



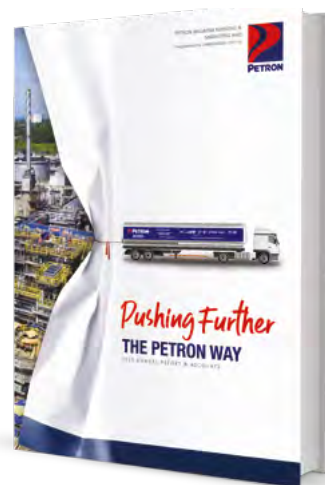
# Pushing Further

## THE PETRON WAY

2019 ANNUAL REPORT & ACCOUNTS



COVER RATIONALE



At Petron, we are passionate about delivering results and constantly evolving to meet and anticipate changes in the oil landscape. As we move ahead in our quest for continued growth, we know that our actions today define our and our stakeholders' future. With this, we affirm our commitment not only to business success but also to social and economic progress. We look towards the future with confidence and excitement as we push further, the Petron Way.

[www.petron.com.my](http://www.petron.com.my)

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 VALUES

Petron ExCITES

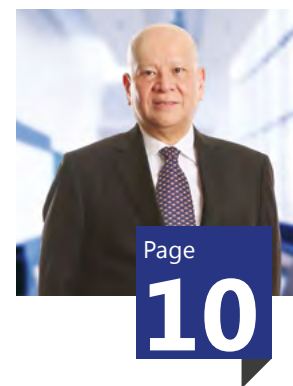
- Excellence
- Customer Focus
- Innovation
- Teamwork
- Ethics
- Safety



**i** This interactive PDF allows you to access information easily, search for a specific item or navigate between pages, sections and links.

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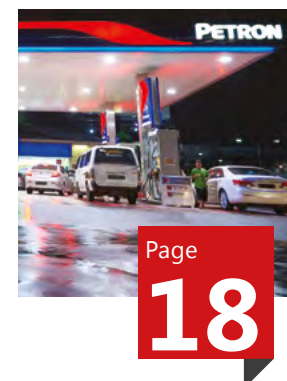


## CHAIRMAN'S STATEMENT

We continued to widen our service station network to bring our products and services closer to consumers while strengthening our capability to meet the nation's fuel demand.

## MANAGEMENT DISCUSSION AND ANALYSIS

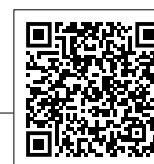
We have set the bar high in serving our customers, creating value for our shareholders, and building relationships with our partners and communities.



## SUSTAINABILITY STATEMENT

Sustainability is integrated in Petron's day-to-day operations, complementing the growth of our business.

Scan to download the full Annual Report



**The Company is optimistic in growing its customer base further and in achieving its vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.**

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## OUR STORY

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 owns and 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 ten 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 about 700 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 a 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 Euro 4M, 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.

# 2019 AT A GLANCE

Revenue RM <b>11.5</b> BILLION	Total Sales Volume <b>36.3</b> MILLION Barrels	About <b>700</b> SERVICE STATIONS* NATIONWIDE
-----------------------------------------	---------------------------------------------------------	-----------------------------------------------------------

Streamed <b>57</b> NEW STATIONS*	<b>33</b> SERVICE STATIONS* SELLING LPG
----------------------------------------	--------------------------------------------------

**5**  
times  
**WINNING SILVER** at  
**Putra Brand Awards**

**BRAND OF THE YEAR**  
**2019 – SOCIAL MEDIA**  
**EXCELLENCE AWARD**  
for third consecutive year

Our facilities\* **WON GRAND AWARD** at  
**Malaysian Society for Occupational Safety & Health Awards**

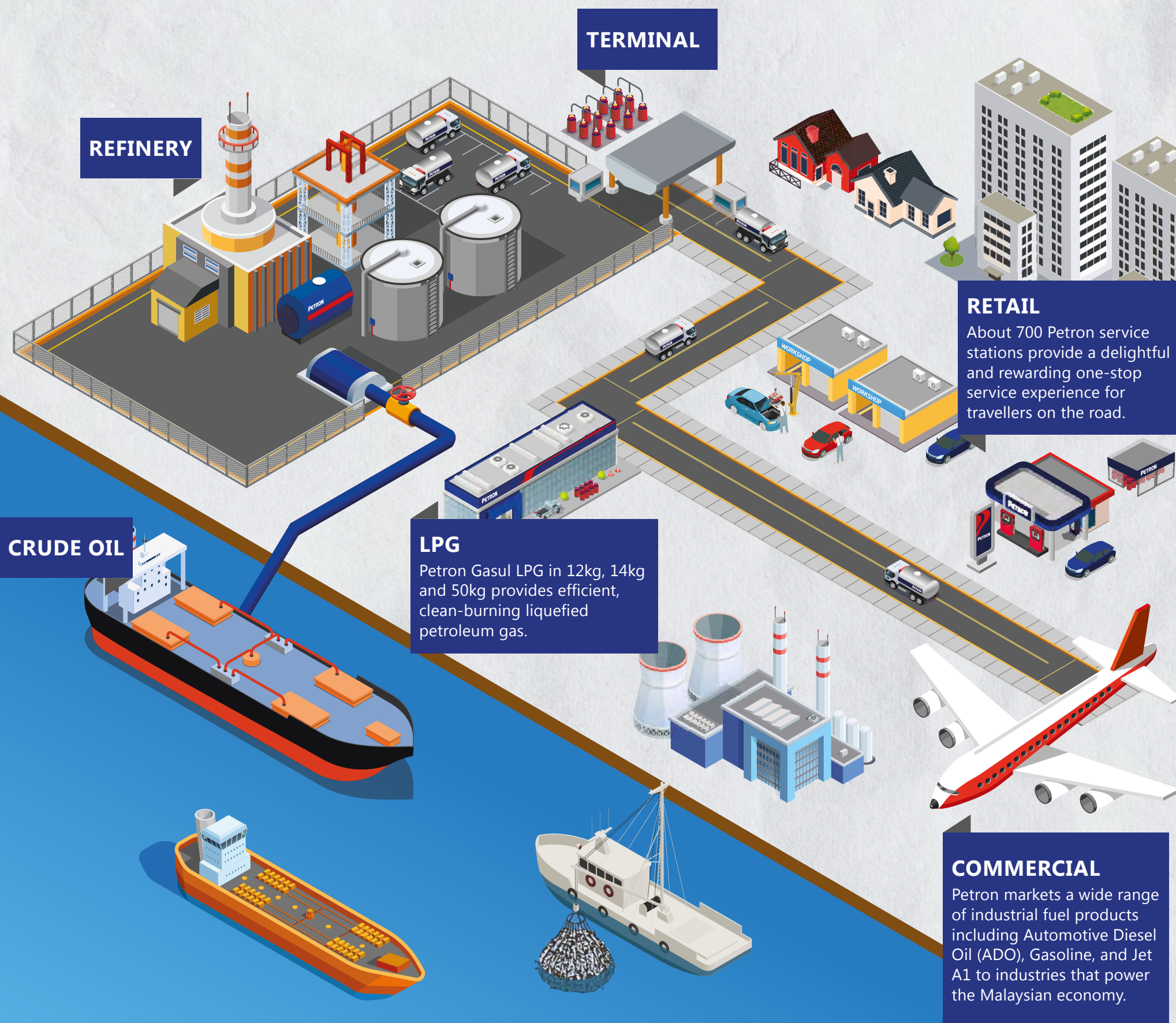
About  
**23**  
**YEARS WITHOUT**  
**LOST TIME INJURY**  
at all terminals\*

**5**  
Facilities\* received  
**ISO INTEGRATED**  
**MANAGEMENT SYSTEM**  
**CERTIFICATIONS**

\* PMRMB and its sister companies



# HOW PETRON REACHES YOU



**REFINERY**

**TERMINAL**

**RETAIL**

About 700 Petron service stations provide a delightful and rewarding one-stop service experience for travellers on the road.

**CRUDE OIL**

**LPG**

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

**COMMERCIAL**

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



## OUR FACILITIES IN MALAYSIA

1. Port Dickson Refinery, Negeri Sembilan
2. Port Dickson Terminal, Negeri Sembilan
3. Bagan Luar Terminal, Penang
4. Lumut PME Plant, Perak
5. Kuantan Terminal, Pahang\*
6. Westport Terminal (JV-BHP), Selangor\*
7. KLIA Aviation Depot (JV-Petronas/Shell), Kuala Lumpur
8. Klang Valley Distribution Terminal (JV-Petronas/Shell), Selangor
9. Pasir Gudang Terminal (JV-Chevron), Johor\*
10. Sepanggar Bay Terminal, Sabah\*
11. Sandakan Terminal, Sabah\*
12. Tawau Terminal, Sabah\*

\* PMRMB affiliate terminals



## FIVE-YEAR SUMMARY CHARTS

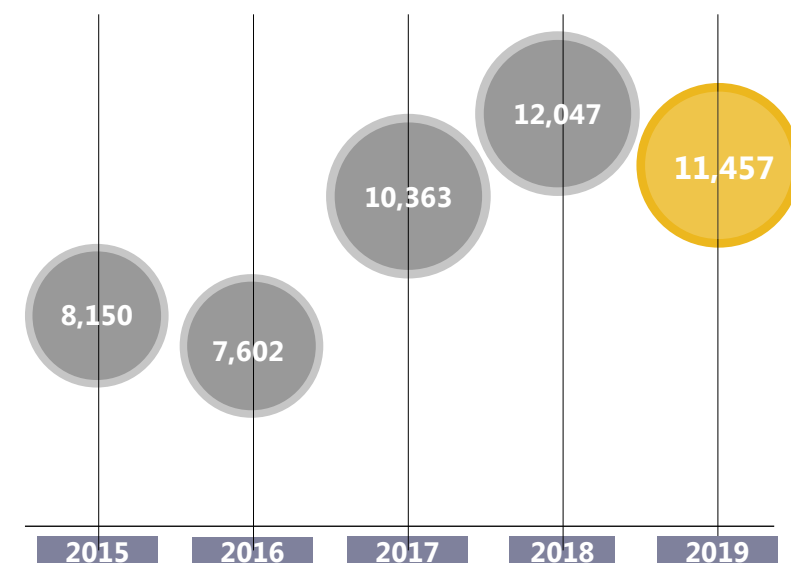
### SALES VOLUME

Thousand barrels per calendar day



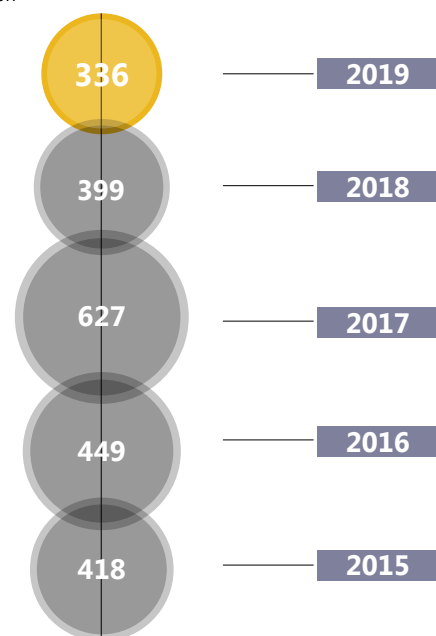
### REVENUE (Net of government duties)

RM Million



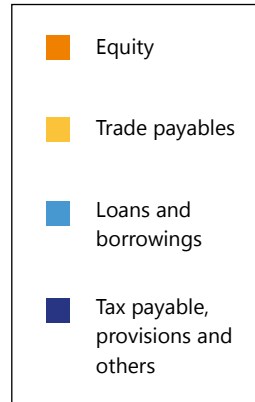
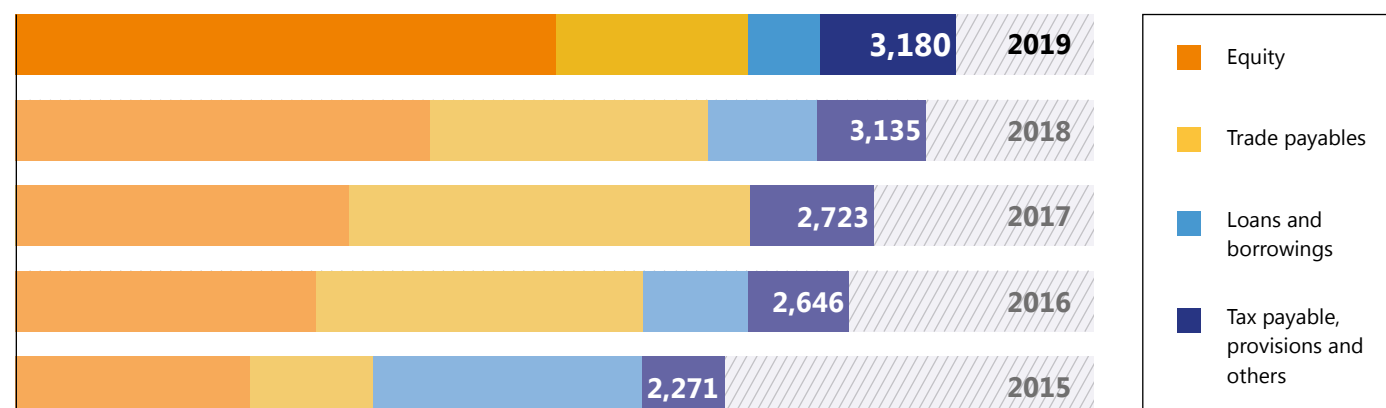
### EBITDA

RM Million



### TOTAL ASSETS EMPLOYED

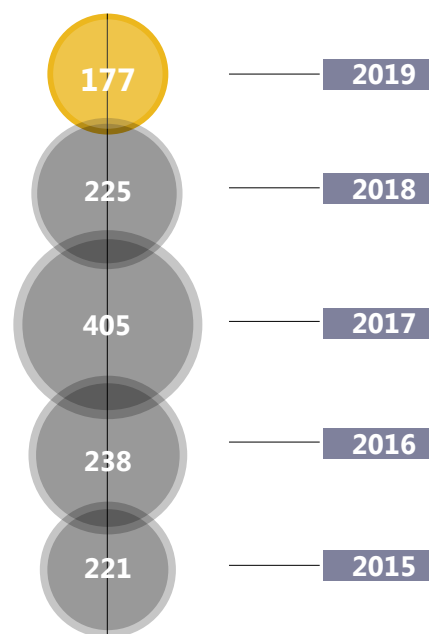
RM Million (Financed by)



## FIVE-YEAR SUMMARY CHARTS

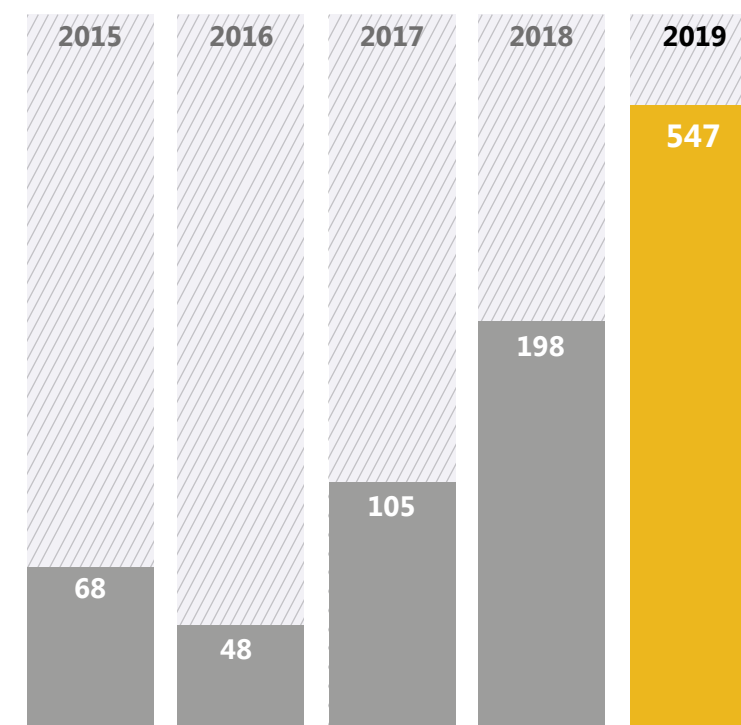
### PROFIT FOR THE YEAR

RM Million



### CAPITAL EXPENDITURES

RM Million



## FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS	2019 RM Million	2018 RM Million
Revenue	11,457	12,047
Profit for the year	177	225
Total assets employed	3,180	3,135
Total equity	1,786	1,669
Sales volume (thousand barrels per calendar day)	99	97

SHAREHOLDERS' INFORMATION	2019	2018	2017	2016	2015
Earnings per ordinary share (sen)	65.6	83.2	150.1	88.0	81.7
Dividends per ordinary share (sen)	12	20	25	22	20
Dividends yield (%)	2.0	2.3	3.0	4.6	6.6
Share price (RM)					
- Highest	7.50	14.16	15.06	7.31	5.10
- Lowest	4.92	6.01	4.09	3.51	2.51
- Average	5.99	8.59	8.47	4.80	3.02
Number of employees at year-end	349	343	328	315	303





# Pushing Further for excellence



Recognising our customers' needs and growing demand for better products, we continued to embark on major investments to upgrade our refinery and logistics facilities in line with our long-term strategies. With the construction of the Diesel Hydrotreater and Marine Import Facility 2 progressing as planned, we pushed our capabilities further to fuel future growth.

The Diesel Hydrotreater project at Port Dickson Refinery is currently under construction.



# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT



**DEAR SHAREHOLDERS,**



From the time we launched Petron in Malaysia, we have been unstoppable in growing our business and strengthening our position in the industry. To this day, every step we make is a step towards ensuring our long-term growth and success, keeping in mind that our actions have an impact on the larger community.



**RAMON S. ANG**  
Chairman



Port Dickson Refinery continued to strengthen its capabilities to meet growing demand.

The year 2019, while challenging in some aspects, was no different. For instance, we continued to widen our service station network to bring our products and services closer to consumers while strengthening our capabilities to meet the nation's fuel demand. We also made new efforts to protect our viability in the future and make a deeper impact on the lives of our stakeholders.

Our strategic efforts enabled us to secure our position as the preferred fuel and LPG brand and the supplier of choice among vital industries. As a result, our sales volume rose from 35.5 million barrels in 2018 to 36.3 million barrels in 2019. Strong domestic consumption continued to support our growth, with the Malaysian economy delivering a 4.3%\* increase in gross domestic products at the back of robust private-sector spending and continued expansion in the services and manufacturing sectors.

\* Source: Bank Negara Malaysia

However, the market remained volatile due to heightened political tensions among oil producing countries as well as the US-China trade war. These factors weighed down on Dated Brent crude oil price to a full-year average of US\$64 per barrel compared to US\$71 per barrel in 2018. As a result, our revenue declined by 4% to RM11.5 billion compared to RM12 billion in the previous year despite the growth in our sales volume.

Given the challenging global market condition, we concentrated our efforts on minimising risks, improving operational efficiencies, and strategic spending. For 2019, we posted an operating income of RM265 million, 14% higher than 2018's RM233 million. However, the required mark-to-market valuation of inventory led to unrealised losses, resulting to our net income for the year dropping by 21% to RM177 million compared to 2018's RM225 million.



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT



With an even wider network of service stations, we can serve more customers and cater to their diverse needs.



Our Jet A1 fuels major regional carriers at the national airports.

