statements.

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

………………………………………………	………………………………………………
Ramon S. Ang	Lubin B. Nepomuceno
Chairman	Director

Kuala Lumpur

Date: 22 February 2018

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Cash and cash equivalents	3	**119,614**	171,640
Derivative financial assets	4	**3,100**	2,958
Trade and other receivables	5	**480,192**	486,023
Inventories	6	**678,138**	710,081
Other current assets	7	**315,933**	139,219
Total current assets		**1,596,977**	1,509,921
Property, plant and equipment	8	**960,186**	956,007
Long-term assets	9	**165,980**	179,145
Intangible assets – software	10	**71**	1,194
Total non-current assets		**1,126,237**	1,136,346
Total assets		**2,723,214**	2,646,267
Liabilities			
Loans and borrowings	11	**-**	215,946
Trade and other payables	12	**1,023,327**	1,001,290
Derivative financial liabilities	4	**33,563**	21,702
Retirement benefit obligations	13	**7,460**	6,145
Tax payable		**47,149**	39,014
Total current liabilities		**1,111,499**	1,284,097
Loans and borrowings	11	**-**	92,014
Retirement benefit obligations	13	**40,256**	42,431
Deferred tax liabilities	14	**59,482**	63,828
Total non-current liabilities		**99,738**	198,273
Total liabilities		**1,211,237**	1,482,370
Equity			
Share capital	15	**143,000**	135,000
Reserves	15	**-**	8,000
Retained earnings		**1,368,977**	1,020,897
Total equity		**1,511,977**	1,163,897
Total equity and liabilities		**2,723,214**	2,646,267

The notes on pages 85 to 120 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Revenue	16	**10,363,058**	7,602,477
Cost of sales		**(9,678,216)**	(7,038,504)
Gross profit		**684,842**	563,973
Other operating income		**67,129**	65,498
Other operating expenses		**(246,418)**	(230,734)
Administrative expenses		**(18,498)**	(19,207)
Results from operating activities		**487,055**	379,530
Other income		**99,482**	9,646
Other expenses		**(53,441)**	(35,245)
Finance income		**2,976**	1,282
Finance costs		**(12,974)**	(32,229)
Profit before tax	17	**523,098**	322,984
Tax expense	18	**(117,925)**	(85,433)
Profit for the year		**405,173**	237,551
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	19	**2,307**	(1,160)
Other comprehensive income/(loss) for the year, net of tax		**2,307**	(1,160)
Total comprehensive income for the year		**407,480**	236,391
Basic earnings per ordinary share (sen)	20	**150.1**	88.0

The notes on pages 85 to 120 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		Non-distributable		Distributable	
	Note	Share capital RM'000	Capital redemption reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016		135,000	8,000	838,506	981,506
Remeasurement of defined benefit liability	19	-	-	(1,160)	(1,160)
Profit for the year		-	-	237,551	237,551
Total comprehensive income for the year		-	-	236,391	236,391
Dividends paid	21	-	-	(54,000)	(54,000)
At 31 December 2016/1 January 2017		**135,000**	**8,000**	**1,020,897**	**1,163,897**
Remeasurement of defined benefit liability	19	**-**	**-**	**2,307**	**2,307**
Profit for the year		**-**	**-**	**405,173**	**405,173**
Total comprehensive income for the year		**-**	**-**	**407,480**	**407,480**
Dividends paid	21	**-**	**-**	**(59,400)**	**(59,400)**
Transition to no-par value regime	15	**8,000**	**(8,000)**	**-**	**-**
At 31 December 2017		**143,000**	**-**	**1,368,977**	**1,511,977**
		Note 15	**Note 15**		

The notes on pages 85 to 120 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Cash flows from operating activities			
Profit before tax		**523,098**	322,984
Adjustments for:			
Amortisation of intangible assets	10	**1,123**	2,634
Amortisation of long-term assets	9	**29,089**	32,307
Depreciation of property, plant and equipment	8	**65,219**	61,714
Finance costs		**12,974**	32,229
Finance income		**(2,976)**	(1,282)
Gain on disposal of long-term assets		**(169)**	-
Gain on disposal of property, plant and equipment		**(55,176)**	(732)
Impairment loss on trade receivables		**439**	-
Impairment loss on slow moving materials and supplies	6	**6,914**	-
Retirement benefit costs	13	**5,285**	5,054
Reversal of impairment loss on trade receivables		**(75)**	-
Unrealised foreign exchange (gain)/loss		**(1,532)**	2,391
Unrealised loss on derivatives		**30,463**	18,744
Write-off of long-term assets	9	**-**	75
Write-off of property, plant and equipment	8	**1,278**	2,838
Operating profit before changes in working capital		**615,954**	478,956
Change in inventories		**25,029**	(210,239)
Change in long-term assets		**798**	2,884
Change in trade and other payables and other financial liabilities		**(2,371)**	357,525
Change in trade and other receivables and other financial assets		**(169,274)**	(203,285)
Cash from operations		**470,136**	425,841
Interest paid		**(7,317)**	(18,248)
Interest received		**2,951**	1,282
Tax paid		**(114,864)**	(53,610)
Retirement benefits paid	13	**(3,110)**	(5,297)
Net cash from operating activities		**347,796**	349,968

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	**(88,009)**	(43,462)
Payment for long-term assets	9	**(18,485)**	(4,534)
Proceeds from disposal of property, plant and equipment		**71,723**	670
Proceeds from disposal of long-term assets		**3,087**	-
Net cash used in investing activities		**(31,684)**	(47,326)
Cash flows from financing activities			
Repayment of borrowings		**(308,583)**	(236,417)
Dividends paid	21	**(59,400)**	(54,000)
Net cash used in financing activities		**(367,983)**	(290,417)
Net changes in cash and cash equivalents		**(51,871)**	12,225
Effect of exchange rate fluctuations on cash held		**(155)**	141
Cash and cash equivalents at 1 January		**171,640**	159,274
Cash and cash equivalents at 31 December	3	**119,614**	171,640

The notes on pages 85 to 120 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 manufacturing and marketing of petroleum products in Peninsular Malaysia.

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

The financial statements were authorised for issue by the Board of Directors on 22 February 2018.

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 2016 in Malaysia.