**We can further increase our brand presence and reach underserved markets.**

**FUELING THE FUTURE**

Our ability to face the future with confidence stems from our strong foundations, sound business practices, and judicious use of resources. The Diesel Hydrotreater project, our biggest investment yet in the refinery, will enable us to produce Euro 5 diesel in compliance with new government standards. The Marine Import Facility 2 (MIF2) project, meanwhile, will cater to higher gasoline and jet fuel demand and will generate more savings on freight costs. This will allow us to upgrade our product jetty, build a new pipeline, and construct two new product tanks with a total incremental capacity of half a million barrels. Both projects are on track for completion this 2020.

In order to sustain our growth in retail, together with our sister companies, we streamed 57 new stations, 31 of which are under PMRMB. This brings our total network to about 700 service stations across Malaysia. With a wider retail network, we can further increase our brand presence and reach underserved markets. We introduced our 'Modular Filling Station' in Nilai, Negeri Sembilan, a first of its kind service station built using a modular construction system and featuring an industrial design concept. Beyond the visual transformation, this is a more efficient way of developing and constructing stations.

In our desire to give our customers the best products and services, all our Blaze fuels in Malaysia are now Euro 4M compliant with our Blaze 95 being the latest one to upgrade to this standard. This is also in support of the country's move for cleaner air and reduced pollution. We also continued with our Fuel Happy programme to show our appreciation for our loyal patrons. Through our Petron Miles programme, we offered new ways to collect rewards and prizes every time they join our exclusive promotions. At our stations, we continued to keep in mind the safety and convenience of our customers so we adopted new e-wallet payment options in partnership with various e-payment providers.

Apart from retail, we also continued to fuel vital industries to support Malaysia's thriving economy. For our LPG business, our expanded network allowed us to have more dealers and business partners on board. We continued to serve Malaysian households through our clean-burning Gasul LPG, now available at more Petron stations.

**We also continued with our Fuel Happy programme to show our appreciation for our loyal patrons.**



## CHAIRMAN'S STATEMENT

### PURSUIT OF EXCELLENCE

Our excellent business practices continued to earn for us awards and recognition in different fronts.

In 2019, we were honoured at the Putra Brand Awards and awarded Brand of The Year in the Social Media Excellence Award. We also won our first Graduates' Choice Award, finishing in the top 3 of the Oil & Gas sector for our human resources initiatives. Our growth is dependent on our people, our most important assets. Therefore, nurturing and rewarding them properly is always a top priority.

In the same manner, we continued to prioritise operational safety and excellence. In 2019, Petron Port Dickson Refinery marked 17 years of no Lost Time Injury (LTI), while our terminals under the Petron Malaysia Group recorded a cumulative 24.5 million man-hours or almost 23 years without LTI.

Our refinery and three affiliate terminals garnered the top award from the Malaysian Society for Occupational Safety and Health. Five other facilities under the Group were also certified by SIRIM under the Integrated Management System for excellence in workplace safety, process quality, and environmental management practices.

### GROWING WITH OUR COMMUNITIES

The role we play in fueling our communities and building a stronger nation is one we continuously uphold. We poured in more efforts as well as resources in our flagship road safety advocacy, reaching out to over 9,000 students in collaboration with the Malaysia Road Safety Department and other partners like Honda, Michelin, and Bosch. We also assisted more than 6,000 vehicles to undergo safety checks before the festive holidays when traffic is heavier than usual.

In fueling the environment, we initiated tree planting activities involving employees from our refinery and terminals, and continued to promote proper waste management and adherence to international environmental regulations. For this year, we are launching our electronic annual report which can be downloaded from our website as a conscious effort to save on paper.

Our employees and dealers also continued to do their share in fulfilling our corporate social responsibility. Their unity and strong sense of volunteerism are instrumental in helping us do our part for the country.

### CORPORATE GOVERNANCE

The PMRMB Board is comprised of individuals who are knowledgeable and experienced in business and governance to help steer the Company to greater heights. On 27 February 2020, we welcomed a new Board member Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid, who brings with her invaluable knowledge and experience to help grow the Company further.

### FORWARD-LOOKING

We know that our industry will always have its share of challenges and risks. In spite of these, we remain focused on growing and improving all areas of our business. With our prevailing and future initiatives, we will continue to build on the gains we harnessed in 2019. We will continue to invest in our long-term strategic programmes such as retail network expansion, refinery and plant facilities upgrade, and supply chain enhancement. Surely, there is always more to do and new goals to reach. Your Board of Directors and Management are confident that we can all look forward to another successful year as we push further, the Petron way.

To our shareholders, employees, customers, business partners, dealers, and other stakeholders, thank you for making 2019 another successful and meaningful year. You are all important parts of our continuing journey. Needless to say, we will continue to count on you to help bring our company to greater success.

Thank you.

**RAMON S. ANG**  
Chairman



Schools and universities continued to benefit from our long-running road safety advocacy programme.





# Pushing Further for innovation



Even with about 700 stations nationwide, we won't rest on our laurels yet. We continued to expand our network of service stations in the country. We innovated a new construction system for a 'Modular Filling Station', providing a faster and more cost-efficient way to build a service station.

Petron Nilai USIM, a new 'Modular Filling Station' was constructed using the modular construction system.



# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

**PMRMB and its sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. form the Petron Malaysia Group, the third largest downstream oil player in Malaysia.**

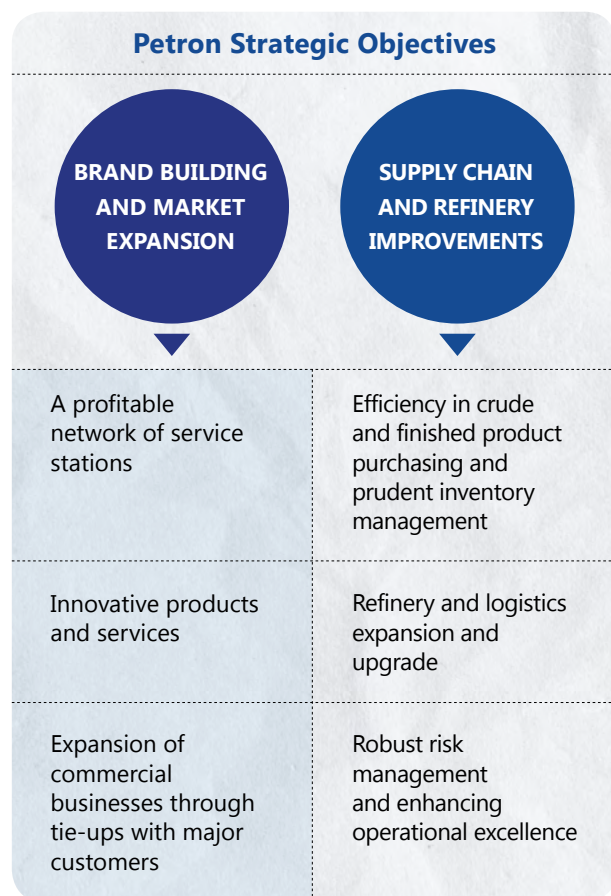


Our stations and Treats stores throughout the country are always ready to serve the needs of travellers.

## STRATEGIC OBJECTIVES

Being in the industry for eight years, Petron has consistently made a mark through its world-class products and services. Today, we continue to carry on with our vision to be the leading provider of total customer solutions in the oil sector and its allied businesses. We are guided by our corporate credo, ExCITES, which stands for Excellence, Customer Focus, Innovation, Teamwork, Ethics, and Safety.

We remain steadfast in our commitment to our shareholders, continuously investing in our network expansion, facility upgrades, and supply chain integration, while minimising risks that are inherent to our industry. We have set the bar high in serving our customers, creating value for our shareholders, and building relationships with our partners and communities.



## RETAIL

In 2019, the stable economy coupled with the fixed price of RON95 encouraged higher demand leading to a Retail industry growth of 1.6%\* and a daily average consumption of about 390 thousand barrels.

In line with the industry trend, our Retail business turned in another strong performance with a 5% increase in sales volume. Responding to the demand growth, the Company continued to pursue its network expansion programme with the Petron Malaysia Group adding 57 new stations, 31 of which are under PMRMB. This brings our retail network count to about 700 stations by the end of 2019.

As we added more stations, we also opened more Treats and P-Kedai marts that carry a wide variety of products. We also partnered with more local and international food chains, helping make Petron the motorist's favourite one-stop shop.

Reinforcing our commitment to deliver world-class and environment-friendly fuels, we recently upgraded our **Petron Blaze 95** to meet Euro 4M specifications. This means Blaze 95 now has 10 times less sulphur and with less harmful vehicle emissions just like our other top-selling fuels, **Blaze 100 Euro 4M** and **Blaze 97 Euro 4M**. All our gasoline grades are also formulated with our proprietary **TriAction Advantage** proven to deliver more power, more mileage, and better engine protection.

\* Source: The Concilium Group Quarterly Research Report

## CUSTOMERS' QUOTES

@hamdalias83

The main reason why I changed to Petron. The user friendly interface, the toilet is always clean (even in rural areas).

@waniey\_waniey

I like to fuel up at Petron not only because of the points. But every time I stop by any Petron, the staff are friendly. Always get reminder to drive carefully and thanks for filling at Petron.

@abearSEA

@Petron\_Malaysia is the best. No card service restriction, no minimum transaction. E-wallet can be used.



MANAGEMENT DISCUSSION AND ANALYSIS



Petron Blaze 95 Euro 4M was introduced on 1 January 2020.

In line with our promise to customers to develop and offer more environment-friendly innovative products, on 1 January 2020,

- Blaze 95 joined our other best-selling fuels, Blaze 100 Euro 4M and Blaze 97 Euro 4M as a Euro 4M compliant fuel.
- The fuel meets the stringent standards of Euro 4 fuels, where motorists can enjoy the full benefits of the environmentally friendly fuel which has 10 times less sulphur and with less harmful vehicle emissions.
- All our gasoline are now Euro 4 compliant and continue to be formulated with Petron's proprietary "TriAction Advantage", a formulation proven to deliver more power, more mileage, and better engine protection.

Fuel Happy remained at the front and centre of our customer service. With more and more members enrolling in our Petron Miles loyalty card programme, we continued to provide more ways to earn rewards, access exclusive perks, and get better value for money. Through our collaboration with Malaysia Airlines Enrich, we flew three Petron Miles members together with their companions to the beautiful country of New Zealand. They were even joined by Malaysian artist Alif Satar. We also screened two highly anticipated movies, Captain Marvel and Avengers: Endgame in Kuala Lumpur, Kota Kinabalu, and Kuching in line with our partnership with Marvel. The movie premieres were widely attended by our business partners, loyal customers, and employees.

At our stations, we rolled out promotions and discount opportunities for Treats customers. In collaboration with PayNet, motorists now have a more secured and more convenient option to pay using an ATM card without the RM200 pre-authorisation hold. Following this initiative, we launched more campaigns such as Spend & Win SURE ONG and Fuel-Yoooh! Many of our dealers also initiated their own efforts to attract and take care of their regular customers in line with our Fuel Happy campaign.

MANAGEMENT DISCUSSION AND ANALYSIS



Petron Gasul LPG is now available at more stations through the 'Cash and Carry' service.

COMMERCIAL

In the Commercial sector, the industry experienced an estimated 2%\* increase with an everyday consumption of more than 216 thousand barrels, supported by higher demand for aviation and commercial fuel.

Through our Commercial fuels, we continued to spur growth and progress in key industries. Particularly in aviation, we take pride in being one of the major petroleum providers of our national airports, Kuala Lumpur International Airport (KLIA) and klia2, catering to the needs of international and local carriers. Alongside our renewal accounts, we also sealed new partnerships as a testament to our world-class Jet A1 fuel.

\* Source: The Concilium Group Quarterly Research Report

The 'CASH AND CARRY' service gained more popularity for providing better access to our LPG cooking gas

Available at

**33**  
STATIONS



Open

**7**  
DAYS A WEEK



Sold **BASED ON GOVERNMENT-REGULATED PRICE**



MANAGEMENT DISCUSSION AND ANALYSIS



We expanded our LPG network to cater to increased demand.

**We also expanded our bulk LPG loading facility at our third-party bottling plant in the north to cater to the expansion in this area.**

We noted a continued demand for our safe and efficient LPG product, Petron Gasul. Prioritising brand awareness and increased availability, more stations now carry Petron Gasul via our 'Cash and Carry' service. Each cylinder is sold at the government-regulated price, which also means more savings for our customers. We also served more households by widening our network and partnering with a third-party bottling plant to support sales in the east coast region. We also expanded our bulk LPG loading facility at our third-party bottling plant in the north to cater to the expansion in this area.

The manufacturing, plantation, and fishery sectors also continued to rely on our products, supporting the growth in our Commercial business even further.

MANAGEMENT DISCUSSION AND ANALYSIS



Petron Port Dickson Refinery powers essential industries in the country.

**Approximately 94% of the crude and condensate volume processed in PDR was Malaysia Crude Oil (MCO).**

**SUPPLY, REFINERY & DISTRIBUTION**

**Efficient Crude & Product Sourcing**

At the Petron Port Dickson Refinery (PDR), which caters to the central and northern regions, we further enhanced our capacity to produce world-class petroleum products and ensure a more reliable fuel supply.

In 2019, approximately 94% of the crude and condensate volume processed in PDR was Malaysia Crude Oil (MCO). For optimisation purposes, our refinery continued its crude diversification programme, which involves refining different types of sweet crude oil other than Tapis crude and Terengganu condensate. This includes a variety of crudes such as Kimanis and Kidurong.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Refinery Upgrade and Logistics Expansion

We continued to make great progress with the two major projects at our refinery – the Diesel Hydrotreater (DHT) and Marine Import Facility 2 (MIF2). Both are on track for completion in 2020.

#### Diesel Hydrotreater (DHT)



#### Facility

The DHT will enable the production of ultra-low sulphur automotive diesel oil in compliance with the government's mandate to produce Euro 5 specification diesel.

It will enable us to process higher sulfur crude from Malaysia to help diversify our crude slate and improve product yield.

#### Capacity

Euro 5 specification diesel

#### Marine Import Facility 2 (MIF2)



Meanwhile, the MIF2, consisting of a new pipeline linked to an existing facility, offshore marine terminal facilities, and a new Single Buoy Mooring, is also set for completion. The project aims to reduce freight cost and support future growth. Our efforts to improve margin likewise continued by ramping up production, enhancing profitability, and optimising yield.

Two new product tanks each with a 250,000-barrel capacity



PDR conducts scheduled maintenance regularly to ensure smooth and efficient operations.

In September 2019, PDR conducted a planned maintenance shutdown for 25 days to regenerate the catalyst in the reforming unit and facilitate completion of minor mechanical works. We had an unplanned shutdown in October for 25 days due to a Single Buoy Mooring (SBM) technical issue. This was quickly resolved and had no major impact on the environment.

## MANAGEMENT DISCUSSION AND ANALYSIS

We also maintained the highest standards on logistics, making sure that our products reached their end-users safely, efficiently, and without delay. To improve our fleets operation, we upgraded our truck planning system to improve product planning and delivery to our service stations and customers.

- To meet the government's biofuel mandate, we started supplying all our stations with Biodiesel 'B10' consisting of 10% palm methyl ester and 90% diesel beginning February 2019. Later in July, we rolled out Biodiesel 'B7' with 7% of palm methyl ester in diesel for our Commercial fuels.
- To ensure that we have adequate supply of quality palm methyl ester, we acquired in March 2019 a Palm Methyl Ester plant in Lumut, Perak with an annual capacity of 60,000 metric tonnes.



Lumut PME Plant supports the production of biodiesel fuel.

### Safety & Operational Excellence

Environmental management, health, and safety are among our top priorities. As a testament to this, PDR, Port Dickson Terminal, Bagan Luar Terminal, Kuantan Terminal, and Pasir Gudang Terminal have their ISO Integrated Management System certifications, including ISO 9001 for quality, ISO 14001 for the environment, and ISO 45001 for safety.

- Moreover, PDR maintained its flawless safety performance and achieved 17 years without Employee Lost Time Injury (LTI). This reflects our rigorous standards on safety, personal accountability, and procedural compliance. Our terminals upheld the same stringent standards, recording 24.5 million man-hours without LTI, which is equivalent to about 23 years.
- In recognition of our safety milestones, the Malaysian Society for Occupational Safety and Health awarded PDR and our affiliate terminals in Kuantan, Sepangar Bay and Pasir Gudang the coveted Grand Award, while five other terminals under the Group were each bestowed a Gold award.



MANAGEMENT DISCUSSION AND ANALYSIS



Petron was voted to be among the top 3 most attractive employers in the Oil & Gas sector.

**We received a 'Graduates' Choice Award' for being in the industry's "Top 3 Most Attractive Employers in Oil & Gas."**

**HUMAN RESOURCES**

In support of our growing business, we further expanded and strengthened our workforce. We brought our recruitment programmes to local and international colleges and universities to seek potential candidates. To tap into the potential of our talented young recruits, we continued with our Petron Associate Programme. In 2019, we graduated the second batch of associates who have since been assigned to various roles in the Company.

Our employee development programme covers employee engagement and retention, training and development, as well as competitive benchmarking. We consciously promote work-life balance through our recreational clubs and programmes catering to the various interests and hobbies of our people.

In 2019, we received the 'Graduates' Choice Award' for being in the industry's "Top 3 Most Attractive Employers in Oil & Gas." Receiving this citation means more to us because we were voted by students themselves.

MANAGEMENT DISCUSSION AND ANALYSIS

**FINANCIAL PERFORMANCE**

Despite our sound business operations, external factors largely impacted our financial performance. The prolonged US-China trade war and heightened geopolitical tensions in the Middle East resulted in global economic uncertainties and demand slowdown, which continued to put pressure on oil prices. While the price of benchmark Dated Brent crude averaged lower in 2019 compared to 2018, prices of finished products were also weighed down thus weakening the regional refining margins.

Amidst the challenging business environment, the Company's 2019 net profit reached RM177 million compared to RM225 million in 2018.

**Revenue and Gross Profit**

PMRMB's total sales volume in 2019 grew by 2% to reach 36.3 million barrels compared to 35.5 million barrels in the previous year. However, as lower oil prices prevailed and negated the impact of sales volume growth, revenue declined by 4% to RM11.5 billion from RM12.0 billion in 2018.

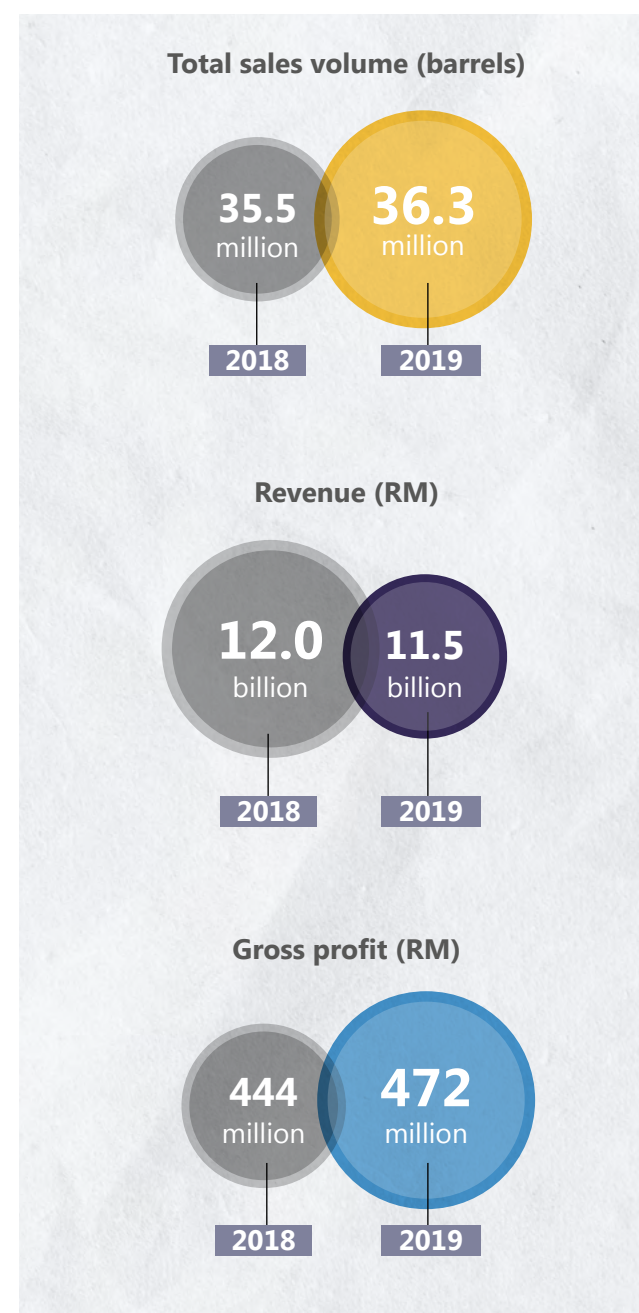
Nonetheless, the Company's gross profit improved to RM472 million compared to RM444 million in 2018.