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

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRSs, amendments and interpretations effective for annual periods beginning on or after a date yet to be confirmed

- 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*

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 140 which are not applicable to the Company.

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 3 and Amendments to MFRS 11 which are not applicable to the Company.

The Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Company.

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 sets a new guidance for revenue accounting. It supercedes MFRS 111, *Construction Contracts*, MFRS 118 and all revenue-related interpretations: *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 established a team to manage the implementation of MFRS 15. Following the provisions of MFRS 15, the team reviewed the contracts with the customers to account for the financial impact of the adoption of the new standard.

Currently, the Company's contracts with retail customers contain several components other than fuel sales. Each of these components is either recognised as Revenue or Other Operating Income. With the adoption of MFRS 15, certain components will be reclassified as Revenue.

The Company has assessed that the initial application of MFRS 15 on its financial statements for the year ended 31 December 2017 will have no impact on the net profit but would affect financial statement presentation only. This would only require reclassification of affected items from Other Operating Income to Revenue.

(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.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

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

The Company does not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Company does not expect that the application of the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining Whether an Arrangement Contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use an underlying asset and a lease liability representing its obligations to make lease payments. The standard contains recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 13 – remeasurement of retirement benefit obligations.

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 accounts 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, 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 which 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

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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 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 expired. 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.

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.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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 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 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 life 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 the end of the reporting period, and adjusted as appropriate.

2.5 Leased assets

(i) Finance leases

Leases in 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.5 Leased assets (continued)

(ii) Operating leases (continued)

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

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 and bank balances and fixed deposits with licensed banks, which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments.

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.

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 asset) 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.

2. Significant accounting policies (continued)

2.9 Impairment (continued)

(ii) Other assets (continued)

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 profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of 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 were 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 amounts of the assets distributed and the carrying amount of the liability in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.11 Employee benefits (continued)

(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 obligations 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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

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 credit will be realised.

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 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. Operating segment 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

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 statement 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 or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. Cash and cash equivalents

	2017 RM'000	2016 RM'000
Fixed deposits	**70,000**	100,000
Cash and bank balances	**49,614**	71,640
	119,614	171,640

NOTES TO THE FINANCIAL STATEMENTS

4. Derivative financial assets/(liabilities)

	2017			2016		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	**465,961**	**104**	**(2,418)**	549,511	2,336	(77)
- Commodity swaps	**269,964**	**2,996**	**(31,145)**	108,456	622	(21,625)
	735,925	**3,100**	**(33,563)**	657,967	2,958	(21,702)

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 one year or less after the end of the reporting period.

Commodity swaps are used to mitigate crude and petroleum products price risks arising from volatile market prices. Most of the commodity derivative contracts have maturities of one year or less after the end of the reporting period.

5. Trade and other receivables

	2017 RM'000	2016 RM'000
Trade		
Trade receivables	**238,306**	191,407
Less: Individual impairment allowance	**(580)**	(512)
	237,726	190,895
Amounts due from related companies	**117,621**	100,106
	355,347	291,001
Non-trade		
Subsidy receivables	**93,582**	170,339
Amounts due from a related company	**1,442**	-
Other receivables	**29,821**	24,683
	124,845	195,022
	480,192	486,023

Related party balances

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

NOTES TO THE FINANCIAL STATEMENTS

5. Trade and other receivables (continued)

Subsidy receivables

Subsidy receivables are amounts due from the Government of Malaysia under the Automatic Pricing Mechanism. These receivables are normally collected within 1 to 3 months.

6. Inventories

	2017 RM'000	2016 RM'000
Crude oil	**264,608**	373,307
Petroleum products	**410,409**	326,892
Materials and supplies	**3,121**	9,882
	678,138	710,081
Recognised in profit or loss:		
Inventories recognised as cost of sales	**9,530,259**	6,943,042
Impairment loss on slow moving materials and supplies	**(6,914)**	-

7. Other current assets

	2017 RM'000	2016 RM'000
GST input	**300,138**	120,717
Prepayments	**15,795**	18,502
	315,933	139,219

NOTES TO THE FINANCIAL STATEMENTS

8. 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 2016	199,838	106,446	463,556	1,236,926	97,663	2,104,429
Addition	-	-	693	18,438	24,331	43,462
Disposal	(353)	(49)	-	(12)	-	(414)
Write-off	-	(180)	(4,517)	(6,874)	-	(11,571)
Reclassification	-	-	5,824	28,259	(34,083)	-
At 31 December 2016/1 January 2017	**199,485**	**106,217**	**465,556**	**1,276,737**	**87,911**	**2,135,906**
Addition	**-**	**-**	**4,602**	**14,896**	**68,511**	**88,009**
Disposal	**(9,967)**	**(28)**	**(10,667)**	**(5,909)**	**-**	**(26,571)**
Write-off	**-**	**-**	**(482)**	**(3,155)**	**(560)**	**(4,197)**
Reclassification	**-**	**-**	**11,329**	**70,761**	**(82,090)**	**-**
Reclassification to long-term assets	**(191)**	**(717)**	**-**	**-**	**-**	**(908)**
At 31 December 2017	**189,327**	**105,472**	**470,338**	**1,353,330**	**73,772**	**2,192,239**
Accumulated depreciation						
At 1 January 2016	-	21,142	274,115	831,670	-	1,126,927
Depreciation during the year	-	1,184	17,525	43,005	-	61,714
Disposal	-	(8)	-	(1)	-	(9)
Write-off	-	(147)	(3,071)	(5,515)	-	(8,733)
At 31 December 2016/1 January 2017	**-**	**22,171**	**288,569**	**869,159**	**-**	**1,179,899**
Depreciation during the year	**-**	**1,183**	**17,665**	**46,371**	**-**	**65,219**
Disposal	**-**	**(5)**	**(6,810)**	**(3,209)**	**-**	**(10,024)**
Write-off	**-**	**-**	**(366)**	**(2,553)**	**-**	**(2,919)**
Reclassification to long-term assets	**-**	**(122)**	**-**	**-**	**-**	**(122)**
At 31 December 2017	**-**	**23,227**	**299,058**	**909,768**	**-**	**1,232,053**
Carrying amounts						
At 1 January 2016	199,838	85,304	189,441	405,256	97,663	977,502
At 31 December 2016/1 January 2017	199,485	84,046	176,987	407,578	87,911	956,007
At 31 December 2017	**189,327**	**82,245**	**171,280**	**443,562**	**73,772**	**960,186**

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 Multi-Product Pipeline (MPP) amounting to RM95,452,000 (2016: RM75,506,000).

During the financial year, compulsory acquisitions by the government resulted in the divestments of properties and equipment amounting to RM16,900,000 (2016: RM2,457,000 properties and equipment were written off due to closure of service stations).

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Included in the carrying amount of leasehold land is the net book value for leasehold land with lease period of more than 50 years amounting to RM78,268,000 (2016: RM79,907,000).

9. Long-term assets

	2017 RM'000	2016 RM'000
Prepaid lease rentals	**136,924**	134,729
Deposits	**2,461**	2,409
Marketing assistance to dealers	**9,498**	12,775
Others	**17,097**	29,232
	165,980	179,145
The movement in the long-term assets is as follows:		
At 1 January	**179,145**	209,877
Addition	**18,854**	4,534
Reclassification from property, plant and equipment	**786**	-
Amortisation	**(29,089)**	(32,307)
Write-off	**-**	(75)
Disposal	**(2,918)**	-
Reclassification to short-term	**(676)**	(1,389)
Others	**(122)**	(1,495)
At 31 December	**165,980**	179,145

Prepaid lease rentals

Included in the above prepaid lease rentals is leasehold land amounting to RM2,272,000 (2016: RM1,305,000) for the Company's 20% participating interest in the joint venture assets of MPP.

Marketing assistance to dealers

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.

Others

Included in others are deferred charges on major turnaround costs amounting to RM10,310,000 (2016: RM21,557,000) which will be amortised over 3 years.

10. Intangible assets - software

	Total RM'000
Cost	
At 1 January 2016/1 January 2017	**24,294**
Write-off	**(1,465)**
At 31 December 2017	**22,829**
Accumulated amortisation	
At 1 January 2016	20,466
Amortisation during the year	2,634
At 31 December 2016/1 January 2017	**23,100**
Amortisation during the year	**1,123**
Write-off	**(1,465)**
At 31 December 2017	**22,758**
Carrying amounts	
At 1 January 2016	3,828
At 31 December 2016/1 January 2017	**1,194**
At 31 December 2017	**71**

11. Loans and borrowings

	2017 RM'000	2016 RM'000
Current		
Revolving credit - unsecured	**-**	150,000
Long-term loan - unsecured	**-**	65,946
	-	215,946
Non-current		
Long-term loan - unsecured	**-**	92,014
	-	307,960

(a) In April 2012, the Company entered into a 5-year Working Capital Facility Agreement of up to RM900 million with several financial institutions for working capital requirements. This facility was reduced to RM500 million effective October 2016 due to partial cancellation. The facility has ended in March 2017.

(b) In 2014, the Company entered into two 5-year Term Loan Facility Agreements of RM100 million each with Malayan Banking Berhad and CIMB Bank Berhad. In April 2016, CIMB Bank Berhad transferred the facility to Affin Bank Berhad. The Company has made full settlement of the term loans with Affin Bank Berhad and Malayan Banking Berhad in May 2017 and September 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS

11. Loans and borrowings (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Revolving credit – unsecured RM'000	Long-term loan – unsecured RM'000	Total liabilities from financing activities RM'000
At 1 January 2017	**150,000**	**157,960**	**307,960**
Net changes from financing cash flows	**(150,000)**	**(158,583)**	**(308,583)**
Other changes	**-**	**623**	**623**
At 31 December 2017	**-**	**-**	**-**

12. Trade and other payables

	2017 RM'000	2016 RM'000
Trade		
Trade payables	**926,919**	862,472
Non-trade		
Accrued expenses	**42,208**	76,512
Duties and tax payables	**17,825**	30,761
Amounts due to a related company	**102**	-
Other payables	**36,273**	31,545
	1,023,327	1,001,290

Accrued expenses

Accrued expenses are generally non-trade in nature that arose from transactions other than the purchase of crude and petroleum products.

Related party balances

The non-trade balances due to a related company are unsecured, interest free and are repayable on demand.

13. Retirement benefit obligations

	2017 RM'000	2016 RM'000
Current	**7,460**	6,145
Non-current	**40,256**	42,431
	47,716	48,576

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 2016.

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

13. Retirement benefit obligations (continued)

Movement in retirement benefit obligations

The following table shows reconciliation from the opening balance to the closing balance for the retirement benefit obligations and its components:

	2017 RM'000	2016 RM'000
At 1 January	**48,576**	47,099
Included in profit or loss		
Current service cost	**2,782**	2,623
Interest cost	**2,503**	2,431
	5,285	5,054
Included in other comprehensive income		
Remeasurement of retirement benefit obligations Actuarial (gain)/loss arising from:		
- Experience adjustments	**(3,035)**	1,526
Others		
Benefits paid	**(3,110)**	(5,297)
Transfer from affiliate	**-**	194
	(3,110)	(5,103)
At 31 December	**47,716**	48,576

Actuarial assumptions

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

	2017 %	2016 %
Discount rate	**5.5**	5.5
Future salary growth	**6.0**	6.0

As at 31 December 2017, the weighted average duration of the defined benefit obligation was 7.56 years (2016: 7.38 years).

NOTES TO THE FINANCIAL STATEMENTS

13. Retirement benefit obligations (continued)

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 obligations by the amounts shown below:

	Retirement benefit obligations			
	2017		2016	
	Increase	Decrease	Increase	Decrease
	RM'000	RM'000	RM'000	RM'000
Discount rate (1% movement)	**(3,202)**	**3,669**	(3,184)	3,640
Future salary growth (1% movement)	**4,598**	**(4,079)**	4,018	(3,582)

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

14. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	**-**	-	**(73,891)**	(74,051)	**(73,891)**	(74,051)
Retirement benefit obligations	**4,839**	5,073	**-**	-	**4,839**	5,073
Other items	**9,938**	5,692	**(368)**	(542)	**9,570**	5,150
Net tax assets/(liabilities)	**14,777**	10,765	**(74,259)**	(74,593)	**(59,482)**	(63,828)