**Income and Expenses**

Cost-saving measures reduced the Company's operating expenses by 3% which further improved its operating income to RM265 million, 14% higher than 2018's RM233 million. However, the impact of mark-to-market valuation of inventory, which led to unrealised losses in 2019 reduced the Company's overall financial performance for the year.

**Dividends**

During the Annual General Meeting held in June 2019, shareholders approved a dividend payment of 20 sen per share for the financial year ended in 2018. For the financial year ended 31 December 2019, the Board of Directors recommended a final single-tier dividend of 12 sen per share to be approved at the Annual General Meeting.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Position

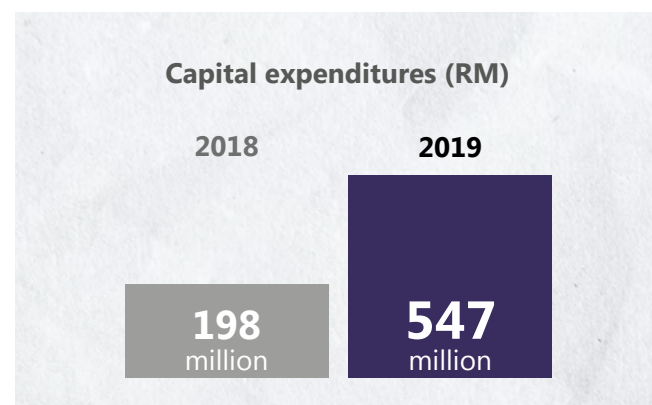
Despite lower net profit, PMRMB's financial position remained strong backed by total assets of RM3.2 billion, from RM3.1 billion in 2018. The increase in assets was mainly attributable to the ongoing investment in our refinery namely, the diesel hydrotreater project and a new marine import facility, as well as the retail network expansion programme.

Notwithstanding the growth in assets, the Company's liabilities declined by 7% to RM1.4 billion as at the end of 2019 as compared to RM1.5 billion in 2018 at the back of prudent debt management supported by lower working capital requirements.



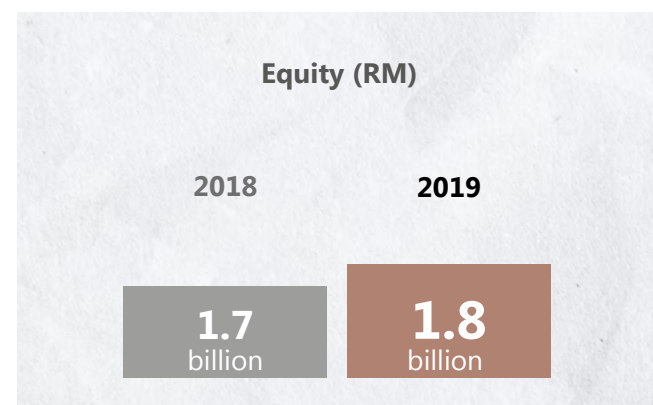
### Capital Expenditure

The Company's total capital expenditures (CAPEX) spent for the year amounted to RM547 million. CAPEX was notably higher than in the previous year due to the construction of the diesel hydrotreater and network expansion projects.



### Shareholders' Equity

The Company retained a prudent level of short-term loans to support ongoing capital expenditure requirements. The Company's share capital remained at RM143 million while retained earnings increased by 7% from RM1.5 billion in the prior year to RM1.6 billion in 2019 from net profit recognised during the year, partly offset by dividend payout.



## MANAGEMENT DISCUSSION AND ANALYSIS



**The Company is optimistic in growing its customer base further and in achieving its vision to be the leading customer solution provider in the oil and gas sector.**

### FORWARD-LOOKING STATEMENT

As we marked eight years of Petron in Malaysia, the Company takes pride in its growing business and strong market share growth despite the challenging global and local business environments. Volatility in oil prices is expected to persist until a permanent US-China trade deal is reached and the geopolitical landscape in the Middle East stabilises. Concerns over increasing US shale and non-OPEC oil production further add to the price volatility. The recent outbreak of the coronavirus (COVID-19) is also expected to have an impact on the global economic growth, further dampening demand and production of petroleum products.

Despite these challenges, the Company remains committed to pursue its long-term strategic programmes such as retail network expansion, refinery and plant facilities upgrade, and supply chain enhancement. With its robust risk management system in place, the Company is optimistic in growing its customer base further and in achieving its vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.



## MANAGEMENT DISCUSSION AND ANALYSIS

### APPROACH TO RISK MANAGEMENT

Petron is resolute in its commitment to sustain a safe, secured, and environment-friendly operations. Identifying and managing potential risks are crucial to the business and we have a capable and committed workforce rigorously following established safe practices and designs, and efficiently implementing environmentally responsible operations. We are also guided by clearly defined policies and practices with applied management systems designed to deliver operational excellence.

The Board Audit & Risk Management Committee recognises that managing a publicly listed downstream oil and gas company has many challenges and inherent risks. These include financial, foreign exchange, legal compliance, crude and product supply, distribution, environmental issues, industrial requirements, safety and managing the human resources of the Company. The Board ensures that the management integrity system (including risk management and internal controls process), which has been put in place 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 effectively by having a robust system in identifying and addressing the principal risks faced by the Company.

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



Safety culture is embedded in our operations to ensure our compliance with high standards and readiness during emergency.

## MANAGEMENT DISCUSSION AND ANALYSIS

Risk is any condition/situation that has the potential to create an unwanted impact on our business performance. The risks can be generalised into four (4) categories:

### 1 OPERATIONAL RISK

- We build our facilities in accordance with Industry Standards and regulatory requirements. Operational Integrity is a priority at our PDR and fuel terminals to achieve unhampered operations. Process equipment failures can cause unplanned shutdowns and a fire breakout can render our facilities inoperable. These incidents can disrupt our product supply chain to the market. Operation sites are required to conform to Petron's Safety Management System expectations.
- We are a member of the Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG) and the Oil Spill Response Limited (OSRL), which can be called upon to respond to any potential oil spills in Malaysia and international waters, respectively.
- The PDR is designed to process low sulphur crudes. This limited crude range and dependence on a few oil suppliers pose a challenge in getting a continuous supply of crude for the refinery. To manage this, we made forward purchase arrangements on Tapis and alternate crudes from international oil traders. We also purchase finished products from imports and from local market.

### 2 FINANCIAL RISK

- Crude and product price volatilities can potentially impact the Company's bottom-line results. The Commodity Risk Management Committee meets weekly to steward appropriate inventory management and implement its existing sound commodity hedging procedure and activities. Managing US dollars from export sales and hedging agreements with banks is also executed to minimise exposure to foreign exchange volatility.
- Delay in recovering receivables (subsidies) from the Government may impact cash flow for operations and working capital. Steps to engage the Government to obtain timely reimbursements and to ensure accuracy and completeness of documents to relevant government agencies are taken to address issues on cash flow for operations and working capital.
- Change in Government policy for price deregulation/subsidy rationalisation is on-going. Continuous engagement with the Government is in progress to understand the changes and to prepare for any change in policy.

### 3 STRATEGIC/MARKET RISK

- We aim to be the leading provider of total customer solutions in the oil sector and allied businesses. We established a product quality management system to ensure strict control over product quality and to reduce the likelihood of any untoward incident. This also ensures the efficient handling of customer complaints if there is a product quality issue.
- To date, all of Petron's operating sites in Peninsular Malaysia have successfully obtained ISO certifications and are audited annually by Standard and Industrial Research Institute of Malaysia (SIRIM) to ensure full and faithful adherence to the global quality standards. Petron Malaysia Group's terminals in Sabah will pursue its ISO certification in 2020.

### 4 HAZARD RISK

- Procedure and controls are in place to target zero employees work-related injury or illness, third party liability and property loss. The appropriate response to natural hazards is specified in our Business Continuity Plan.
- We have already put in place Emergency Response Plans and Business Continuity Plan (BCP) in preparation for any potential emerging issues related to the respective risks inclusive of any potential impact from cyber threats. The readiness of each plan's ability to respond to such incidents is tested annually by each Business Unit's operating sites.





# Pushing Further for greater reach



The clean-burning Petron Gasul continued to serve more households. To push our network further beyond our base, we continued to partner with distributors and third-party bottling plants to widen the reach of our products. Petron Gasul is now available at local neighbourhood stores and selected Petron stations in Peninsular Malaysia.

Petron Gasul reaches to more households through wider network of distributors and dealers.



# SUSTAINABILITY STATEMENT

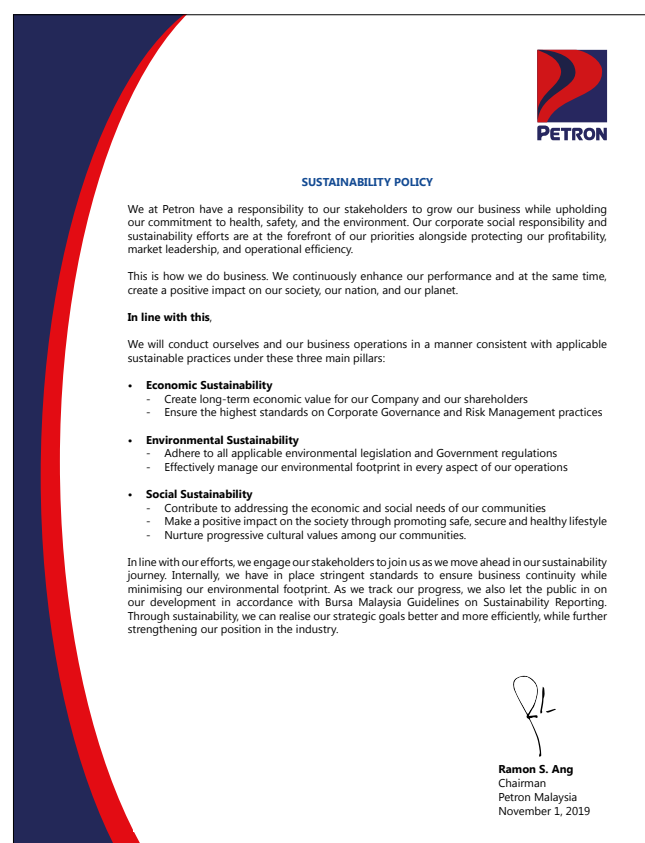


As a responsible corporate citizen, we continued to invest in various initiatives to benefit our communities.

**We remain dedicated to efforts that maximise economic value for our shareholders, considering the best interests of all stakeholders and exercising care towards our planet.**

Sustainability is integrated in Petron's day-to-day operations, complementing the growth of our business. This practice was strengthened by the development of a Sustainability Policy in 2019 adopted by all companies under Petron Malaysia.

## SUSTAINABILITY POLICY



## SUSTAINABILITY STATEMENT

In line with our goal to grow as a company and further pursue the path towards sustainability, we have pledged to remain committed to sound business practices and policies.

We remain dedicated to efforts that maximise economic value for our shareholders, considering the best interests of all stakeholders and exercising care towards our planet. These pledges are anchored on the three pillars of sustainability: Economic, Environmental, and Social responsibility.

A Sustainability Council composed of the 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 provides guidance to the Technical Working Group and ensures that the Bursa Malaysia reporting guidelines are met.

# SUSTAINABILITY STATEMENT

## DISCLOSURE ON SUSTAINABILITY PRACTICES

Petron Malaysia has been disclosing its sustainability practices in its Annual Report since 2012.

The 2019 Sustainability Report is the second publication, which complements the 2019 PMRMB Annual Report & Accounts. The 2018 Sustainability Report is also available on our Company website [www.petron.com.my](http://www.petron.com.my).

Publishing a Sustainability Report follows global benchmarks and conforms with Bursa Malaysia Berhad's standards. This was adopted in the 2017 Annual Report.

## PREPARING THE REPORT

This is Petron Malaysia's third sustainability report. We continue to utilise the materiality matrix to decide on significant steps for the sustainable success of our business and our communities. Data for the report was extracted using monitoring and measurement tools as stated in the environmental manual employed by our facilities, in compliance with all regulatory requirements.

## COMMUNICATING SUSTAINABILITY

The Company's Sustainability Policy is shared with our employees, contractors, community leaders, and programme beneficiaries through our Intranet, e-mail communication, and active engagement sessions. We regularly train our retail and commercial dealers to ensure that our safety, security, health, and environment policies and practices are strictly adhered to across the organisation.



SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT



SUSTAINABILITY PILLAR 1 — ECONOMIC



1 The Company is steadfast in its efforts to expand the business further and achieve long-term sustainable profitability amidst challenges.



3 Petron adheres to principles and policies that ensure effective corporate governance, transparency, and accountability across our operations.



5 Petron promotes inclusion and contributes to the growth of the local economy by providing local enterprises with opportunities for partnerships, particularly in providing materials and services for our operations. This in turn creates employment opportunities for our local workforce.



2 Petron invests in key projects which support the growth of the business and raise the quality of products and services we provide to our customers.



4 Petron practises responsible financial management by optimising profits generated from its operations to maintain sound financial ratios, maximise shareholder value and ensure sustainable growth.



6 Petron requires all our suppliers and contractors to follow the same sustainability parameters adhered to by the Company, such as strict compliance to social responsibility, and standards on corporate governance, environment, and health and safety.



SUSTAINABILITY PILLAR 2 — ENVIRONMENTAL



1 Corporate SSHE spearheads the formulation and implementation of environmental policies, regulations, and standards, and cascades them to our different departments. This ensures that best practices on environmental management are communicated and adapted throughout the organisation.



2 Petron follows the country's environmental regulations in managing our environmental footprint. In addition, we also develop our own systems for measuring, managing, and minimising our impact on the environment while investing in cleaner and greener product lines.



3 Petron employs Greenhouse Gas-Air Pollutant Accounting and Energy Conservation measures to manage emissions. We implement several internal and external programmes that focus on waste reduction, emissions, and energy consumption at our Port Dickson Refinery. These programmes include furnace operation optimisation, minimising distillation tower pressure, tracking of Energy Intensity Index (EII), and increasing efficiency of crude.



4 We believe in the potential of the country's youth. We have partnered with the Department of Environment to implement advocacy programmes that feature environmental talks and workshops to primary and secondary school children.



5 Volunteers from our Volunteerism in Action (VIA) and business lines work together to implement CSR programmes. We have several activities ranging from fun runs, coastal clean-ups, to educational projects such as the Let's Read! sessions with school children utilising environmentally-themed reading materials which are then donated to the schools under VIA's Give A Kid A Book programme.



SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT



SUSTAINABILITY PILLAR 3 – SOCIAL



1 Petron is committed to caring for people within and beyond the organisation.



2 Our people are our greatest assets. Accordingly, we create a conducive workplace that enables employees to grow, gain skills through training and professional development programmes, and develop teamwork. An effective HR system is in place to provide competitive remuneration, and other benefits based on regular performance appraisals.



3 The implementation of Total Quality Management (TQM) throughout the Company enhances our competitiveness and reinforces Petron's core values of Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety (ExCITES). This enables us to consistently deliver quality services, which in turn translates to better customer satisfaction.



4 We always listen to our communities. The Petron Care Hotline allows our customers and other stakeholders to reach us immediately, directing feedback to relevant departments for immediate action.



5 Fenceline communities, through our corporate social responsibility (CSR) programmes, benefit from our many advocacies implemented in collaboration with relevant government bodies and employee volunteers. These programmes are divided into the following categories:

YOUTH DEVELOPMENT

We enjoy a healthy partnership with the **Negeri Sembilan State Education Department in its Human Capital Award of Distinction**, which taps into state schools to recognise individual and group achievements in academics, leadership, and sports. This aims to produce a well-balanced pool of human capital equipped for the future.

VISION PETRON

Arts remain to be a vital part of any culture. Thus, we continue to nurture and promote the artistry of Malaysian youth through our Vision Petron programme.

SUSTAINABILITY PILLAR 3 – SOCIAL



SAFETY

Our collaboration with the Royal Malaysia Police (RMP) and Road Safety Department for the **Go-To-Safety Point (GTSP) Programme** focuses on teaching road safety in secondary schools and universities throughout Malaysia. Fire safety is emphasised as well through our partnership with the Fire and Rescue Department. Activities for this advocacy include talks on LPG safety and live demonstrations on firefighting carried out in schools for the benefit of school children and teachers.



ENVIRONMENTAL PROTECTION

Petron works with local municipalities to protect the environment through our **Green Programmes**, which in 2019 focused on educating the youth to develop a consciousness for environmental conservation at an early age.



EMPLOYEE ENGAGEMENT

Petron employees and, for the first time ever, Petron service station dealers joined hands to volunteer for our flagship **Volunteerism in Action (VIA) 'Back-to-School'** programme. Other VIA programmes include the **"Sahur"** or **Pre-dawn Meal Programme, Give A Kid A Book**, and **Let's Read!**, along with the environment programmes.

The report of each initiative and project undertaken is further elaborated in the 2019 Sustainability Report.



SUSTAINABILITY STATEMENT



WORKPLACE DIVERSITY

The Company promotes equal employment opportunities for the people of Malaysia in accordance to local laws, regulations, and Malaysian Government (GOM) policy. We are committed to welcoming qualified Malaysian nationals to our growing team regardless of their gender, age, religion, and ethnicity.

The Company implements personnel policies, programmes, and practices that follow all applicable laws, regulations, and GOM Policy in all stages of employment including recruitment, hiring, work assignment, promotion, transfer, termination, wage and salary administration, and training selection.