Movement in temporary differences during the year

	At 1.1.2016	Recognised in profit or loss (Note 18)	Recognised directly in equity (Note 18)	At 31.12.2016/ 1.1.2017	Recognised in profit or loss (Note 18)	Recognised directly in equity (Note 18)	At 31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(69,933)	(4,118)	-	**(74,051)**	**160**	**-**	**(73,891)**
Retirement benefit obligations	4,704	3	366	**5,073**	**494**	**(728)**	**4,839**
Other items	1,118	4,032	-	**5,150**	**4,420**	**-**	**9,570**
Net tax liabilities	(64,111)	(83)	366	**(63,828)**	**5,074**	**(728)**	**(59,482)**

15. Capital and reserves

	2017		2016	
	Number of shares		Number of shares	
	'000	RM'000	'000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	**-**	**-**	300,000	150,000
Issued and fully paid:				
At 1 January	**270,000**	**135,000**	270,000	135,000
Transition to no-par value regime	**-**	**8,000**	-	-
At 31 December	**270,000**	**143,000**	270,000	135,000

Share capital

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.

Pursuant to the Companies Act 2016 in Malaysia which came into effect on 31 January 2017, the concept of authorised share capital no longer exists.

In accordance with section 74 of the Companies Act 2016, the Company's ordinary shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Included in share capital is capital redemption reserves amounting to RM8,000,000 that is available to be used in accordance with Section 618(3) of Companies Act 2016 on or before 31 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

Capital redemption reserves

The Company's capital redemption reserves arose from redemption of 8,000,000 preference shares in 1986. In accordance with Section 618(2) of Companies Act 2016 effective 31 January 2017, any amount outstanding to the credit of the capital redemption reserves shall become part of the share capital of the Company. The Company has 24 months upon commencement of Companies Act 2016 on 31 January 2017 to use the amount.

16. Revenue

	2017	2016
	RM'000	RM'000
Third-party sales	**8,158,828**	5,982,198
Sales to related companies	**2,198,050**	1,607,466
	10,356,878	7,589,664
Credit card merchandise fees	**17**	19
Other revenues and rebates	**5,476**	12,384
Allied business rental	**687**	410
	10,363,058	7,602,477

Sales represent the value of goods sold inclusive of subsidies and net of Government duties and taxes.

Included in other revenues and rebates are revenues from processing third-party crude amounting to RM Nil (2016: RM7,588,000).

NOTES TO THE FINANCIAL STATEMENTS

17. Profit before tax

	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging:		
Amortisation of intangible assets	**1,123**	2,634
Audit fees	**373**	358
Finance costs	**12,974**	32,229
Foreign exchange		
- Realised loss	**-**	4,509
- Unrealised loss	**-**	2,391
Hire of plant and machinery	**422**	1,058
Impairment loss on trade receivables	**439**	-
Impairment loss on slow moving materials and supplies	**6,914**	-
Long-term assets		
- Amortisation		
- Prepaid lease rentals	**12,130**	13,055
- Marketing assistance to dealers	**3,277**	4,251
- Others	**13,682**	15,001
- Write-off	**-**	75
Loss on derivatives	**102,333**	36,824
Personnel expenses (including key management personnel)		
- Contributions to Employees' Provident Fund	**6,768**	6,294
- Wages, salaries and others	**60,608**	55,298
- Retirement benefits	**5,285**	5,054
Property, plant and equipment		
- Depreciation	**65,219**	61,714
- Write-off	**1,278**	2,838
Property rental	**3,424**	3,543
Repair and maintenance	**51,393**	40,596
Trucking cost	**47,684**	43,660
and after crediting:		
Finance income	**2,976**	1,282
Foreign exchange		
- Realised gain	**31,625**	-
- Unrealised gain	**1,532**	-
Gain on disposal of long-term assets	**169**	-
Gain on disposal of property, plant and equipment	**55,176**	732
Licence fees	**41,111**	39,072
Reversal of impairment loss on trade receivables	**75**	-

NOTES TO THE FINANCIAL STATEMENTS

18. Tax expense

Recognised in profit or loss

	2017 RM'000	2016 RM'000
Current tax expense		
- Current year	**123,850**	91,645
- Prior years	**(851)**	(6,242)
Real property gains tax		
- Prior years	**-**	(53)
Total current tax recognised in profit or loss	**122,999**	85,350
Deferred tax expense		
Origination and reversal of temporary differences	**(5,541)**	(4,116)
Under provision in prior years	**467**	4,199
Total deferred tax recognised in profit or loss	**(5,074)**	83
Total income tax expense	**117,925**	85,433
Reconciliation of tax expense		
Profit before tax	**523,098**	322,984
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	**125,544**	77,516
Non-deductible expenses	**6,827**	10,189
Non-taxable income	**(14,062)**	(176)
Over provision in prior years	**(384)**	(2,096)
	117,925	85,433
Income tax recognised directly in equity		
Retirement benefit obligations		
- Deferred tax	**728**	(366)

19. Other comprehensive income/(loss)

	2017 RM'000	2016 RM'000
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability		
Before tax	**3,035**	(1,526)
Tax expense	**(728)**	366
Net of tax	**2,307**	(1,160)

NOTES TO THE FINANCIAL STATEMENTS

20. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

	2017	2016
Net profit attributable to shareholders (RM'000)	**405,173**	237,551
Number of ordinary share units in issue ('000)	**270,000**	270,000
Basic earnings per share (sen)	**150.1**	88.0

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

21. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Final 2016 ordinary	**22.0**	**59,400**	**30 June 2017**
2016			
Final 2015 ordinary	20.0	54,000	24 June 2016

After the end of the reporting period the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2017 ordinary	**25.0**	**67,500**

22. Operating segment

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:

	2017 RM'000	2016 RM'000
Domestic	**9,431,993**	7,018,857
Foreign	**931,065**	583,620
	10,363,058	7,602,477

22. Operating segment (continued)

Major customers

The following is a major customer with revenue equal or more than 10% of the Company's total revenue:

	2017 RM'000	2016 RM'000
Related party		
- Petron Fuel International Sdn. Bhd.	**2,198,050**	1,607,466

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

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

23. Financial instruments

23.1 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
2017			
Financial assets			
Trade and other receivables	**480,192**	**480,192**	**-**
Cash and cash equivalents	**119,614**	**119,614**	**-**
Derivative financial assets	**3,100**	**-**	**3,100**
	602,906	**599,806**	**3,100**
Financial liabilities			
Loans and borrowings	**-**	**-**	**-**
Trade and other payables	**(1,023,327)**	**(1,023,327)**	**-**
Derivative financial liabilities	**(33,563)**	**-**	**(33,563)**
	(1,056,890)	**(1,023,327)**	**(33,563)**
2016			
Financial assets			
Trade and other receivables	486,023	486,023	-
Cash and cash equivalents	171,640	171,640	-
Derivative financial assets	2,958	-	2,958
	660,621	657,663	2,958
Financial liabilities			
Loans and borrowings	(307,960)	(307,960)	-
Trade and other payables	(1,001,290)	(1,001,290)	-
Derivative financial liabilities	(21,702)	-	(21,702)
	(1,330,952)	(1,309,250)	(21,702)

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.2 Net gains and losses arising from financial instruments

	2017 RM'000	2016 RM'000
Net gains/(losses) on:		
Fair value through profit or loss:		
- Held for trading	**(102,333)**	(36,824)
Financial liabilities measured at amortised cost		
- Finance costs	**(12,974)**	(32,229)
- Unrealised foreign exchange gain/(loss)	**2,697**	(3,561)
- Realised foreign exchange gain/(loss)	**42,838**	(3,870)
	32,561	(39,660)
Loans and receivables		
- Finance income	**2,976**	1,282
- Impairment loss on trade receivables	**(364)**	-
- Unrealised foreign exchange gain/(loss)	**(1,165)**	1,170
- Realised foreign exchange loss	**(11,213)**	(639)
	(9,766)	1,813
	(79,538)	(74,671)

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.4 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.

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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

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 past due balances 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:

	2017 RM'000	2016 RM'000
Domestic	**122,358**	83,336
Foreign	**115,368**	107,559
	237,726	190,895

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
2017			
Current	**234,581**	**-**	**234,581**
Past due 1 - 90 days	**3,011**	**-**	**3,011**
Past due 91 - 180 days	**134**	**-**	**134**
Past due 181 - 365 days	**42**	**(42)**	**-**
Past due more than 365 days	**538**	**(538)**	**-**
	238,306	**(580)**	**237,726**
2016			
Current	190,507	-	190,507
Past due 1 - 90 days	360	-	360
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	28	-	28
Past due more than 365 days	512	(512)	-
	191,407	(512)	190,895

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 is confident of the ability of the customers to repay the balances owing.

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	2017 RM'000	2016 RM'000
At 1 January	**512**	512
Allowance made during the year	**439**	-
Reversal of impairment loss	**(75)**	-
Write-off	**(296)**	-
At 31 December	**580**	512

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 receivables 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 advances to related companies are not recoverable.

23.5 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 with its affiliates, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. 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.

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

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
2017						
Non-derivative financial liabilities						
Trade and other payables	**1,023,327**	**-**	**1,023,327**	**1,023,327**	**-**	**-**
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflow	**2,314**	**-**	**465,961**	**465,961**	**-**	**-**
Inflow	**-**	**-**	**(463,647)**	**(463,647)**	**-**	**-**
Commodity swaps (gross settled):						
Outflow	**28,149**	**-**	**269,964**	**269,964**	**-**	**-**
Inflow	**-**	**-**	**(241,815)**	**(241,815)**	**-**	**-**
	1,053,790		**1,053,790**	**1,053,790**	**-**	**-**
2016						
Non-derivative financial liabilities						
Trade and other payables	1,001,290	-	1,001,290	1,001,290	-	-
Loans and borrowings						
Revolving credit	150,000	6.0%	159,000	159,000	-	-
Term loan	157,960	5.2%	169,675	73,345	69,929	26,401
	1,309,250		1,329,965	1,233,635	69,929	26,401
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflow	-	-	549,511	549,511	-	-
Inflow	(2,259)	-	(551,770)	(551,770)	-	-
Commodity swaps (gross settled):						
Outflow	21,003	-	108,456	108,456	-	-
Inflow	-	-	(87,453)	(87,453)	-	-
	1,327,994		1,348,709	1,252,379	69,929	26,401

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.6 Market risk

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

23.6.1 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), Japanese Yen (JPY), Singapore Dollar (SGD) and British Pound (GBP).

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to manage its foreign currency risk. Most of the forward contracts have maturities of one year or less after the end of the reporting period.

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	JPY	SGD	GBP
	RM'000	RM'000	RM'000	RM'000
2017				
Cash and cash equivalents	**31,919**	**-**	**-**	**-**
Trade and other receivables	**115,368**	**-**	**-**	**-**
Trade and other payables	**(507,146)**	**(2,669)**	**(117)**	**(316)**
Net exposure	**(359,859)**	**(2,669)**	**(117)**	**(316)**
2016				
Cash and cash equivalents	45,240	-	-	-
Trade and other receivables	107,559	-	-	-
Trade and other payables	(779,419)	(866)	(231)	(134)
Net exposure	(626,620)	(866)	(231)	(134)

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

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% (2016:10%) strengthening of the RM against USD at the end of the reporting period would have increased/(decreased) equity and after tax profit /(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	
	2017	2016
	RM'000	RM'000
USD	**27,349**	47,623

A 10% (2016:10%) 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.

23.6.2 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:

	2017	2016
	RM'000	RM'000
Floating rate instruments		
Financial liabilities	**-**	(307,960)

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

The borrowings are generally based on floating interest rate 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 borrowings would not be material to the Company's financial statements.