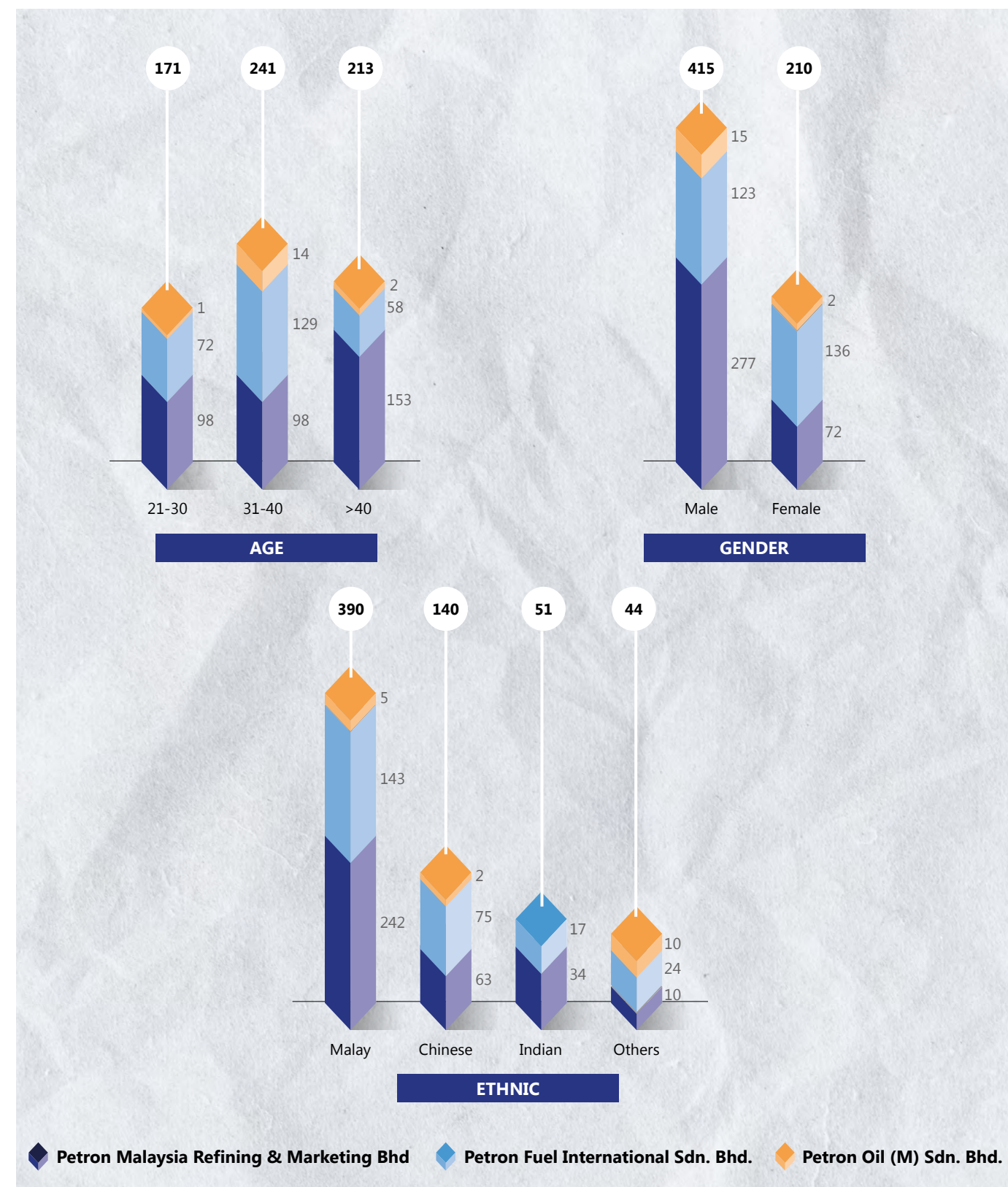
Managers and supervisors are responsible for implementing and administering policies, maintaining a work environment free from discrimination, and promptly identifying and resolving any potential conflict.

It is also in the Company's workplace policy to:

- develop and support educational programmes, recruitment avenues, and practices that facilitate the employment of Malaysian nationals, regardless of gender, age, religion, and ethnicity;
- develop and offer work arrangements that help meet the needs of the diverse work force, promoting a balance between work and family obligations;
- establish company training and development efforts, practices, and programmes that support diversity in the workforce 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 differently-abled individuals to perform the essential functions of their jobs; and
- emphasise management responsibility in these matters at every level of the organisation.

SUSTAINABILITY STATEMENT

Individuals who feel discriminated are requested to immediately report to their managers or Human Resources for proper investigation and fair resolution, free from the threat of harassment, intimidation, or retaliation for exercising any of the rights protected by this policy.





# CORPORATE INFORMATION

## PETRON MALAYSIA REFINING & MARKETING BHD

Registration No. 196001000260 (3927-V)

### DIRECTORS

**Mr. Ramon S. Ang**  
Chairman, Executive Director

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

**Ms. Chua See Hua**  
Independent Director

**Mr. Fong Seow Kee**  
Independent Director

**Mr. Antonio M. Cailao**  
Independent Director

**Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid**  
Independent Director

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

**Ms. Aurora T. Calderon**  
Executive Director

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

### COMPANY SECRETARY

**Mr. Manoj Devadasan**  
(LS0006885)

### ASSISTANT COMPANY SECRETARY

**Datin Shahidah Bt Aris**  
(ACIS 7070727)

### 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, Selangor

### 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

66 YEARS OLD | FILIPINO | 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, 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 Chairman of San Miguel Foods, Inc. and Chairman and President of SMC Global Power Holdings Corp. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines.

## Y. BHG. DATO' ZAINAL ABIDIN PUTIH

Independent Director

74 YEARS OLD | MALAYSIAN | MALE



Y. Bhg. Dato' Zainal Abidin Putih was appointed as a 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 also holds directorships in several other private limited companies. He acts as a Trustee of the National Heart Institute Foundation and 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.

Chairman of the Board Audit & Risk Management Committee

Member of the Nominating Committee



**PROFILE OF BOARD OF DIRECTORS**
**MS. CHUA SEE HUA**

Independent Director

**66 YEARS OLD | MALAYSIAN | FEMALE**


Member of the Board Audit &amp; Risk Management Committee

Chairman of the Nominating Committee

Ms. Chua See Hua was appointed as 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.

**MR. FONG SEOW KEE**

Independent Director

**63 YEARS OLD | MALAYSIAN | MALE**


Member of the Board Audit &amp; Risk Management Committee

Mr. Fong Seow Kee was appointed as a Director of the Company on 18 August 2016. His career spans 39 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 been a member of several regulatory industry working groups. 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 in 2016. He was its founder President and is currently an Advisor. In 2017, he was invited to be a member of the Advisory Committee on Technology for Finance established by Bank Negara Malaysia. Between 2010 and 2018, he was a director of GHL Systems Bhd and sat as its senior independent director and Chairman of the Audit and Risk Committee and Remuneration Committee. Since 2018, he has been the lead faculty at the Iclif Leadership and Governance Centre, an independent non-profit organisation established and funded by Bank Negara Malaysia, where he runs a programme on fintech for directors of financial institutions. Mr. Fong 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

**73 YEARS OLD | FILIPINO | MALE**


Member of the Board Audit &amp; Risk Management Committee

Mr. Antonio M. Cailao was appointed to the Board on 23 November 2017. Mr. Cailao is currently a Faculty Lecturer in the Institute of Corporate Directors (Philippines). Mr. Cailao joined Citibank in 1973 on an Executive Trainee Development programme 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, Ho Chi Minh and Singapore. 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 Director 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).

**Y. BHG. DATO' NOORIZAH BINTI HJ ABD HAMID**

Independent Director

**60 YEARS OLD | MALAYSIAN | FEMALE**


Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid was appointed to the Board as an Independent Director on 27 February 2020. Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid was the former Independent Non-Executive Director of Amanah Mutual Berhad, former Non-Executive Chairperson and Managing Director/Chief Executive Officer of PLUS Expressways International Berhad (PEIB) and former Managing Director of PLUS Malaysia Berhad and PLUS Expressways Berhad. Presently, she sits on the Board of Directors of Scientex Berhad, Mass Rapid Transit Corporation Sdn Bhd, which is wholly-owned by Minister of Finance Incorporated Malaysia, PNB Merdeka Venture Sdn Bhd, and Land & General Berhad. Dato' Noorizah Binti Hj Abd Hamid graduated with a Diploma in Accountancy from MARA Institute of Technology in 1980, a Bachelor of Science Degree in Business Administration (Finance) and a Master Degree in Business Administration (Finance and Management) from Central Michigan University, United States of America in 1982 and 1984 respectively.



**PROFILE OF BOARD OF DIRECTORS**

**MR. LUBIN B. NEPOMUCENO**

Chief Executive Officer  
Executive Director

68 YEARS OLD | FILIPINO | 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.

**MS. AURORA T. CALDERON**

Executive Director

65 YEARS OLD | FILIPINO | 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 Master's 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

68 YEARS OLD | FILIPINO | 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 Foods, Inc. (2008-2009) and San Miguel Properties Inc. (2001-2009) and was the Chief Finance Officer of San Miguel Brewery Inc. (2007-2009) and Manila Electric Company (2009). Mr. Constantino obtained a Bachelor's Degree in Economics from University of the Philippines in 1972.

Member of the Nominating Committee



## PROFILE OF MANAGEMENT COMMITTEE

### 01 MR. LUBIN B. NEPOMUCENO

AGED 68 | FILIPINO | MALE  
Chief Executive Officer and Executive Director  
Chairman of the Management Committee

**Qualifications:**

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

**Experiences:**

- 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 46.

### 02 PN. FARIDAH ALI

AGED 55 | MALAYSIAN | FEMALE  
General Manager

**Qualifications:**

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

**Experiences:**

- Pn. Faridah was appointed as the General Manager of Petron Malaysia effective 1 November 2018. She is also an Executive Director of Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.
- Pn. Faridah Ali was the Head of Retail Business of Petron Malaysia Group since 2012 until her present position.
- 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.

### 03 MR. CHOONG KUM CHOY

AGED 57 | MALAYSIAN | MALE  
Head of Retail and Commercial Business

**Qualifications:**

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

**Experiences:**

- Mr. Choong Kum Choy was appointed as the Head of Retail and Commercial Business of Petron Malaysia effective 23 January 2019.
- Mr. Choong Kum Choy was the Head of Commercial Business of Petron Malaysia since 2012 until his present position.
- He was ExxonMobil's Asia Pacific Wholesale Manager and the Country Lead for Industrial and Wholesale Business.

## PROFILE OF MANAGEMENT COMMITTEE

### 04 MR. MARK TRISTAN D. CAPARAS

AGED 37 | FILIPINO | MALE  
Chief Finance Officer

**Qualifications:**

- B.Sc in Business Administration & Accountancy (Magna Cum Laude), University of the Philippines
- Masters in Business Administration (Hons.), Ateneo Graduate School of Business
- Certified Public Accountant, 17<sup>th</sup> placer in 2004 CPA Licensure Examination (Philippines)

**Experiences:**

- Mr. Mark Tristan D. Caparas has held the position of Chief Finance Officer of PMRMB since July 2019.
- He is also the CFO of the other subsidiaries of Petron Corporation in Malaysia.
- He was Assistant Controller of Petron Corporation from November 2015 to June 2019.
- Mr. Caparas has been with Petron Corporation since 2006 when he joined the Controllers Division as Credit Analyst. He has since been appointed to various positions of increasing responsibility within Controllers including in Finance, Treasury and Compliance.

### 05 MR. MANOJ DEVADASAN

AGED 56 | MALAYSIAN | MALE  
General Counsel/Company Secretary/HR Manager

**Qualifications:**

- 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

**Experiences:**

- Mr. Manoj Devadasan has held the position of General Counsel/Company Secretary of PMRMB since 2012 and HR Manager since 2018.
- He also serves as the General Counsel/Company Secretary/HR Manager 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.

### 06 MS. FADZILAH MOHD TAHIR

AGED 57 | MALAYSIAN | FEMALE  
Head of Refinery

**Qualifications:**

- B.Sc./MSc.(Chemistry), Illinois State University, United States of America

**Experiences:**

- Ms. 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

### 07 EN. MOHD NIZAM MANSOR

AGED 52 | MALAYSIAN | MALE  
Head of Supply

**Qualifications:**

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

**Experiences:**

- En. Mohd Nizam Mansor was appointed Head of Supply 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.

### 08 EN. IBRAHIM ATAN

AGED 58 | MALAYSIAN | MALE  
Head of Distribution & Terminal Operations

**Qualifications:**

- B.E (Hons.) (Civil Engineering), University of Malaya, Malaysia
- Registered Competent Person with DOSH – Control of Industrial Major Accident Hazards (CIMA)

**Experiences:**

- En. Ibrahim Atan was appointed 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 2019.*

*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 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](http://www.petron.com.my).
- As at 1 January 2019, the Company had a market capitalisation of approximately RM1.7 billion. Nevertheless, as PMRMB did have a market capitalisation of over RM2 billion previously, for the reporting period of 2019, PMRMB continues to be 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 at [www.petron.com.my](http://www.petron.com.my):

<ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Management Committee Charter</li> <li>• Board Audit &amp; Risk Management Committee Terms of Reference</li> </ul>	<ul style="list-style-type: none"> <li>• Nominating Committee Terms of Reference</li> <li>• Standards of Business Conduct of Petron in Malaysia, that includes the Policy on Gender Equality (Diversity)</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on Corporate Disclosure</li> </ul>
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- This Corporate Governance Overview Statement will highlight the following:

Part A: Board leadership and its effectiveness	Part B: Effective audit and risk management
Part C: Integrity in corporate reporting and meaningful relationship with stakeholders	Part D: Key focus areas and future priorities in relation to Corporate Governance

### PART A. BOARD LEADERSHIP AND ITS EFFECTIVENESS

#### General

Arising from the resignation of an Independent Director on 8 February 2019, as at 31 December 2019, the Board has eight (8) members, with four (4) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman).

On 27 February 2020, a new Independent Director was appointed to the Board.

#### Independent Directors on the Board

The Company recognises the value of having a majority of Independent Directors on the Board as their diverse qualifications, experiences, skills and abilities 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

As at the end of the 2019, the Board did not have a majority of Independent Directors. However on 27 February 2020, with the appointment of a new Independent Director to the Board, the Board once again is now comprised of a majority of Independent Directors (as well as meeting the minimum of thirty per cent (30%) Directors on the Board) thus meeting the recommendations of the CG Code 2017 in regard to the Board composition.

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 twelve (12) years on the Board. The Company recognises the rationale for the imposition of a twelve (12) 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 2003, 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 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 Putih's stellar reputation in the corporate world and in the accounting/auditing profession, coupled with his vast knowledge and experience, enables him to continue to provide the Independent Directors, and the Board as a whole, with wise counsel and at the same time ensure the interest of the Company and the interest of minority shareholders are well protected.

Y. Bhg. Dato' Zainal Abidin Putih's presence on the Board will also enable him to assist the Company 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 2020 Annual General Meeting, will follow the 'two-tier' voting system prescribed by the CG Code 2017 as the necessary amendments to the Company's Constitution had been approved at the 2019 Annual General Meeting. The voting on Y. Bhg. Dato' Zainal Abidin Putih's re-appointment will be conducted 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 had in 2018, undergone further revisions to meet the requirements of the CG 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 was 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, was reviewed

in 2018. Changes to the delegation of authority to individual Management personnel are reviewed at quarterly meetings by the Board Audit & Risk Management Committee and approved by the Board.

### 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 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 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. The success of the Company (and indeed its rate of expansion in the downstream oil & gas business in Malaysia) since 2012 is reflected by:

- 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 Brand Awards';
- the introduction of innovative products such as the only RON100 gasoline in Malaysia and the high-end Turbo Diesel Euro 5 fuel;
- the strong financial position of the Company; and
- the Company's consistent market capitalisation and healthy dividend payouts, 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-three (23) years without any lost time injury.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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:



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 the employees, and ensured that they take ownership of and help drive the values. In 2019, the ExCITES programme was 'refreshed' with the infusion of additional teamwork emphasis to strengthen comradery in the workforce to enable the Company to achieve its long term goals and ambition.

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 72 to 74, as well as the Board Audit & Risk Management Committee Report at pages 75 to 81. 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 eight (8) 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 (along with the other Executive Directors) 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. This in turn enables the Directors to

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. Nepomuceno 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 and 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors is currently comprised of persons with a diverse range of qualifications, experience and skills. These include qualified engineers, accountants and a lawyer, 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.

As at 27 February 2020, the Board is comprised of nine (9) members of whom three (3) are women Directors. Of the three (3) women Directors, two (2) are Independent Directors (one of whom is also the Chairperson of the Nominating Committee) and one (1) 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 six (6) Directors appointed to the Board since the takeover by Petron in 2012, three (3) 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 82 to 85.

### 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 any 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 and supported by the General Manager of Petron in Malaysia. 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 the General Manager.

Senior Management is made up of eight (8) 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 General Manager, the Chief Finance Officer, Head of Retail and Commercial Business, Head of Refinery, Head of Distribution & Terminal Operations, Head of Supply and the General Counsel /Company Secretary/HR Manager.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 eight (8) members, two (2) are women holding key portfolios as General Manager 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 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 is conducted twice yearly. In 2018, a 'refresher' training programme on the Code of Conduct was implemented for all employees.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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' and conveying the assurance of 'whistle-blowers' protection was reinforced during the 'refresher' training programme for employees in 2018.

### Anti-Corruption Initiatives

As part of the Company's preparation in addressing its corporate liability for bribery and corruption offences under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (expected to be effective in June 2020), PMRMB and its sister companies in Malaysia have undertaken the following steps:

- Commencement in December 2019 of a series of training to inform the employees of the impact of the new law, not only to the employees, but also the corporate liability risk to the company and its Directors and senior management. The trainings will continue in 2020 to ensure all employees are trained on what is expected of them in helping to implement the Company's requirements and the expected behavior from each employee.
- The adoption of the ultimate parent company San Miguel Corporation's policy on gifts and entertainment. This is to be read together with the existing provisions contained in the Company's Standards of Business Conduct.
- A review of the current provisions in the Standards of Business Conduct on 'whistle-blower' protection.
- Enforcement of a Petron Malaysia based declaration and review/approval process, in relation to minor exceptions (for reasonable business-related entertainment and low value festive gifts).
- The preparation of a manual to include the Company's policy, action-plan, implementation processes flow, approval processes for exceptions.
- Upon completion of the implementation process (including company-wide training and review of processes post implementation), to prepare for and apply for an ISO37001 certification (Anti-bribery Management System).

Whilst the Company (and its sister-companies) have an excellent record for their 'zero' tolerance' on corruption and strict adherence to its policies on gifts and entertainment, the continued reinforcement of the Company's policy and expectation through regular training and reminders will be reinforced periodically and especially during festive seasons.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PART B. EFFECTIVE 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 75 to 81.

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. In 2019, the Board Audit & Risk Management Committee was also briefed quarterly by Management on the Company's preparation for the implementation of adequate procedures to meet the corporate liability for bribery and corruption offences under Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

Both the Internal Audit as well as the external auditor report to the Board Audit & Risk Management Committee.

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. Mr. Fong Seow Kee, is a chartered accountant and was also the chairman of the audit committee of another public listed company. Mr. Antonio M. Cailao is a former senior banker in an international banking group and later headed the Philippines National Oil Company. Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid is qualified in Finance and was the Managing Director of a major infrastructure 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 discussion with the external auditor in the absence of Management/Executive Directors.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 CG 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 2019 was RM213,411.40.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board Audit & Risk Management Committee has reviewed the internal audit findings for 2019 as well as the closing out of recommendations made by the internal audit. The Board Audit & Risk Management Committee has also recognised 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 CG Code 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; and
- 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 in accordance with 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 72 to 74. The SORMIC has been reviewed by external auditor, KPMG.