A change of 10 basis points in interest rate 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			
	2017		2016	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	-	-	(2)	2

23.7 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 not carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2017										
Financial assets										
Forward exchange contracts	-	**104**	-	**104**	-	-	-	-	**104**	**104**
Commodity swaps	-	**2,996**	-	**2,996**	-	-	-	-	**2,996**	**2,996**
	-	**3,100**	-	**3,100**	-	-	-	-	**3,100**	**3,100**
Financial liabilities										
Forward exchange contracts	-	**(2,418)**	-	**(2,418)**	-	-	-	-	**(2,418)**	**(2,418)**
Commodity swaps	-	**(31,145)**	-	**(31,145)**	-	-	-	-	**(31,145)**	**(31,145)**
	-	**(33,563)**	-	**(33,563)**	-	-	-	-	**(33,563)**	**(33,563)**

23. Financial instruments (continued)

23.7 Fair value information (continued)

	Fair value of financial instruments not carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2016										
Financial assets										
Forward exchange contracts	-	2,336	-	2,336	-	-	-	-	2,336	2,336
Commodity swaps	-	622	-	622	-	-	-	-	622	622
	-	2,958	-	2,958	-	-	-	-	2,958	2,958
Financial liabilities										
Forward exchange contracts	-	(77)	-	(77)	-	-	-	-	(77)	(77)
Commodity swaps	-	(21,625)	-	(21,625)	-	-	-	-	(21,625)	(21,625)
Loans and borrowings	-	-	-	-	-	-	(307,960)	(307,960)	(307,960)	(307,960)
	-	(21,702)	-	(21,702)	-	-	(307,960)	(307,960)	(329,662)	(329,662)

Level 2 fair value

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 (2016: no transfer in either directions).

Level 3 fair value

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	Description of valuation technique and input used
Loans and borrowings	Discounted cash flows using a rate based on the current market rate of borrowings of the Company at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

24. Capital management

The Company's objectives when managing capital are 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 statement of financial position.

The debt-to-equity ratios as at 31 December 2017 and 31 December 2016 were as follows:

	2017 RM'000	2016 RM'000
Total loans and borrowings (Note 11)	**-**	307,960
Total equity	**1,511,977**	1,163,897
Debt-to-equity ratios	**-**	0.26

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

25. Operating leases

Leases as lessee

	2017 RM'000	2016 RM'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**1,113**	742
Between one and five years	**2,624**	1,797
More than five years	**8,922**	1,930
	12,659	4,469

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

26. Capital and other commitments

	2017 RM'000	2016 RM'000
Capital expenditure commitments **Property, plant and equipment**		
Contracted but not provided for	**64,793**	41,781

Included in the above is contracted for the joint venture assets of the MPP amounting to RM817,000 (2016: RM350,000).

27. Other proceeding

An action was filed against the Company by its former transportation contractor, Konsortium Lord Saberkat Sdn. Bhd. (KLSSB), in 2014. The claim against the Company amounted to approximately RM41,091,000. The High Court in Kuala Lumpur, on 30 June 2015, delivered Judgment on the lawsuit and dismissed most of KLSSB's claims but nevertheless ruled that a sum of RM3,387,000 was payable by the Company to KLSSB including interest on the said sum (at the rate of 5% per annum from the date of the filing of the Writ of Summons until the date of full and final settlement) and costs of RM15,000.

On 13 July 2015, in a clarification on the Judgment, the High Court ruled that an additional sum of RM352,000 to be part of the sum payable by the Company to KLSSB.

The Company filed a notice of appeal with the Court of Appeal on 21 July 2015 in relation to parts of the Judgment that were against the Company namely: (1) the sum of RM3,739,000 (inclusive of the RM352,000 per clarification on the Judgment by High Court), (2) interest on the said sum (at the rate of 5% per annum from the date of filing of the Writ of Summons until the date of full and final settlement) payable by the Company to KLSSB; and (3) costs of RM15,000 payable by Company to KLSSB.

Further, on 24 July 2015, KLSSB filed a notice of appeal with the Court of Appeal in relation to parts of the Judgment where most of KLSSB's claims were dismissed.

On 10 December 2015, the Court of Appeal held that all KLSSB's appeal was dismissed and the Company's appeal on 21 July 2015 was allowed. The Company was also awarded cost of RM30,000. Following the Court of Appeal's decision, KLSSB on 6 January 2016 filed a motion to seek leave to appeal to the Federal Court (the Motion). On 8 November 2016, the Federal Court dismissed the Motion by KLSSB, with an order for costs of RM10,000 in favour of the Company.

Subsequently, a notice of motion for a review of the Federal Court decision (Motion for Review) was then served by KLSSB's solicitors to the Company's solicitors on 13 December 2016.

On 10 January 2018, the Federal Court has dismissed the application for review by KLSSB, with an order for costs of RM10,000 made in favour of the Company.

28. 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. 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. Key management personnel includes all the Directors, and certain members of senior management of the Company.

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

Significant related party transactions

In the ordinary course of business, the Company undertakes transactions with related parties which include the sales and purchases of products 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 and 12.

NOTES TO THE FINANCIAL STATEMENTS

28. Related parties (continued)

Significant related party transactions (continued)

	2017 RM'000	2016 RM'000
Purchase of petroleum products from a related company:		
Petron Fuel International Sdn. Bhd.	**1,147,452**	849,036
Sale of petroleum products to a related company:		
Petron Fuel International Sdn. Bhd.	**2,198,050**	1,607,466
Central management, shared facilities and service costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	**82,045**	76,721
Charged to:	**2,290**	1,175
Central management, shared facilities and service costs with intermediate holding company:		
Petron Corporation		
Charged from:	**71**	90
Key management personnel:		
Non-executive directors		
Fees	**266**	222
Other short-term employee benefits	**186**	132
	452	354

29. 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	
				2017	**2016**
Joint Venture Agreement for Multi-Product Pipeline and Distribution Terminal	Petronas Dagangan Berhad (PDB) and Shell Malaysia Trading Sendirian Berhad (SMTSB)	Port Dickson	Construct, own and operate the MPP	**20%**	20%
Joint Facilities Operating Agreement	Hengyuan Refining Company Bhd (Operator)	Port Dickson	Construct and maintain a common carrier pipeline facilities	**50%**	50%

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 80 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2017 and of its financial performance and cash flows for the financial year then ended.

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: 22 February 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

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 80 to 120 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 22 February 2018.

....

Myrna C. Geronimo

Before me:

....

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD

(Company No. 3927-V)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Petron Malaysia Refining & Marketing Bhd, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Revenue recognition

Refer to accounting policy Note 2.13(i) and Note 16 of the financial statements.

The key audit matter

Revenue is an important measure used to evaluate the performance of the company. It is accounted for when the sales transactions have been completed, when goods are delivered to the customer and all economic risks for the Company have been transferred. Revenue generated through certain sectors is susceptible to manipulation as the pricing is dependent on contractual terms rather than publicly available pricing. Whilst revenue recognition and measurement is not complex for the Company, voluminous sales transactions and the sales target which forms part of the Company's key performance measure create incentive to record revenue incorrectly.