### Controls and Management System

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 2019, 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 is a permanent agenda item at the Board Audit & Risk Management Committee meetings.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 safety, security, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

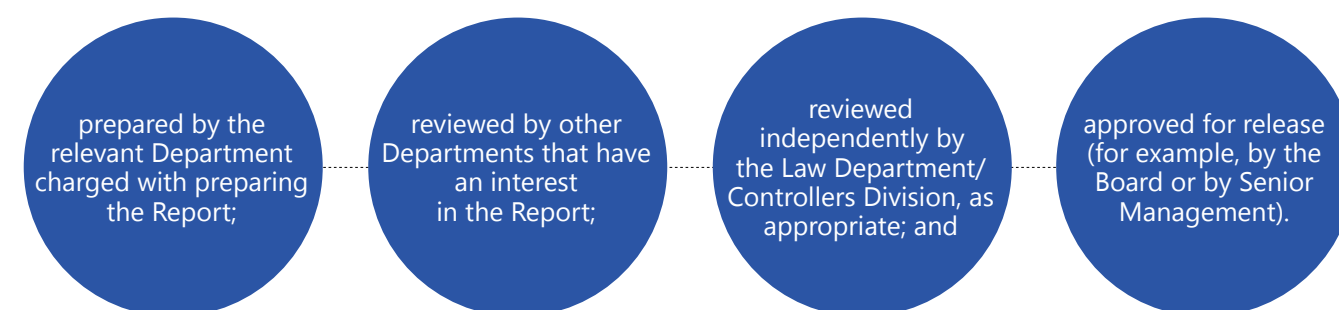
### Risk Management Group

- 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 manner. 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:



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

In 2019, the Company was not subjected to any sanction or fines by the Securities Commission, Bursa Malaysia, the Companies Commission or other regulatory authority.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 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 publicly 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 CG Code 2017. Competitors in the industry that are not publicly-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. Whilst the Company's relatively small number of shareholders may not under normal circumstances deem an interactive remote attendance/participation/voting system feasible, considering the current COVID-19 situation and the possibility of any extension of the Movement Control Order by the Government or even any restrictions placed on mass gatherings, the Company is actively seeking the implementation of such a system, where necessary, for the Annual General Meeting in 2020. If implemented, it will be used to supplement the actual (in-person) meeting or if such an in-person meeting is not possible, then as an alternate to the in-person meeting. Any plans to implement such a system will be duly announced to the shareholders at the appropriate time once the availability and effectiveness of the available system is verified by Management.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 from 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.

At the Annual General Meetings, shareholders and proxies present are also instructed on the voting process and arrangements via specific announcements by the Company Secretary.

### 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.

### 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.



**CORPORATE GOVERNANCE OVERVIEW STATEMENT**
**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), had been re-drafted to bring it in line with the same and was thereafter approved 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 2019 are as follows;

Directors	Board of Director Meeting		Board Audit & Risk Management Committee Meeting		Nominating Committee Meeting	
	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	4	4	2	2
Y. Bhg. Dato' Zainal Abidin Putih	4	4	4	4	2	2
Mr. Fong Seow Kee	4	4	4	4	Non-Member	Non-Member
Mr. Antonio M. Cailao	4	4	4	4	Non-Member	Non-Member

**CORPORATE GOVERNANCE OVERVIEW STATEMENT**
**Remunerations Paid to the Independent Directors in 2019**

As approved by the Shareholders at the Annual General Meeting on 13 June 2019, the benefits paid to the Independent Director for 2019 are as follows:

- an Annual Fee of RM78,000 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;
- 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 RM700 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 2018.

Independent Directors	RM	RM Allowance		RM	RM
	Directors' Fees	Attendance Allowance	Ex-Gratia Benefits	Fuel Reimbursement	Total
Y. Bhg. Dato' Zainal	78,000.00	33,000.00	15,000.00	3,675.42	129,675.42
Ms. Chua See Hua	78,000.00	33,000.00	15,000.00	3,258.40	129,258.40
Mr. Fong Seow Kee	78,000.00	22,500.00	15,000.00	7,532.67	123,032.67
Mr. Antonio M. Cailao	78,000.00	22,500.00	15,000.00	10,360.92*	125,860.92
	312,000.00	171,000.00		24,827.41	507,827.41

\* including authorised payments in 2019 for claim in 2018



**CORPORATE GOVERNANCE OVERVIEW STATEMENT**
**Remunerations Paid to Senior Management in 2019**

The top six (6) Senior Management personnel for this reporting are:

<b>MR. LUBIN B. NEPOMUCENO</b> (Chief Executive Officer)	<b>PN. FARIDAH ALI</b> (General Manager)	<b>MS. FADZILAH MOHD TAHIR</b> (Head of Refinery)
<b>MR. MARK TRISTAN D. CAPARAS</b> (Chief Finance Officer)	<b>MR. CHOONG KUM CHOY</b> (Head of Retail & Commercial Business)	<b>MR. MANOJ DEVADASAN</b> (General Counsel/Company Secretary/HR Manager)

Two of the above Senior Management personnel, namely the Chief Executive Officer and Chief Finance Officer, are employees of Petron Corporation. The Chief Finance Officer is 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 six (6) Senior Management (attributable to the Company) is **RM2,995,935**

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 six (6) 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 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 2019. The Company does not provide any share option scheme for Senior Management personnel.
- The total bonuses paid in 2019 comprised of:

Two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel; and

An ex-gratia of RM4,000 paid to all employees of Petron in Malaysia for 2019 (and paid in 2020). This sum is reduced from the ex-gratia for 2018 (paid in 2019) of one (1) month base salary. The ex-gratia payment is paid based on the Senior Management personnel's and the Company's financial performance for the year.

**CORPORATE GOVERNANCE OVERVIEW STATEMENT**
**Training Attended by Directors in 2019**

Directors	Date
<b>MR. RAMON S. ANG</b>	
<ul style="list-style-type: none"> <li>Seminar on Corporate Governance by Risks, Opportunities, Assessment and Management (ROAM), Inc.</li> </ul>	15 Nov
<b>MR. LUBIN B. NEPOMUCENO</b>	
<ul style="list-style-type: none"> <li>ING Sustainability Briefing</li> <li>Logistics Services Pres.</li> <li>SMC Sustainability Pres.</li> <li>Fuel Specialties Conference, Scotland</li> <li>Corporate Governance</li> </ul>	15 Jan 13 Mar 15 May 14-20 Sep 16 Nov
<b>MS. AURORA T. CALDERON</b>	
<ul style="list-style-type: none"> <li>Leaders Conference</li> <li>ING Sustainability Briefing – SMC Treasury</li> <li>Global Outlook – Standard Chartered Bank</li> <li>Break through Discussion – CSU Head, SMC</li> <li>WE LIFT EACH OTHER UP (as Speaker) – SMC</li> <li>Sustainability Program, SMC</li> <li>SMC Corporate Governance Program</li> </ul>	8 Jan 15 Jan 28 Jan 29 Jan 8 Mar 15 May 5 Dec
<b>MR. FERDINAND K. CONSTANTINO</b>	
<ul style="list-style-type: none"> <li>SMFB Corporate Governance</li> <li>SMFB Sustainability Briefing</li> <li>Speaker at Association of Certified Public Accountants in Commerce and Industry Conference</li> <li>Korea-Philippines Infrastructure Forum</li> <li>SMC Breakthrough Breakfast: Creating Impact, Leading with Our Values toward the World We Want</li> <li>Leaders Talk Kick-Off</li> <li>SMBHK Training Seminar: Regulatory Focuses on Board Leadership</li> <li>51<sup>st</sup> FINEX Conference: Riding on the Opportunities of the Next Digital Wave</li> <li>UNDP Deep Dive Sustainability</li> <li>Petron Corporation Governance Seminar 2019</li> <li>Data Privacy Briefing</li> <li>SMC Corporate Governance Seminar</li> </ul>	6 Feb 11 Feb 17 Jul 6 Jun 19 Sep 25 Sep 3 Oct 11 Oct 15 Oct 6 Nov 25 Nov 5 Dec
<b>MS. CHUA SEE HUA</b>	
<ul style="list-style-type: none"> <li>MICPA 60<sup>th</sup> Anniversary Commemorative Lecture &amp; Luncheon: Restoring Confidence in the Malaysian Economy</li> <li>Malaysian Institute of Accountants: Cybersecurity for Decision Makers</li> </ul>	14 Mar 28 Mar



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors	Date
<ul style="list-style-type: none"> <li>Malaysian Institute of Accountants: Audit Committee Conference 2019: Meeting the New Expectations</li> </ul>	15 Apr
<ul style="list-style-type: none"> <li>Malaysian Institute of Accountants: MIA's Engagement Session with Audit Committee Members on Integrated Reporting</li> </ul>	30 Apr
<ul style="list-style-type: none"> <li>The ICLIF Leadership and Governance Centre: Raising Defences: Section 17A, MACC Act</li> </ul>	27 Aug
<ul style="list-style-type: none"> <li>RSM Malaysia: Creating Cybersecurity Awareness</li> </ul>	17 Oct
<b>Y. BHG. DATO' ZAINAL ABIDIN PUTIH</b>	
<ul style="list-style-type: none"> <li>CIMB Tech 1 on 1 Briefing for Audit Committee of CIMBGH/CIMBG</li> </ul>	30 Jan
<ul style="list-style-type: none"> <li>BNM Annual Report 2018/Financial Stability and Payment Systems Report 2019 Briefing Session</li> </ul>	27 Mar
<ul style="list-style-type: none"> <li>CIMB 2020 Risk Posture Workshop</li> </ul>	20 Aug
<ul style="list-style-type: none"> <li>3<sup>rd</sup> Regional Directors' Sharing Session</li> </ul>	22 & 23 Aug
<ul style="list-style-type: none"> <li>Tour of FrieslandCampina Shared Services Center Asia Pacific</li> </ul>	27 Aug
<ul style="list-style-type: none"> <li>The Cooler Earth Sustainability Summit</li> </ul>	1 & 2 Oct
<ul style="list-style-type: none"> <li>Khazanah Megatrends Forum 2019: Building Our Collective Brain</li> </ul>	7 & 8 Oct
<ul style="list-style-type: none"> <li>FIDE/ICLIF Programme – Understanding Fintech and Its Implications for Insurance Companies</li> </ul>	9 Oct
<ul style="list-style-type: none"> <li>2019 CIMB Group's Annual Management Summit</li> </ul>	8 & 9 Oct
<ul style="list-style-type: none"> <li>CIMB – Enhancing Corporate Governance by Understanding Legal Liabilities "Act or Resign" (A Talk by MACC)</li> </ul>	4 Dec
<ul style="list-style-type: none"> <li>L&amp;G Directors' In House Training – Leadership Greatness in Turbulent Times – Building Corporate Longevity</li> </ul>	12 Dec
<b>MR. FONG SEOW KEE</b>	
<ul style="list-style-type: none"> <li>Malaysian Institute of Accountants: Audit Committee Conference 2019: Meeting the New Expectations</li> </ul>	15 Apr
<ul style="list-style-type: none"> <li>The ICLIF Leadership and Governance Centre: CG Watch: How Does Malaysia Rank</li> </ul>	3 May
<b>MR. ANTONIO M. CAILAO</b>	
<ul style="list-style-type: none"> <li>The Philippines Institute of Corporate Directors: "Distinguished Corporation Governance Speaker Series"</li> </ul>	8 Aug
<ul style="list-style-type: none"> <li>Bankers Institute of the Philippines: "Related Party Transactions"</li> </ul>	30 Aug
<ul style="list-style-type: none"> <li>The Philippines Institute of Corporate Directors: "Technology Governance for Directors"</li> </ul>	23 Oct
<ul style="list-style-type: none"> <li>Anti-Money Laundering Module</li> </ul>	23 Oct
<ul style="list-style-type: none"> <li>Amendments to AML/CFT Laws, Rules and Regulations (BDP Circ. No. 1022) and AML Risk Rating System</li> </ul>	25 Oct

### 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2019 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 2019.

### 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 27 February 2020.



## 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. 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. 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 include 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 being performed periodically and financial audits are subject to annual review by its external auditor. 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 In preparation for the implementation of the new amendments to the Malaysian Anti-Corruption Commission Act 2009, further training will be carried out in 2020. These will be done to ensure all employees of the Company understand the risks associated with the new law that will come into force in June 2020 and what the Company expects of each employee to ensure the employees' (and the Company's) strict compliance with the Law. The Company will also commence preparations to seek an ISO 37001 (Anti-bribery Management System) certification in due course once all processes are in place to meet the challenges of the new law;

5 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 2014, trainings are provided periodically to employees, vendors and contractors. All new employees for example, are required to undergo mandatory training on the Code of Conduct. Where there are any violations, a 'controls stand-down' with employees will be carried out to reinforce the need for adherence. These include where there are potential conflicts of interests and receipt of festive gifts and adherence to our internal guidelines on such receipt of gifts. Revised guidelines on receiving of gifts (based on the new policy implemented by Petron Corporation), were implemented in 2017. By 2019, a Company-wide refresher training on the Code of Conduct had been completed;

6 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

7 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. Apart from the weekly Management Committee Meeting where potential business-related risks are discussed, a risk management working group comprised of key senior personnel, meet to review risks and from that meeting, provide updates to the Board Audit & Risk Management Committee. There is a specific fixed agenda in the quarterly Board Audit & Risk Management Committee Meetings on Risk Management.

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 risks that must be managed even today. The Company, recognising that this is an evolving endeavour, will embark on an exercise to revisit the risk management preparations that are already in place with the intent to update the tools and assessment, where necessary. Examples of such evolution was the inclusion again of a previously eliminated risk on delays in recovering subsidies from the authorities. Since 2017, cyber-security risk was given more prominence following a spate of world-wide incidence of hacking and ransom-ware. The Board Audit & Risk Management Committee seeks to keep IT security as a matter of priority.

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. In 2019, a temporary shutdown of the Refinery was necessitated by a failure at the crude importation jetty. Whilst the jetty was not operated by PMRMB, the Company nevertheless was impacted. The Company's business continuity plans were immediately activated on both occasions. 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. In 2018 a review of the business continuity plans for critical areas were completed indicating that the plans were current and able to meet the needs of the Company. This had been reported to the Board Audit & Risk Management Committee. Proof of the effectiveness of the business continuity plans was evident during the abovementioned shutdown in 2019 due to the inoperability of the jetty. The business continuity plans will nevertheless continue to be reviewed periodically.



## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Key control-related matters in relation to the Company's Corporate Governance include:

1. Timely reporting of any changes to the prevailing delegation of authority that have been approved by the Board and ensuring that amendments are approved by the Board in a timely manner so as not to cause any disruption to the business;
2. Regular 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
7. With effect from 2017, Risk Management updates were included as a fixed item in all Quarterly Board Audit & Risk Management Committee Meetings.

The risk management framework is developed internally 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. In 2019, both the Company's Port Dickson Refinery and Terminal as well as Bagan Luar Terminal, together with its sister company, Petron Fuel International Sdn. Bhd.'s Kuantan and Pasir Gudang Terminals achieved another milestone when they received the Integrated Management System (IMS) Certification from SIRIM for ISO 9001, 14001 & 45001. PMRMB's KLIA Aviation Depot was accredited with QMS by SIRIM.

The Company has also embarked on a Total Quality Management programme using the internationally recognised Malcolm Baldrige Excellence Framework (locally adapted as the Malaysian Business Excellence Framework). In 2019, the Company's Port Dickson Refinery, along with its sister companies, Petron Fuel International Sdn. Bhd.'s Kuantan and Pasir Gudang Terminals and Petron Oil (M) Sdn. Bhd.'s Sepang Bay Terminal, were recognised by the Malaysian Society for Occupational Safety and Health ("MSOSH") with Grand Awards. Furthermore, the Company's terminals at Port Dickson and Bagan Luar Terminal, as well as KLIA Aviation Depot, along with sister company, Petron Oil (M) Sdn Bhd's Tawau and Sandakan Terminals were awarded with Gold Merit and the Gold Class Awards

by MSOSH. Just the year before, the Company's Port Dickson Refinery was also awarded the Prime Minister's Hibiscus (Exceptional Class) Award for its environmental excellence. In 2019, the Company's Port Dickson Refinery, as well as all Petron Malaysia group's Terminals, achieved an outstanding milestone of 17 years and 23 years, respectively, without any Lost Time Injury to its employees.

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 2019 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 2019, the Board Audit & Risk Management Committee ("Committee") comprises four (4) Independent Directors, namely:

<b>Y. BHG. DATO' ZAINAL ABIDIN PUTIH</b> – the Chairperson of the Committee	<b>MS. CHUA SEE HUA</b>	<b>MR. FONG SEOW KEE</b>	<b>MR. ANTONIO M. CAILAO</b>
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Y. Bhg. Dato' Zuraidah Atan resigned from the Board of Directors (and effectively from the Committee) on 8 February 2019.

The profile of the Committee members can be found at pages 43 and 45.

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 2019 in light of the new recommendations in the Malaysia Code on Corporate Governance 2017.

The Committee had four (4) regular 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 66. Executive Directors are encouraged to attend these meetings to provide guidance to the Committee. However, Management Committee Members, in particular the General 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 once in 2019. The internal auditor provided updates to the Committee at the May and November meetings in 2019.

As part of the new Petron-led management's 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 relayed to the Committee at its meeting.

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 [www.petron.com.my](http://www.petron.com.my).

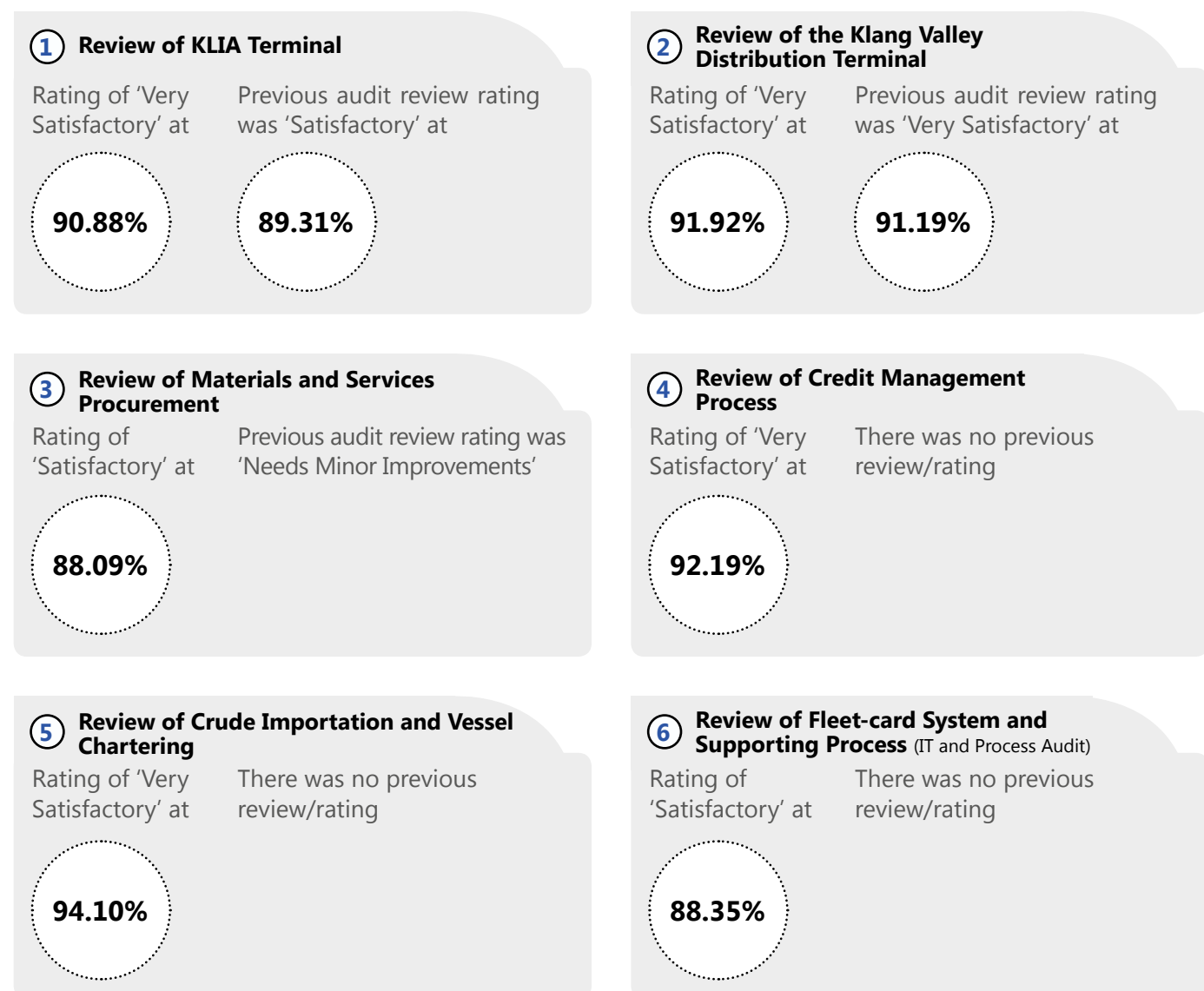


## BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### Meeting with the internal auditor (21 November 2019)

Following the mid-year review with the internal audit manager on 30 May 2019, the Committee reviewed the audits carried out and completed in 2019 as follows:

#### Status of 2019 Internal Audit Plan and Completed Projects and Internal Control Ratings



The Committee was then informed of the few areas for improvement in each division that were recommended by Internal Audit.

## BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### Status of Audit Plan

The status of the 2019 Audit Plan, was as follows:

- There were 7 audits approved in the 2019 plan;
- 6 audits (including 1 unplanned audit) was completed in 2019; and
- 2 planned/routine audits were re-prioritised namely:
  - (a) Commodity Hedging Process audit – now slated for 2020; and
  - (b) IT General Controls audit – the timing of which is to be determined based on the results of the IT security assessment conducted by a third party assessor Deloitte.

### Internal Controls Assessment

- No issues that could have significant impact on the Company's financial statements and operations were noted.

### Audit Plan for 2020

The Committee at its meeting on 21 November 2019, approved the following audit plan for 2020:

1. Commodity Hedging Process (to be carried out in the 1<sup>st</sup> Quarter 2020);
2. Lumut PME Plant (to be carried out in the 2<sup>nd</sup> Quarter 2020);
3. Review of Petron Miles Card processes (to be carried out in the 2<sup>nd</sup> Quarter 2020);
4. Review of Product Importation and Vessel Chartering Processes (to be carried out in the 3<sup>rd</sup> Quarter 2020); and
5. Review of Enhanced Retail Automation (ERA) System (to be carried out in the 4<sup>th</sup> Quarter 2020).

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.



## BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### DUTIES OF THE COMMITTEE

A summary of the Committee's activities carried out by the Committee in discharging its duties in 2019 are as follows:

#### Review of Risk Management matters

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

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

The Committee was informed that for 2019, Management had determined that the '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/Environment/Reputation
Supply disruption/over dependence on few suppliers	Operations/Financial
IT Systems/Infrastructure outage/Cybersecurity	Financial/Operations/Reputation
Changes in Government Policy	Regulatory
Competition	Financial
Product Quality	Operations/Financial
Regulatory compliance	Regulatory/Operations/Reputations

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 in 2019 on the review of the effectiveness of the Business Continuity Plan (relating to the Refinery Operations and the potential Supply disruption). This included the unplanned shutdown of the refinery in 2019 due to the inoperability of the crude import jetty. The Business Continuation Plan was activated and successfully managed the situation to ensure primarily continued supply of finished products to its customers.

The Committee also took note that for 2020, the same risks in 2019, continue to be regarded as major risks (i.e. those with highest potential impact on the Company). Thus, the major risks for 2020 would be:



## BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

For each of these major risks (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 2019) and its effectiveness in managing risks/threats to the business.

#### Review with the internal auditor and external auditor

In 2019, external auditor, KPMG PLT ("KPMG") met privately with the Committee on 21 February 2019 in relation to the 2018 audited Financial Statements and the review of the Statement of Risk Management and Internal Controls (SORMIC) that were then included in the 2018 Annual Report. The Committee also met privately with the external auditor without the presence of Management. There were no issues arising from this meeting that required further action.

KPMG also met with the Committee on 21 November 2019 to present and seek approval of the Committee for the 2019 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;
5. Assurance on the independence of KPMG; and
6. A review of the SORMIC.

On 27 February 2020, KPMG presented the audit findings in relation to the audit for the year ended 31 December 2019 (to be included in the 2019 Annual Report) to the Committee. A summary of the discussion is as follows:

#### Key Audit Matters

The Key Audit Matters identified were:

1. Revenue recognition; and
2. Valuation of inventories.



## BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### Other Audits Matters

KPMG presented to the Committee the audit procedures performed and the findings in relation to the areas highlighted as Key Audit Matters. KPMG also presented the following Other Audit Matters:

MFRS 16 – Lease arrangements (transition);

Compliance with loan covenants; and

Management override of controls.

In addition, 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. KPMG also informed the Committee that it had sought clarifications from Management on treatment of certain related party transactions; namely:

- a) that relating to agreement that existed prior to the Related Party rules being implemented by the stock exchange in 2001;
- b) the effect of transfer pricing on cost sharing arrangements; and third-party assessor Deloitte; and
- c) the treatment of the transaction on LPG bottling with sister-company Petron Fuel International Sdn. Bhd.

### Review of the Annual Report

As required under the auditing standards, KPMG reviewed the statements contained in the Company's 2019 Annual Report which was obtained after 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

KPMG highlighted to the Committee that the purpose of its engagement was to express an independent limited assurance whether anything had come to its attention that causes KPMG to believe that the SORMIC was not prepared, in all material respects, in accordance with the reporting criteria as set out in paragraphs of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SRMICG"), or was factually inaccurate. In this regard, KPMG informed the Committee that nothing had come to its attention that the SORMIC was 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 had 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 their fullest co-operation to the internal auditor and the external auditor. At the Committee meeting on 21 November 2019, 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 21 November 2019 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 2020, 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 2020.

### Endorsement of Financial Statements

The Committee reviewed and reported to the Board the quarterly results in 2019 and year-end financial statements as at 31 December 2019, 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

Apart from the Recurrent Related Party Transaction that was disclosed to the stock exchange on 21 November 2019, there were no new undisclosed related party transactions in 2019.

### Review of other significant matters

Apart from major transactions and related party transaction, the Committee at all quarterly meetings in 2019, 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.

### Appointment of External Auditors and Fees

At its meeting on 27 February 2020:

1. The Committee having reviewed the fees payable to KPMG, moved to recommend to the Board that the fees of RM399,000 (an increase of 3.4 percent from the previous year's audit fees) be approved; and
2. The Committee having reviewed KPMG's willingness to be re-appointed, the continued independence of KPMG as the external auditor, as well as its performance during its term, proposed to the Board that:

KPMG to be recommended to the shareholders at the Annual General Meeting for reappointment as auditors for 2020; and

The Board be authorised to determine the external auditor's fees for said audit period.

KPMG's Partner/representatives will be present at the Annual General Meeting and will be available to answer any questions shareholders may have in regard to its audit.

This report is dated 27 February 2020.



# 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 ("Charter") was last reviewed and approved by the Board of Directors in November 2013. The Charter was reviewed by the Nominating Committee and the Board in 2018. The Charter can be accessed on the Company's website [www.petron.com.my](http://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:

<b>MS. CHUA SEE HUA</b> (Independent Director) – Chairperson of the Nominating Committee	<b>Y. BHG. DATO' ZAINAL ABIDIN PUTIH</b> (Independent Director)	<b>MR. FERDINAND K. CONSTANTINO</b> (Non-Executive Director)
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The composition of the Nominating Committee complies with the Malaysian Corporate Governance Code 2017.

## ROLE OF THE NOMINATING COMMITTEE AND ACTIVITIES IN 2019

### 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  
27 February  
2020

### 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.

# NOMINATING COMMITTEE REPORT

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. Up to 8 February 2019, 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. On 8 February 2019, one (1) woman Independent Director resigned from the Board. This temporarily resulted in (not only the number of Independent Directors falling below the recommended majority in numbers, but also) the percentage of women Directors falling below the thirty per cent (30%) minimum. To assist the Board in seeking an appropriate candidate, the Nominating Committee, on 27 February 2020 evaluated and recommended to the Board for the appointment of Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid to the Board. With this appointment, the Board again has (as of 27 February 2020), a majority of Independent Directors and a minimum of thirty per cent (30%) women Directors on the Board; thus meeting the recommendations of the Malaysian Corporate Governance Code 2017 in regard to the Board composition.

Y.Bhg. Dato' Noorizah Binti Hj Abd Hamid's profile can be viewed on page 45 of the Annual Report. She was proposed for consideration by another Independent Director on the Board. Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid has no involvement with any competitor of the Company or any 'failed' company.

### Recommendation 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 (3) years. Directors retiring by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

In 2019, 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 2019 and reported the same to the Board in February 2020. A report of this evaluation is reported in the Annual Report of 2019;

Review of candidates to retire by rotation and to recommend their re-election (Mr. Ferdinand K. Constantino and Ms. Chua See Hua) at the 2019 Annual General Meeting;

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) at the 2019 Annual General Meeting; and

Review of candidate proposed for appointment as Chief Finance Officer (Mark Tristan D. Caparas was appointed by the Board on 30 May 2019 with effect from 1 July 2019).

### APPOINTMENT OF DIRECTOR(S) IN 2019

No new Directors were appointed to the Board in 2019.

### 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).



## NOMINATING COMMITTEE REPORT

A customised evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was used for the 2019 annual evaluation. The survey comprises five (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 Board (iv) the Board members' skills sets and (v) the Directors' performance and contribution to the Board.

The 2019 annual evaluation was completed in January 2020 and the results were presented to the Nominating Committee and the Board on 27 February 2020. 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 2017 Corporate Governance Code.

Board Committee Evaluations – There were no adverse findings and the average rating of the Audit Committee was 4.88 (out of a maximum of 5.0) and the Nominating Committee's average rating was 4.96 (out of a maximum of 5.0). The ratings are an increase from the ratings in 2018.

Board Evaluation – The ratings received indicated an overall average of 4.75 (out of a maximum of 5.0) indicating 'Consistently Good'. This is also an increase from the ratings in 2018.

Board Skill Evaluation (Peer Assessment) – The Directors were rated between 4.61 and 4.91 (out of a maximum of 5.0), again indicating that, on the average, each Director was ranked as 'Consistently Good'; similar to the ratings in 2018.

Performance Evaluation (Self-Assessment and a Peer Assessment by each Director) – Each Director was rated between 4.74 and 4.93 (out of a maximum of 5.0), again indicating that, on the average, each Director was ranked as 'Consistently Good' indicating consistency with ratings in 2018.

The evaluation in relation to the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the necessary requirement of independence, under the MMLR.

One (1) of the Independent Directors namely Y. Bhg. Dato' Zainal Abidin 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.

## NOMINATING COMMITTEE REPORT

### Election/Re-election/Appointment of Directors

The Nominating Committee at its meeting on 27 February 2020, also evaluated the Directors standing for election/re-election/appointment to the Board. In this regard, the following were considered by the Committee:

- (a) That Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid (if appointed to the Board) shall retire at the upcoming Annual General Meeting in 2020, but is eligible to be elected to the Board. In this regard, the Committee proposed that the Board recommend to the shareholders at the Annual General Meeting, that Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid be elected to the Board.
- (b) That two (2) Directors, namely Mr. Fong Seow Kee and Mr. Antonio M. Cailao (both Independent Directors) shall retire by rotation at the said Annual General Meeting. The Committee, having considered the said two (2) retiring Independent Directors' Annual Evaluation (namely in regard their continued independence and their excellent evaluation ratings) and their respective low number of other directorships and their respective time available to devote to Petron Malaysia Refining & Marketing Bhd, proposed to the Board that the Board recommend to the shareholders at the Annual General Meeting, their respective re-election to the Board.
- (c) That Independent Director (and Chairman of the Board Audit & Risk Management Committee), Y. Bhg. Dato' Zainal Abidin Putih, who has exceeded twelve (12) cumulative years in office as an Independent Director, shall retire at the upcoming Annual General Meeting. In this regard, the Committee considered the following:

Y. Bhg. Dato' Zainal Abidin Putih's Annual Evaluation, namely in regard his continued independence, his excellent evaluation ratings and his low number of other directorships and his time available to devote to Petron Malaysia Refining & Marketing Bhd;

his stellar stewardship of the Board Audit & Risk Management Committee;

his excellent reputation and integrity within the corporate world and especially in the accounting/auditing profession; and

his vast experience and knowledge of the industry that assists him in providing invaluable advice to the other Independent Directors and the Board as a whole.

Based on the above, the Nominating Committee formed the view that Y. Bhg. Dato' Zainal Abidin Putih's expertise, experience, and continued wise counsel to the Board (especially considering the turbulent times the Company and the economy is expected to face), will not only serve the best interest of the Company, as a whole but will also serve to protect the interest of the minority shareholders.

The Nominating Committee therefore proposed that the Board recommend to the shareholders the Annual General Meeting to appoint Y. Bhg. Dato' Zainal Abidin Putih for another one (1) year term as an Independent Director. The Nominating Committee also noted that in line with the recommendations of the Malaysian Code on Corporate Governance 2017, Y. Bhg. Dato' Zainal Abidin Putih's appointment at the Annual General Meeting will be by means of a two-tier voting process.

This report is dated 27 February 2020.



# FINANCIAL STATEMENTS



## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2019.

### 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	177,126

### Reserves and provisions

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

### Dividends

Since the end of the previous financial year, the Company paid a final ordinary dividend of 20 sen per ordinary share totalling RM54,000,000 in respect of the financial year ended 31 December 2018, declared on 13 June 2019 and paid on 27 June 2019.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2019 is 12 sen per ordinary share totalling RM32,400,000 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:

- Mr. Ramon S. Ang
- Y. Bhg. Dato' Zainal Abidin Putih
- Ms. Chua See Hua
- Mr. Fong Seow Kee
- Mr. Antonio Martin Cailao
- Mr. Lubin B. Nepomuceno
- Ms. Aurora T. Calderon
- Mr. Ferdinand K. Constantino
- Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid (appointed on 27 February 2020)
- Y. Bhg. Dato' Zuraidah Atan (resigned on 8 February 2019)

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**DIRECTORS' REPORT**
**DIRECTORS' REPORT**
**Directors' interests in shares**

The interests and deemed interests in the shares of the Company and 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 1.1.2019	Acquired	Sold	At 31.12.2019
Common shares of ultimate holding company (San Miguel Corporation)				
Ramon S. Ang	1,345,429	-	-	1,345,429
Lubin B. Nepomuceno	7	-	-	7
Aurora T. Calderon	22,600	-	-	22,600
Ferdinand K. Constantino	477,692	-	-	477,692
Common shares of intermediate holding company (Petron Corporation)				
Ramon S. Ang	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000
Aurora T. Calderon	1,000	-	-	1,000

None of the other Directors holding office as at 31 December 2019 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.

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 cost of premium incurred for the year amounted to RM47,600. During the financial year, no indemnity claim or payment was made.

**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 was 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 2019 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 20 to the financial statements.

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

.....  
Ramon S. Ang  
Chairman

.....  
Lubin B. Nepomuceno  
Director

Date: 27 February 2020



## STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
<b>Assets</b>			
Cash and cash equivalents	3	156,599	145,430
Derivative financial assets	4	8,914	32,419
Trade and other receivables	5	420,865	595,309
Inventories	6	706,564	648,342
Other current assets	7	6,332	438,582
Tax recoverable		-	11,408
<b>Total current assets</b>		<b>1,299,274</b>	1,871,490
Property, plant and equipment	8	1,163,817	690,744
Investment property	9	634,333	368,571
Right-of-use assets	10	32,339	-
Long-term assets	11	49,790	204,392
Intangible assets – software	12	167	23
<b>Total non-current assets</b>		<b>1,880,446</b>	1,263,730
<b>Total assets</b>		<b>3,179,720</b>	3,135,220
<b>Liabilities</b>			
Loans and borrowings	13	130,000	390,000
Trade and other payables	14	1,088,355	952,059
Lease liabilities		3,776	-
Derivative financial liabilities	4	9,941	5,328
Retirement benefit obligations	15	5,951	4,509
Tax payable		3,606	-
<b>Total current liabilities</b>		<b>1,241,629</b>	1,351,896
Retirement benefit obligations	15	46,944	40,967
Deferred tax liabilities	16	75,297	73,548
Lease liabilities		29,891	-
<b>Total non-current liabilities</b>		<b>152,132</b>	114,515
<b>Total liabilities</b>		<b>1,393,761</b>	1,466,411
<b>Equity</b>			
Share capital	17	143,000	143,000
Retained earnings		1,642,959	1,525,809
<b>Total equity</b>		<b>1,785,959</b>	1,668,809
<b>Total equity and liabilities</b>		<b>3,179,720</b>	3,135,220

The notes on pages 95 to 142 are an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Revenue	18	11,456,829	12,047,037
Cost of sales		(10,984,600)	(11,602,992)
<b>Gross profit</b>		<b>472,229</b>	444,045
Other operating income		65,967	70,093
Other operating expenses		(256,884)	(262,652)
Administrative expenses		(16,425)	(18,611)
<b>Results from operating activities</b>		<b>264,887</b>	232,875
Other income		12,077	87,557
Other expenses		(34,528)	(14,664)
Finance income		3,731	2,623
Finance costs	19	(6,821)	(12,046)
<b>Profit before tax</b>	20	<b>239,346</b>	296,345
Tax expense	21	(62,220)	(71,805)
<b>Profit for the year</b>		<b>177,126</b>	224,540
<b>Other comprehensive (loss)/income, net of tax</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit liability	22	(4,824)	406
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(4,824)</b>	406
<b>Total comprehensive income for the year</b>		<b>172,302</b>	224,946
<b>Basic earnings per ordinary share (sen)</b>	23	<b>65.6</b>	83.2

The notes on pages 95 to 142 are an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2018</b>		143,000	1,368,363	1,511,363
Remeasurement of defined benefit liability	22	-	406	406
Profit for the year		-	224,540	224,540
<b>Total comprehensive income for the year</b>		-	224,946	224,946
Dividends paid	24	-	(67,500)	(67,500)
<b>At 31 December 2018/1 January 2019</b>		<b>143,000</b>	<b>1,525,809</b>	<b>1,668,809</b>
Opening balance adjustment from adoption of MFRS 16, net of tax	32	-	(1,152)	(1,152)
<b>At 1 January 2019, restated</b>		<b>143,000</b>	<b>1,524,657</b>	<b>1,667,657</b>
Remeasurement of defined benefit liability	22	-	(4,824)	(4,824)
Profit for the year		-	177,126	177,126
<b>Total comprehensive income for the year</b>		-	<b>172,302</b>	<b>172,302</b>
Dividends paid	24	-	(54,000)	(54,000)
<b>At 31 December 2019</b>		<b>143,000</b>	<b>1,642,959</b>	<b>1,785,959</b>

Note 17

The notes on pages 95 to 142 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		239,346	296,345
Adjustments for:			
Amortisation of intangible assets	12	100	48
Amortisation of long-term assets	11	11,157	30,234
Depreciation of investment property	9	30,916	18,644
Depreciation of property, plant and equipment	8	51,134	46,377
Depreciation of right-of-use assets	10	504	-
Finance costs	19	6,821	12,046
Finance income		(3,731)	(2,623)
Gain on disposal of investment property		(3,729)	-
Gain on disposal of property, plant and equipment		(901)	(2,173)
Gain on disposal of right-of-use assets		(44)	-
Impairment loss on trade and other receivables		328	810
Retirement benefit costs	15	5,159	5,220
Reversal of impairment loss on slow-moving materials and supplies	6	-	(6,433)
Reversal of impairment loss on trade and other receivables		(786)	(85)
Unrealised foreign exchange gain		(3,450)	(3,336)
Unrealised loss/(gain) on derivatives		1,027	(27,091)
Write-down of inventories to net realisable value	6	1,545	3,177
Write-off of investment property	9	426	54
Write-off of property, plant and equipment	8	635	38
<b>Operating profit before changes in working capital</b>		<b>336,457</b>	371,252
Change in inventories		(59,767)	33,052
Change in long-term assets		792	1,495
Change in trade and other payables and other financial liabilities		69,021	(105,448)
Change in trade and other receivables and other financial assets		570,213	(236,391)
<b>Cash from operations</b>		<b>916,716</b>	63,960
Interest paid		(5,387)	(8,034)
Interest received		3,721	2,604
Tax paid		(63,892)	(116,231)
Tax refund		20,322	-
Retirement benefits paid	15	(3,810)	(6,926)
<b>Net cash from/(used in) operating activities</b>		<b>867,670</b>	(64,627)

The notes on pages 95 to 142 are an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
<b>Cash flows from investing activities</b>			
Acquisition of investment property		(25,086)	(1,801)
Acquisition of property, plant and equipment		(513,568)	(158,196)
Payment for long-term assets		(11,675)	(74,962)
Proceeds from disposal of investment property		9,164	-
Proceeds from disposal of property, plant and equipment		2,108	2,749
Proceeds from disposal of right-of-use assets		60	-
<b>Net cash used in investing activities</b>		<b>(538,997)</b>	<b>(232,210)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	24	(54,000)	(67,500)
Net (repayment of)/proceeds from borrowings		(260,000)	390,000
Payment of lease liabilities		(3,466)	-
<b>Net cash (used in)/from financing activities</b>		<b>(317,466)</b>	<b>322,500</b>
<b>Net change in cash and cash equivalents</b>			
Effect of exchange rate fluctuations on cash held		(38)	153
Cash and cash equivalents at 1 January		145,430	119,614
<b>Cash and cash equivalents at 31 December</b>	3	<b>156,599</b>	<b>145,430</b>

**Cash outflows for leases as a lessee**

Total cash outflows for leases amounted to RM4,832,000 comprised of principal and interest payments on lease liabilities.