How the matter was addressed in our audit

We performed the following audit procedures, among others, around revenue recognition:

- We tested operating effectiveness of the key controls over revenue recognition.
- We checked on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess that these transactions are recorded in the correct financial year.
- We tested journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested credit notes recorded after the financial year to assess whether revenue has been recognised in the appropriate financial year.

Key Audit Matters (continued)

(ii) Valuation of inventories

Refer to accounting policy Note 2.7 and Note 6 of the financial statements.

The key audit matter

Inventory is a significant balance and the valuation of the Company's raw materials and finished goods inventories, is subject to price volatility. The volatility of the crude oil price can therefore lead to potential issues over the full recoverability of inventory balances. There was also judgement involved in estimating the cost of conversion for the raw materials, carried at year end in determining the adequacy of the write down of the raw materials to its net realisable value.

How the matter was addressed in our audit

We performed the following audit procedures, among others, around valuation of inventories:

- We obtained test of impairment of its raw materials and finished goods based on the net realisable value of the finished goods around year end.
- For raw material, projected production yield for raw material was used to estimate the cost of conversion for the raw materials as of year end. We assessed the projected yield by comparing it to the actual yield achieved from crude oil production runs during the year. We then compared the estimated cost of finished goods to the net realisable value around year end to determine any potential write down.
- For finished goods, we checked the selling price of various products to the sales invoice around year end. We assessed the need of any write down based on the difference in the pricing based on the year end inventories amount held.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Ong Beng Seng
Approval Number: 2981/05/18(J)
Chartered Accountant

Petaling Jaya, Selangor

Date:22 February 2018

INFORMATION ON SHAREHOLDINGS

As at 21 March 2018

Class of share : Ordinary Share Unit
Voting right : One vote per share unit

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Units Held	% of Issued Capital
Less than 100	392	4.469	12,032	0.004
100 - 1,000	3,713	42.332	2,736,649	1.013
1,001 - 10,000	3,850	43.894	14,050,328	5.203
10,001 - 100,000	694	7.912	19,527,276	7.232
100,001 - 13,499,999	121	1.379	35,494,652	13.146
13,500,000 and above	1	0.011	198,179,063	73.399
	8,771	100.00	270,000,000	100.00

THIRTY LARGEST SHAREHOLDERS
As at 21 March 2018

	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.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	2,168,000	0.802
3.	CITIGROUP NOMINEES (ASING) SDN BHD CBLDN FOR POLUNIN EMERGING MARKETS SMALL CAP FUND, LLC	1,394,895	0.516
4.	TAN KAH HOCK	1,200,000	0.444
5.	NEOH CHOO EE & COMPANY, SDN. BERHAD	976,000	0.361
6.	JOHAN ENTERPRISE SDN. BHD.	963,600	0.356
7.	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND C021 FOR COLLEGE RETIREMENT EQUITIES FUND	825,600	0.305
8.	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	773,800	0.286

INFORMATION ON SHAREHOLDINGS

	Name	No. of Units Held	% of Issued Capital
9.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	770,748	0.285
10.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (USA) LLC (PB CLIENT)	723,900	0.268
11.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	610,200	0.226
12.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	603,400	0.223
13.	SOON HOCK TEONG	545,000	0.201
14.	YAYASAN GURU TUN HUSSEIN ONN	539,200	0.199
15.	KENANGA INVESTMENT BANK BERHAD IVT (EDSP-NAGA 8-DO)	536,700	0.198
16.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE (A/C CLIENTS)	518,960	0.192
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AM INV)	500,100	0.185
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	491,300	0.181
19.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR GOVERNMENT OF THE PROVINCE OF ALBERTA	490,000	0.181
20.	TAN HOCK CHENG	490,000	0.181
21.	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	435,000	0.161

INFORMATION ON SHAREHOLDINGS

	Name	No. of Units Held	% of Issued Capital
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	434,900	0.161
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	410,200	0.151
24.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	404,500	0.149
25.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG LONDON (DB LN EQ HSE CE)	388,400	0.143
26.	CARTABAN NOMINEES (TEMPATAN) SDN BHD SSBT AFM FUND SAMG FOR AMGENERAL INSURANCE BERHAD	388,100	0.143
27.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY POOL	377,300	0.139
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	349,200	0.129
29.	CHIA KUN JUAN	345,000	0.127
30.	LIM SOO HIAN	335,000	0.124
	TOTAL	217,168,066	80.432

SUBSTANTIAL SHAREHOLDER
As at 21 March 2018

	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

TOP 10 PROPERTIES

AS AT 31 DECEMBER 2017

	Tenure	Land area (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value
FEDERAL TERRITORY							
PETRON MRR2 Melati (PBL#306660) PT8085, SPK. Jalan Taman Melati, Taman Melati, 53100 Wilayah Persekutuan	F	2,992	Service station	01.01.2008		10	6,847,580
PETRON East-West Link (PBL#302815) Lot 18113, Lebuhraya Hubungan Timur-Barat, Taman Connaught, 56000 Cheras, Wilayah Persekutuan	F	3,158	Service station	01.01.2004		14	6,357,170
PETRON Jalan Maarof (PBL#101340) Lot 199/200, Seksyen 96, Jalan Maarof, 50470 Bangsar, Wilayah Persekutuan	F	2,087	Service station	01.08.1993		25	5,116,687
NEGERI SEMBILAN							
MPP and KVDT	L	759,677	MPP/KVDT facilities	01.03.2001	01.02.2100	17	18,435,368
Port Dickson Refinery Lot 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930, 2645-2647, 12111-12112, 30151-30156 Mukim Port Dickson, Negeri Sembilan	F	1,634,812	Refinery, storage and distribution terminal	Revalued in 1982		58	11,159,825
PENANG							
Bagan Luar Terminal Lot 95-125, 2327-2338 Section 4, Butterworth, Seberang Perai Utara, Pulau Pinang	F	49,280	Storage and distribution terminal	Revalued in 1982		58	11,457,294
PETRON Jalan 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	15	5,987,301
PETRON Jalan Hussein Onn (PBL#101346) LOT 2188 (1445), Jalan Hussein Onn, 13700 Butterworth, Pulau Pinang	F	3,488	Service station	30.09.2001		17	5,186,446
SELANGOR							
PETRON Puncak Jalil (PBL#304551) Lot PT 62357, Taman Puncak Jalil, Mukim Petaling, 47100 Selangor	L	4,047	Service station	06.01.2004	09.06.2103	14	5,828,998
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		21	5,212,957

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Ninth 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 on Thursday, 7 June 2018 at 2:00 p.m., for the purpose of transacting the following business:

1. To receive the Company's Audited Accounts for the year ended 31 December 2017 and the Directors' and Auditors' Reports thereon.