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

	Borrowings RM'000	Lease liabilities RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	390,000	-	390,000
Total changes from financing cash flows	390,000	-	390,000
<b>At 31 December 2018</b>	390,000	-	390,000
Adjustment on initial application of MFRS 16	-	16,038	16,038
<b>At 1 January 2019</b>	<b>390,000</b>	<b>16,038</b>	<b>406,038</b>
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	130,000	-	130,000
Repayment of borrowings	(390,000)	-	(390,000)
Payment of lease liabilities	-	(3,466)	(3,466)
Total changes from financing cash flows	(260,000)	(3,466)	(263,466)
<b>Other changes:</b>			
Accrued interest	-	572	572
Acquisition of new leases	-	20,723	20,723
Remeasurement of lease liabilities	-	(200)	(200)
<b>At 31 December 2019</b>	<b>130,000</b>	<b>33,667</b>	<b>163,667</b>

The notes on pages 95 to 142 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 27 February 2020.

**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 2020**

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*



## NOTES TO THE FINANCIAL STATEMENTS

### 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 2020 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020, except for Amendments to MFRS 3, *Business Combinations – Definition of a Business* and Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform* 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.

#### 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 10 – lease extension options and incremental borrowing rate of leases, Note 15 – remeasurement of retirement benefit obligations and Note 26 – expected credit loss for impairment of financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies

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

With the adoption of MFRS 16, *Leases*, there are changes on the accounting policies applied to lease contracts entered into by the Company as compared to those applied in previous financial statements. The impact arising from these changes are disclosed in Note 32.

#### 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) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.3 Financial instruments (continued)

##### (ii) Financial instrument classification and subsequent measurement

###### **Financial assets**

Classification of financial assets is determined on initial recognition and depend on the business model followed by the Company for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

##### (a) Financial assets at amortised cost

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are reclassified to fair value through profit or loss, impaired or derecognised.

##### (b) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss. This includes all derivative financial assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

At initial recognition, the Company may irrevocably designate a financial asset through profit or loss if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2.10(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.3 Financial instruments (continued)

##### (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.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to set off the amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.4 Property, plant and equipment (continued)

##### (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. 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 Leases

The Company has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

##### Current financial year

##### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- it has the right to direct the use of the asset. The Company has this right when it can make relevant decisions about how and for what purpose the asset is used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.5 Leases (continued)

##### Current financial year (continued)

##### (ii) Recognition and initial measurement

##### (a) As a lessee

As a lessee, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, the Company's incremental borrowing rate if the implicit rate cannot be readily determined. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company has elected not to recognise right-of-use assets and lease liabilities from short-term leases that have a lease term of twelve (12) months or less and leases of low-value assets. The payments associated with these leases are recognised as expenses on a straight-line basis over the lease term.

##### (b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.



**NOTES TO THE FINANCIAL STATEMENTS**
**2. Significant accounting policies (continued)**
**2.5 Leases (continued)**
**Current financial year (continued)**
**(iii) Subsequent measurement**
**(a) As a lessee**

As a lessee, the right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of right-of-use asset or to the end of the lease term. The right-of-use asset is reduced by impairment loss, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**(b) As a lessor**

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

**Previous financial year**
**(i) Finance lease**

Leases in which the Company assumed substantially all the risks and rewards of ownership were classified as finance lease. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or both.

**(ii) Operating lease**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
**2. Significant accounting policies (continued)**
**2.6 Investment property**
**(i) Investment property carried at cost**

Investment properties consist of land, buildings and improvements which are owned or right-of-use assets held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties owned are initially and subsequently measured at cost. Right-of-use assets that meet the definition of investment property are measured similarly as other right-of-use assets. Investment properties are depreciated and amortised similar to property, plant and equipment (see Note 2.4) or right-of-use assets (see Note 2.5).

Depreciation and amortisation, which commence when the investment properties are available for their intended use, are recognised in profit or loss on a straight-line basis over the estimated useful life of the properties similar to property, plant and equipment (see Note 2.4) or right-of-use assets (see Note 2.5).

The gain or loss on disposal of investment properties is determined similar to property, plant and equipment (see Note 2.4) or right-of-use assets (see Note 2.5).

**(ii) Reclassification to/from investment property**

When an item of property, plant and equipment is transferred to investment property following a change in its use, the Company accounts for transfers in accordance with recognition and measurement under property, plant and equipment up to the date of change in use.

For transfers from investment property to property, plant and equipment, the cost of property for subsequent accounting is its carrying amount at the date of change in use.

**2.7 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.

**2.8 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.

**2.9 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.10 Impairment

##### (i) Financial assets

The Company recognises allowance for impairment losses on receivables and financial assets measured at amortised cost.

The Company recognises allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment as well as forward-looking information, where available.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

##### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.11 Equity instruments

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

##### (i) Ordinary shares

Ordinary shares are classified as equity.

##### (ii) Distributions of assets to owners of the Company

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

#### 2.12 Employee benefits

##### (i) Short-term employee benefits

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

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

##### (ii) State plans

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

##### (iii) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

The Company determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.12 Employee benefits (continued)

##### (iii) Defined benefit plans (continued)

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.

#### 2.13 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.

#### 2.14 Revenue and other income

##### (i) Revenue

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 control over goods has 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.

The Company transfers control of goods sold at a point in time unless one of the following criteria to transfer over time is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Company performs its obligation;
- (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

##### (ii) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Other rent related income is recognised in the accounting period in which the service has been rendered.

##### (iii) 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)

#### 2.15 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.

#### 2.16 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.

#### 2.17 Earnings per ordinary share

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

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.



**NOTES TO THE FINANCIAL STATEMENTS**
**2. Significant accounting policies (continued)**
**2.18 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.

**2.19 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.

**2.20 Contingencies**

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

	2019 RM'000	2018 RM'000
Fixed deposits	118,000	105,000
Cash and bank balances	38,599	40,430
	<b>156,599</b>	145,430

**NOTES TO THE FINANCIAL STATEMENTS**
**4. Derivative financial assets/(liabilities)**

	2019			2018		
	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	181,762	-	(1,732)	342,329	-	(2,412)
- Commodity swaps	528,687	8,914	(8,209)	64,794	32,419	(2,916)
	<b>710,449</b>	<b>8,914</b>	<b>(9,941)</b>	407,123	32,419	(5,328)

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. All 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. All commodity derivative contracts have maturities of one year or less after the end of the reporting period.

**5. Trade and other receivables**

	2019 RM'000	2018 RM'000
<b>Trade</b>		
Trade receivables	201,948	162,178
Less: Impairment allowance	(746)	(721)
	<b>201,202</b>	161,457
Amounts due from related company	108,082	113,988
	<b>309,284</b>	275,445
<b>Non-trade</b>		
Subsidy receivables	82,191	276,347
Amounts due from related companies	106	598
Other receivables	29,284	42,919
	<b>111,581</b>	319,864
	<b>420,865</b>	595,309

**Related party balances**

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

**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.



**NOTES TO THE FINANCIAL STATEMENTS**
**6. Inventories**

	2019 RM'000	2018 RM'000
Crude oil	283,067	225,345
Petroleum products	407,467	413,232
Materials and supplies	16,030	9,765
	<b>706,564</b>	648,342
Recognised in profit or loss:		
Inventories recognised as cost of sales	10,859,991	11,464,799
Reversal of impairment loss on slow-moving materials and supplies	-	(6,433)
Write-down to net realisable value	1,545	3,177

**7. Other current assets**

	2019 RM'000	2018 RM'000
GST input	-	364,236
Prepayments	6,332	74,346
	<b>6,332</b>	438,582

**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
<b>Cost</b>						
At 1 January 2018	51,219	28,556	58,681	1,353,330	73,772	1,565,558
Addition	-	-	189	9,243	148,764	158,196
Disposal	-	-	(1,178)	(1,021)	-	(2,199)
Write-off	-	-	-	(3,716)	-	(3,716)
Reclassification to investment property	-	(4,129)	(30,206)	-	-	(34,335)
Reclassification from long-term assets	-	192	-	-	-	192
Reclassification	-	-	19,244	31,324	(50,568)	-
At 31 December 2018	51,219	24,619	46,730	1,389,160	171,968	1,683,696
Adjustment on initial application of MFRS 16	-	(24,619)	-	-	-	(24,619)
At 1 January 2019, restated	<b>51,219</b>	-	<b>46,730</b>	<b>1,389,160</b>	<b>171,968</b>	<b>1,659,077</b>
Addition	-	-	4,436	68,041	549,530	622,007
Disposal	-	-	-	(2,309)	-	(2,309)
Write-off	-	-	-	(3,898)	-	(3,898)
Reclassification to intangible assets	-	-	-	-	(244)	(244)
Reclassification to investment property	(27,751)	-	(1,862)	-	(48,265)	(77,878)
Reclassification	-	-	328	16,849	(17,177)	-
At 31 December 2019	<b>23,468</b>	-	<b>49,632</b>	<b>1,467,843</b>	<b>655,812</b>	<b>2,196,755</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**8. Property, plant and equipment (continued)**

	Freehold land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Plant and equipment RM'000	Capital project in-progress RM'000	Total RM'000
<b>Accumulated depreciation</b>						
At 1 January 2018	-	5,672	37,232	909,768	-	952,672
Depreciation during the year	-	268	9	46,100	-	46,377
Disposal	-	-	(951)	(672)	-	(1,623)
Write-off	-	-	-	(3,678)	-	(3,678)
Reclassification to investment property	-	(796)	-	-	-	(796)
At 31 December 2018	-	5,144	36,290	951,518	-	992,952
Adjustment on initial application of MFRS 16	-	<b>(5,144)</b>	-	-	-	<b>(5,144)</b>
At 1 January 2019, restated	-	-	<b>36,290</b>	<b>951,518</b>	-	<b>987,808</b>
Depreciation during the year	-	-	<b>1,498</b>	<b>49,636</b>	-	<b>51,134</b>
Disposal	-	-	-	<b>(1,102)</b>	-	<b>(1,102)</b>
Write-off	-	-	-	<b>(3,263)</b>	-	<b>(3,263)</b>
Reclassification to investment property	-	-	<b>(1,639)</b>	-	-	<b>(1,639)</b>
At 31 December 2019	-	-	<b>36,149</b>	<b>996,789</b>	-	<b>1,032,938</b>
<b>Carrying amount</b>						
At 1 January 2018	51,219	22,884	21,449	443,562	73,772	612,886
At 31 December 2018	51,219	19,475	10,440	437,642	171,968	690,744
At 31 December 2019	<b>23,468</b>	-	<b>13,483</b>	<b>471,054</b>	<b>655,812</b>	<b>1,163,817</b>

Included in the above property, plant and equipment is the net book value for the Company's 20% participating interest in the jointly-owned assets of the Multi-Product Pipeline (MPP) amounting to RM72,768,000 (2018: RM97,105,000). In 2019, the leasehold land of MPP amounting to RM17,344,000 was presented as right-of-use assets in accordance with initial application of MFRS 16 (Note 10).

During the financial year, compulsory acquisitions by the government resulted in the divestments of properties and equipment amounting to RM1,174,000 (2018: RM576,000).

The Company capitalised finance cost in capital project in-progress amounting to RM4,341,000 (2018: RM Nil). The capitalisation rates used to determine the amount of interest eligible for capitalisation ranged from 4.2% to 7.8%.

**NOTES TO THE FINANCIAL STATEMENTS**
**8. Property, plant and equipment (continued)**

These rental income are recognised in profit or loss:

	2019 RM'000	2018 RM'000
Rental income	<b>3,021</b>	2,717

The operating lease income to be received are as follows:

	2019 RM'000	2018 RM'000
Less than one year	<b>2,347</b>	2,316
One to two years	<b>1,526</b>	1,243
Two to five years	<b>2,278</b>	1,794
More than five years	<b>4,957</b>	4,092
Total undiscounted lease income	<b>11,108</b>	9,445

**9. Investment property**

	Freehold land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Capital project in-progress RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2018	138,108	76,916	411,657	-	626,681
Addition	-	-	1,801	-	1,801
Write-off	-	-	(122)	-	(122)
Reclassification from long-term assets	-	5,424	-	-	5,424
Reclassification from property, plant and equipment	-	4,129	30,206	-	34,335
At 31 December 2018	138,108	86,469	443,542	-	668,119
Adjustment on initial application of MFRS 16	-	<b>336,612</b>	-	-	<b>336,612</b>
At 1 January 2019, restated	<b>138,108</b>	<b>423,081</b>	<b>443,542</b>	-	<b>1,004,731</b>
Addition	-	<b>20,778</b>	<b>6,978</b>	<b>18,108</b>	<b>45,864</b>
Disposal	-	<b>(4,798)</b>	<b>(4,933)</b>	-	<b>(9,731)</b>
Write-off	-	-	<b>(1,996)</b>	-	<b>(1,996)</b>
Reclassification from prepayments	-	<b>102</b>	-	-	<b>102</b>
Reclassification from long-term assets	-	<b>7,756</b>	-	-	<b>7,756</b>
Reclassification from property, plant and equipment	<b>27,751</b>	-	<b>1,862</b>	<b>48,265</b>	<b>77,878</b>
Reclassification	<b>6,077</b>	-	<b>35,533</b>	<b>(41,610)</b>	-
At 31 December 2019	<b>171,936</b>	<b>446,919</b>	<b>480,986</b>	<b>24,763</b>	<b>1,124,604</b>



**NOTES TO THE FINANCIAL STATEMENTS**
**9. Investment property (continued)**

	Freehold land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Capital project in-progress RM'000	Total RM'000
<b>Accumulated depreciation</b>					
At 1 January 2018	-	17,555	261,826	-	279,381
Depreciation for the year	-	255	18,389	-	18,644
Write-off	-	-	(68)	-	(68)
Reclassification from long-term assets	-	795	-	-	795
Reclassification from property, plant and equipment	-	796	-	-	796
At 31 December 2018	-	19,401	280,147	-	299,548
Adjustment on initial application of MFRS 16	-	<b>163,834</b>	-	-	<b>163,834</b>
At 1 January 2019, restated	-	<b>183,235</b>	<b>280,147</b>	-	<b>463,382</b>
Depreciation for the year	-	<b>14,436</b>	<b>16,480</b>	-	<b>30,916</b>
Disposal	-	<b>(1,888)</b>	<b>(2,208)</b>	-	<b>(4,096)</b>
Write-off	-	-	<b>(1,570)</b>	-	<b>(1,570)</b>
Reclassification from property, plant and equipment	-	-	<b>1,639</b>	-	<b>1,639</b>
At 31 December 2019	-	<b>195,783</b>	<b>294,488</b>	-	<b>490,271</b>
<b>Carrying amount</b>					
At 1 January 2018	138,108	59,361	149,831	-	347,300
At 31 December 2018	138,108	67,068	163,395	-	368,571
At 31 December 2019	<b>171,936</b>	<b>251,136</b>	<b>186,498</b>	<b>24,763</b>	<b>634,333</b>

The investment property is reclassified from property, plant and equipment to reflect the usage of the assets.

The following profit or loss items are related to investment property:

	2019 RM'000	2018 RM'000
Rental income	<b>44,999</b>	42,363
Direct expenses	<b>36,399</b>	23,842

The operating lease income to be received are as follows:

	2019 RM'000	2018 RM'000
Less than one year	<b>33,381</b>	33,182
One to two years	<b>16,669</b>	13,990
Two to three years	<b>6,090</b>	3,078
Total undiscounted lease income	<b>56,140</b>	50,250

**NOTES TO THE FINANCIAL STATEMENTS**
**9. Investment property (continued)**
**Fair value information**

The fair value of investment properties as at 31 December 2019 was RM886,606,000 (2018: RM545,498,000) based on recent appraisals made by independent property consultant having appropriate professional qualifications, and recent experience in the location and category of the property being valued.

The Company could not determine the fair value of capital projects in-progress as there are uncertainties in estimating its fair value.

**Level 3 fair value**

The fair market value of investment property has been categorised as Level 3 in the fair value hierarchy.

*Land*

The fair value of land was arrived at using the *Comparison Approach*, which estimates the value of the land based on prices of similar properties recently sold in similar locations or comparable economic areas and adjusted for differences in condition, date of transaction and other relevant characteristics.

*Buildings and improvements*

The fair values of buildings and improvements were arrived at using the *Depreciated Replacement Cost* method, which estimates the current *replacement cost new* of each of the assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

**10. Right-of-use assets**

	Leasehold land RM'000
At 31 December 2018	-
Adjustment on initial application of MFRS 16	<b>21,929</b>
At 1 January 2019, restated	<b>21,929</b>
Addition	<b>10,930</b>
Depreciation	<b>(504)</b>
Disposal	<b>(16)</b>
At 31 December 2019	<b>32,339</b>

Included in the above is leasehold land amounting to RM19,178,000 for the Company's 20% participating interest in the jointly-owned assets of Multi-Product Pipeline (MPP). In 2018, the leasehold land of MPP were presented under property, plant and equipment (Note 8) and as prepaid lease rentals under long-term assets (Note 11).