2. To approve the declaration of final dividend of 25 sen per ordinary share for the year ended 31 December 2017. (Resolution 1)

3. (a) To re-elect Mr. Ramon S. Ang, retiring in accordance to Articles 104 and 105 of the Company's Articles of Association; (Resolution 2)

   (b) To re-elect Ms. Aurora T. Calderon, retiring in accordance to Articles 104 and 105 of the Company's Articles of Association. (Resolution 3)

4. To appoint Y. Bhg. Dato' Zainal Abidin Putih, who has served for more than nine (9) years, as an Independent Director in compliance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017. (Resolution 4)

5. To elect Mr. Antonio M. Cailao retiring pursuant to Article 109 of the Company's Articles of Association. (Resolution 5)

6. To approve the payment of Directors' fees and benefits payable to the Independent Directors from 1 January 2018 until the next Annual General Meeting of the Company. (Resolution 6)

7. To appoint Messrs. KPMG PLT as Auditor of the Company and to authorize the Directors to determine their remuneration. (Resolution 7)

8. 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 30 May 2018.

For purposes of dividend entitlement: Shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on 12 June 2018, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 27 June 2018.

A shareholder shall qualify for entitlement only in respect of:

(a) Securities transferred to the Depositor's Securities Account before 4:00 p.m. on 12 June 2018 in respect of transfers;
(b) Securities deposited into the Depositor's Securities Account before 12:30 p.m. on 8 June 2018 in respect of securities which are exempted from mandatory deposit; and
(c) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,
Manoj Devadasan (LS0006885)
Company Secretary
Kuala Lumpur, 27 April 2018

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. 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 shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 24 hours before the time set for the Annual General Meeting.

On the day of the Annual General Meeting:
1. Registration counters (located outside the Ball Room) will be opened from 11:45 a.m. and will close at 2:15 p.m.
2. Refreshments will be served at the same place from 11:45 a.m. to 2:15 p.m. (subject to availability).

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors standing for election/re-election/appointment

- 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

- Independent Director, Mr. Antonio M. Cailao, age 71, was appointed to the Board on 23 November 2017, will retire pursuant to Article 109 of the Company's Articles of Association and is eligible to be elected to the Board of Directors

- Y. Bhg. Dato' Zainal Abidin Putih, age 72, 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 Practice 4.2 of the Malaysian Code on Corporate Governance 2017, 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.

- The Nominating Committee following its annual evaluation of the Board's performance, concluded that Mr. Ramon S. Ang, Ms. Aurora T. Calderon, Y. Bhg. Dato' Zainal Abidin Putih and Mr. Antonio M. Cailao, in performing their duties as Directors, have met and/or exceeded expectations. The Board (based on representations by the Nominating Committee) recommends to the shareholders Mr. Ramon S. Ang, Ms. Aurora T. Calderon, Y. Bhg. Dato' Zainal Abidin Putih and Mr. Antonio M. Cailao be re-elected/appointed/elected to the Board for another one year term.

- Section 230(1) of the Act provides amongst others, that "fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries must be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for the payment of Directors' fees and the benefits payable to the Directors as follows:

  (a) RM65,000 per annum as directors' fee to each Independent Director of the Company;
  (b) RM2,500 as meeting allowance for each meeting of the Board and of the Board Committees that an Independent Director (who is not the Chairperson of a Committee) attends;
  (c) RM3,000 as meeting allowance for each meeting of the Board and of the Board Committees that an Independent Director (who is the Chairperson of a Committee) attends;
  (d) RM700 per month to each Independent Director as fuel allowance, on reimbursement basis; and
  (e) RM20,000 as an ex-gratia payment to each Independent Director of the Company for services rendered to the Company in 2017. Where an Independent Director has not served a full year in office in 2017, the ex-gratia will be pro-rated.

2. Mode of Voting

- In line with the recommendation of the Malaysian Code on Corporate Governance 2017, and for the purpose of providing fair representation of votes based on shareholding, voting at the Annual General Meeting shall be by Poll.

- In compliance with Practice 4.2 of Malaysian Code on Corporate Governance 2017, voting for re-appointment of Y. Bhg. Dato' Zainal Abidin Putih shall be through a two-tier voting process as he has served more than twelve (12) years on the Board.

3. Details of Directors standing for election/re-election/appointment

(i) Profiles
The profiles of the Directors standing for election/re-election/appointment are set out in pages 35 to 39 of the Annual Report.

(ii) Statement of shareholdings
None of the Directors standing for election/re-election/appointment holds shares in the Company.

(iii) Family relationship
None of the Directors standing for election/re-election/appointment 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/appointment have any conflicts of interest with the Company.

(v) Conviction for offences (excluding traffic offences), sanctions or penalty
None of the Directors standing for election/re-election/appointment has been convicted for offences within the past five (5) years nor were there any directors imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

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

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 Thursday 7 June 2018 at 2:00 p.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:

	Agenda Item	For	Against
1.	Receive Company's Audited Accounts	-NIL-	-NIL-
2.	Approve the declaration of dividend		
3.	(a) Re-elect Mr. Ramon S. Ang		
	(b) Re-elect Ms. Aurora T. Calderon		
4.	Appointment of Y. Bhg. Dato' Zainal Abidin Putih		
5.	Elect Mr. Antonio M. Cailao		
6.	Payment of Independent Directors' Fees & Benefits for 2018		
7.	Appoint KPMG PLT as Auditors and authorise the Directors to determine their remuneration		
8.	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 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. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which 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 shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 24 hours before the time set for the meeting.

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AFFIX
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HERE

The Share Registrar

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD

Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

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www.petron.com.my

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