**NOTES TO THE FINANCIAL STATEMENTS**
**NOTES TO THE FINANCIAL STATEMENTS**
**10. Right-of-use assets (continued)**
**Extension options**

Some leases contain extension options exercisable by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise these options and reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken.

	Lease liabilities recognised RM'000	Potential future lease payments not included in lease liabilities RM'000	Historical rate of extension options exercised %
Leasehold land	33,667	-	100

**Significant judgements and assumptions in relation to leases**

The leases that contain extension option are mainly lands used for retail stations and terminal operations. The Company is reasonably certain to exercise the extension option for business continuity.

The Company also applied judgement in determining the incremental borrowing rate of the respective leases, i.e. based on closest available borrowing rate for leases with similar nature, adjusted to reflect the term of the respective leases.

**11. Long-term assets**

	2019 RM'000	2018 RM'000
Prepaid lease rentals	11,148	156,091
Deposits	2,796	2,571
Marketing assistance to dealers	4,083	6,831
Others	31,763	38,899
	<b>49,790</b>	204,392
The movement in the long-term assets is as follows:		
At 31 December 2017/2018	204,392	165,980
Adjustment on initial application of MFRS 16	(146,572)	-
At 1 January, restated	57,820	165,980
Addition	11,675	74,962
Amortisation	(11,157)	(30,234)
Reclassification to investment property	(7,756)	(4,629)
Reclassification to property, plant and equipment	-	(192)
Reclassification to short-term	-	(901)
Others	(792)	(594)
At 31 December	<b>49,790</b>	204,392

**11. Long-term assets (continued)**
**Prepaid lease rentals**

Included in the above 2018 prepaid lease rentals was leasehold land amounting to RM2,054,000 for the Company's 20% participating interest in the jointly-owned assets of Multi-Product Pipeline (MPP). This has been reclassified to right-of-use assets as at initial application of MFRS 16.

**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 RM26,321,000 (2018: RM34,177,000) which will be amortised over 6 years (2018: 5 years).

Amortisation period was revised to 6 years in 2019 (2018: 5 years) upon receipt of risk-based certificate of fitness on the machineries which is effective for 6 years.

**12. Intangible assets – software**

	Total RM'000
<b>Cost</b>	
At 1 January 2018/31 December 2018	22,829
Reclassification from property, plant and equipment	244
At 31 December 2019	<b>23,073</b>
<b>Accumulated amortisation</b>	
At 1 January 2018	22,758
Amortisation during the year	48
At 31 December 2018	22,806
Amortisation during the year	100
At 31 December 2019	<b>22,906</b>
<b>Carrying amount</b>	
At 1 January 2018	71
At 31 December 2018	23
At 31 December 2019	<b>167</b>



**NOTES TO THE FINANCIAL STATEMENTS**
**13. Loans and borrowings**

	2019 RM'000	2018 RM'000
<b>Current</b>		
Revolving credit – unsecured	130,000	390,000

The Company's borrowings consist of short-term bilateral loans with various financial institutions for working capital requirements.

**14. Trade and other payables**

	2019 RM'000	2018 RM'000
<b>Trade</b>		
Trade payables	868,473	782,282
<b>Non-trade</b>		
Accrued expenses	38,299	31,293
Duties and tax payables	65,661	63,684
Amounts due to related companies	1	288
Other payables	115,921	74,512
	<b>1,088,355</b>	<b>952,059</b>

**Accrued expenses**

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

**Related party balances**

Non-trade balances due to related companies are unsecured, interest free and are repayable on demand.

**15. Retirement benefit obligations**

	2019 RM'000	2018 RM'000
Current	5,951	4,509
Non-current	46,944	40,967
	<b>52,895</b>	<b>45,476</b>

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 2019.

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

**NOTES TO THE FINANCIAL STATEMENTS**
**15. 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:

	2019 RM'000	2018 RM'000
At 1 January	45,476	47,716
<b>Included in profit or loss</b>		
Current service cost	2,782	2,800
Interest cost	2,377	2,420
	<b>5,159</b>	<b>5,220</b>
<b>Included in other comprehensive income</b>		
Remeasurement of retirement benefit obligations		
Actuarial loss/(gain) arising from:		
- Experience adjustments	4,369	(534)
- Financial assumptions	1,978	-
	<b>6,347</b>	<b>(534)</b>
<b>Others</b>		
Benefits paid	(3,810)	(6,926)
Transfer to affiliate	(277)	-
	<b>(4,087)</b>	<b>(6,926)</b>
At 31 December	<b>52,895</b>	<b>45,476</b>

**Actuarial assumptions**

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

	2019 %	2018 %
Discount rate	5.0	5.5
Future salary growth	5.8	6.0

As at 31 December 2019, the weighted average duration of the defined benefit obligation was 8.13 years (2018: 8.06 years).

**NOTES TO THE FINANCIAL STATEMENTS**
**15. 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			
	2019		2018	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	<b>(3,824)</b>	<b>4,407</b>	(3,247)	3,726
Future salary growth (1% movement)	<b>4,855</b>	<b>(4,295)</b>	5,151	(4,535)

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.

**16. Deferred tax liabilities**
**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	-	-	<b>(81,972)</b>	(72,419)	<b>(81,972)</b>	(72,419)
Right-of-use assets	-	-	<b>(11,611)</b>	-	<b>(11,611)</b>	-
Lease liabilities	<b>12,021</b>	-	-	-	<b>12,021</b>	-
Retirement benefit obligations	<b>6,095</b>	5,066	-	-	<b>6,095</b>	5,066
Other items	<b>1,167</b>	1,687	<b>(997)</b>	(7,882)	<b>170</b>	(6,195)
Net tax assets/(liabilities)	<b>19,283</b>	6,753	<b>(94,580)</b>	(80,301)	<b>(75,297)</b>	(73,548)

**NOTES TO THE FINANCIAL STATEMENTS**
**16. Deferred tax liabilities (continued)**
**Movement in temporary differences during the year**

	At 1.1.2018 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised directly in equity (Note 21) RM'000	At 31.12.2018 RM'000	Adjustments		At 1.1.2019, restated RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised directly in equity (Note 21) RM'000	At 31.12.2019 RM'000
					on initial application of MFRS 16 (Note 21) RM'000	RM'000				
Property, plant and equipment	(73,891)	1,472	-	(72,419)	-	<b>(72,419)</b>	<b>(9,553)</b>	-	<b>(81,972)</b>	
Right-of-use assets	-	-	-	-	<b>(5,117)</b>	<b>(5,117)</b>	<b>(6,494)</b>	-	<b>(11,611)</b>	
Lease liabilities	-	-	-	-	<b>5,481</b>	<b>5,481</b>	<b>6,540</b>	-	<b>12,021</b>	
Retirement benefit obligations	4,839	355	(128)	5,066	-	<b>5,066</b>	<b>(494)</b>	<b>1,523</b>	<b>6,095</b>	
Other items	9,763	(15,958)	-	(6,195)	-	<b>(6,195)</b>	<b>6,365</b>	-	<b>170</b>	
Net tax liabilities	(59,289)	(14,131)	(128)	(73,548)	<b>364</b>	<b>(73,184)</b>	<b>(3,636)</b>	<b>1,523</b>	<b>(75,297)</b>	

**17. Share capital**

	2019		2018	
	Number of shares '000	RM'000	Number of shares '000	RM'000
<b>Issued and fully paid:</b>				
At 1 January/31 December	<b>270,000</b>	<b>143,000</b>	270,000	143,000

**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.



**NOTES TO THE FINANCIAL STATEMENTS**
**18. Revenue**

Revenues are mainly derived from the sale of petroleum products to Retail and Commercial customers in various geographical locations as disclosed in Note 25 – Operating segment. Revenues are recognised when control over products has been transferred to the customers through delivery and acceptance measured at fair value of consideration received or receivable, net of applicable discounts, rebates, and subject to applicable allowances and refunds. The general payment terms with customers are combination of prepayments and credit terms from a period of 3 to 30 days from invoice date.

The Company has no significant remaining performance obligations as it recognises revenues in amounts that correspond directly to the value of completed performance obligations.

	2019 RM'000	2018 RM'000
<b>Revenue from contracts with customers</b>		
Third-party sales	8,943,972	9,374,760
Sales to related company	2,484,155	2,632,399
	<b>11,428,127</b>	12,007,159
<b>Other revenue</b>		
Other revenues and rebates	28,702	39,878
	<b>11,456,829</b>	12,047,037

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 RM21,953,000 (2018: RM33,244,000).

**19. Finance costs**

	2019 RM'000	2018 RM'000
Interest expense of financial liabilities measured at amortised cost - loans	3,900	8,369
Interest expense on lease liabilities	1,938	-
Other finance costs	5,324	3,677
	<b>11,162</b>	12,046
Recognised in profit or loss	<b>6,821</b>	12,046
Capitalised into property, plant and equipment:		
Interest expense of financial liabilities measured at amortised cost - loans	1,657	-
Interest expense on lease liabilities	1,684	-
Other finance costs	1,000	-
	<b>4,341</b>	-
	<b>11,162</b>	12,046

**20. Profit before tax**

	2019 RM'000	2018 RM'000
<b>Profit before tax is arrived at after charging:</b>		
Amortisation of intangible assets	100	48
Audit fees	399	386
Depreciation of right-of-use assets	504	-
Foreign exchange		
- Realised loss	920	12,253
Impairment loss on trade and other receivables	328	810
Investment property		
- Depreciation	30,916	18,644
- Write-off	426	54
Long-term assets		
- Amortisation		
- Prepaid lease rentals	-	13,664
- Marketing assistance to dealers	1,827	2,450
- Others	9,330	14,120
Loss on derivatives	54,710	-
Personnel expenses (including key management personnel)		
- Contributions to Employees' Provident Fund	7,028	7,091
- Wages, salaries and others	62,815	64,222
- Retirement benefits	5,159	5,220
Property, plant and equipment		
- Depreciation	51,134	46,377
- Write-off	635	38
Property rental	2,543	3,417
Rental of office equipment	286	217
Repair and maintenance	45,226	39,656
Trucking cost	57,161	52,976
Write-down of inventories to net realisable value	1,545	3,177
<b>and after crediting:</b>		
Finance income	3,731	2,623
Foreign exchange		
- Unrealised gain	3,450	3,336
Gain on derivatives	-	22,338
Gain on disposal of investment property	3,729	-
Gain on disposal of property, plant and equipment	901	2,173
Gain on disposal of right-of-use assets	44	-
Rental income	48,020	45,081
Reversal of impairment loss on slow-moving materials and supplies	-	6,433
Reversal of impairment loss on trade and other receivables	786	85

**NOTES TO THE FINANCIAL STATEMENTS**
**21. Tax expense**
**Recognised in profit or loss**

	2019 RM'000	2018 RM'000
<b>Current tax expense</b>		
- Current year	67,497	62,842
- Prior years	(8,913)	(5,168)
Total current tax recognised in profit or loss	<b>58,584</b>	57,674
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(4,970)	13,324
Under provision in prior years	8,606	807
Total deferred tax recognised in profit or loss	<b>3,636</b>	14,131
Total income tax expense	<b>62,220</b>	71,805
<b>Reconciliation of tax expense</b>		
Profit before tax	<b>239,346</b>	296,345
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	<b>57,443</b>	71,123
Non-deductible expenses	<b>5,955</b>	5,340
Non-taxable income	<b>(871)</b>	(297)
Over provision in prior years	<b>(307)</b>	(4,361)
	<b>62,220</b>	71,805
<b>Income tax recognised directly in equity</b>		
Deferred tax		
- Adjustments on initial application of MFRS 9	-	(193)
- Adjustments on initial application of MFRS 16	<b>(364)</b>	-
- Retirement benefit obligations	<b>(1,523)</b>	128
	<b>(1,887)</b>	(65)

**22. Other comprehensive (loss)/income**

	2019 RM'000	2018 RM'000
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability		
Before tax	<b>(6,347)</b>	534
Tax benefit/(expense)	<b>1,523</b>	(128)
Net of tax	<b>(4,824)</b>	406

**NOTES TO THE FINANCIAL STATEMENTS**
**23. Earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

	2019	2018
Net profit attributable to shareholders (RM'000)	<b>177,126</b>	224,540
Number of ordinary share units in issue ('000)	<b>270,000</b>	270,000
Basic earnings per share (sen)	<b>65.6</b>	83.2

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

**24. Dividends**

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2019</b>			
Final 2018 ordinary	<b>20.0</b>	<b>54,000</b>	<b>27 June 2019</b>
<b>2018</b>			
Final 2017 ordinary	25.0	67,500	27 June 2018

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 2019 ordinary	<b>12.0</b>	<b>32,400</b>



**NOTES TO THE FINANCIAL STATEMENTS**
**25. 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:

	2019 RM'000	2018 RM'000
Domestic	10,402,027	11,007,955
Foreign	1,054,802	1,039,082
	<b>11,456,829</b>	<b>12,047,037</b>

**Major customers**

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

	2019 RM'000	2018 RM'000
Related party		
- Petron Fuel International Sdn. Bhd.	2,484,155	2,632,399

Other than this major customer, there are no individual customers 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments**
**26.1 Categories of financial instruments**

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

- (a) Amortised cost (AC);
- (b) Fair value through profit or loss (FVTPL)  
- Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
<b>2019</b>			
<b>Financial assets</b>			
Cash and cash equivalents	156,599	156,599	-
Derivative financial assets	8,914	-	8,914
Trade and other receivables	420,865	420,865	-
	<b>586,378</b>	<b>577,464</b>	<b>8,914</b>
<b>Financial liabilities</b>			
Loans and borrowings	(130,000)	(130,000)	-
Trade and other payables	(1,088,355)	(1,088,355)	-
Derivative financial liabilities	(9,941)	-	(9,941)
	<b>(1,228,296)</b>	<b>(1,218,355)</b>	<b>(9,941)</b>
<b>2018</b>			
<b>Financial assets</b>			
Cash and cash equivalents	145,430	145,430	-
Derivative financial assets	32,419	-	32,419
Trade and other receivables	595,309	595,309	-
	<b>773,158</b>	<b>740,739</b>	<b>32,419</b>
<b>Financial liabilities</b>			
Loans and borrowings	(390,000)	(390,000)	-
Trade and other payables	(952,059)	(952,059)	-
Derivative financial liabilities	(5,328)	-	(5,328)
	<b>(1,347,387)</b>	<b>(1,342,059)</b>	<b>(5,328)</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.2 Net gains and losses arising from financial instruments**

	2019 RM'000	2018 RM'000
Net (losses)/gains on:		
Fair value through profit or loss	<b>(54,710)</b>	22,338
Financial liabilities measured at amortised cost		
- Finance costs	<b>(11,162)</b>	(12,046)
- Unrealised foreign exchange gain	<b>5,131</b>	3,395
- Realised foreign exchange loss	<b>(301)</b>	(16,033)
	<b>(6,332)</b>	(24,684)
Financial assets measured at amortised cost		
- Finance income	<b>3,731</b>	2,623
- Net reversal of/(impairment loss) on trade and other receivables	<b>458</b>	(725)
- Unrealised foreign exchange loss	<b>(1,681)</b>	(59)
- Realised foreign exchange (loss)/gain	<b>(619)</b>	3,780
	<b>1,889</b>	5,619
	<b>(59,153)</b>	3,273

**26.3 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**26.4 Credit risk**

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

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

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

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.4 Credit risk (continued)**
**Receivables (continued)**

*Exposure to credit risk, credit quality and collateral*

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant 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:

	2019 RM'000	2018 RM'000
Domestic	<b>75,647</b>	114,277
Foreign	<b>125,555</b>	47,180
	<b>201,202</b>	161,457

**Impairment losses**

The Company uses a provision matrix using historical credit loss experience over the past three years to measure expected credit losses (ECLs) on receivables.



**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.4 Credit risk (continued)**
**Receivables (continued)**
*Impairment losses for trade receivables*

The Company maintains an ageing analysis for trade receivables only. The following table provides information about the exposure to credit risk and ECLs on trade receivables as at 31 December 2019.

	Gross RM'000	Impairment RM'000	Net RM'000
<b>2019</b>			
Current	200,740	-	200,740
Past due 1 - 90 days	606	(144)	462
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	-	-	-
Past due more than 365 days	602	(602)	-
	<b>201,948</b>	<b>(746)</b>	<b>201,202</b>
<b>2018</b>			
Current	161,525	(68)	161,457
Past due 1 - 90 days	300	(300)	-
Past due 91 - 180 days	57	(57)	-
Past due 181 - 365 days	28	(28)	-
Past due more than 365 days	268	(268)	-
	<b>162,178</b>	<b>(721)</b>	<b>161,457</b>

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

	2019 RM'000	2018 RM'000
At 1 January	721	580
Adjustments on initial application of MFRS 9	-	3
Allowance made during the year	328	223
Reversal of impairment loss	(303)	(85)
At 31 December	<b>746</b>	<b>721</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.4 Credit risk (continued)**
**Receivables (continued)**
*Impairment losses for other receivables*

ECL was used resulting in the decrease in the allowance for impairment of other receivables amounting to RM483,000 (2018: increase of RM587,000).

**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.

**Cash and cash equivalents**
*Exposure to credit risk, credit quality and collateral*

The credit risk for cash and cash equivalents is deemed negligible, since the counterparties are considered reputable entities.

**26.5 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 and 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.5 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	More than 5 years RM'000
<b>2019</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	1,088,355	-	1,088,355	1,088,355	-	-	-
Lease liabilities	33,667	5.7% - 10.9%	119,283	6,340	2,815	6,829	103,299
Loans and borrowings							
Revolving credit	130,000	4.2%	135,421	135,421	-	-	-
	<b>1,252,022</b>		<b>1,343,059</b>	<b>1,230,116</b>	<b>2,815</b>	<b>6,829</b>	<b>103,299</b>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	1,732	-	181,762	181,762	-	-	-
Inflow	-	-	(180,030)	(180,030)	-	-	-
Commodity swaps (gross settled):							
Outflow	-	-	528,687	528,687	-	-	-
Inflow	(705)	-	(529,392)	(529,392)	-	-	-
	<b>1,253,049</b>		<b>1,344,086</b>	<b>1,231,143</b>	<b>2,815</b>	<b>6,829</b>	<b>103,299</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.5 Liquidity risk (continued)**
*Maturity analysis (continued)*

	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	More than 5 years RM'000
<b>2018</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	952,059	-	952,059	952,059	-	-	-
Loans and borrowings							
Revolving credit	390,000	4.4%	407,277	407,277	-	-	-
	<b>1,342,059</b>		<b>1,359,336</b>	<b>1,359,336</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	2,412	-	342,329	342,329	-	-	-
Inflow	-	-	(339,917)	(339,917)	-	-	-
Commodity swaps (gross settled):							
Outflow	-	-	64,794	64,794	-	-	-
Inflow	(29,503)	-	(94,297)	(94,297)	-	-	-
	<b>1,314,968</b>		<b>1,332,245</b>	<b>1,332,245</b>	<b>-</b>	<b>-</b>	<b>-</b>



**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.6 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.

**26.6.1 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 European Union Euro (EUR) (2018: 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. All 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 RM'000	JPY RM'000	SGD RM'000	GBP RM'000	EUR RM'000
<b>2019</b>					
Cash and cash equivalents	16,273	-	-	-	-
Trade and other receivables	125,555	-	-	-	-
Trade and other payables	(432,194)	(1,066)	(278)	-	(86)
Net exposure	(290,366)	(1,066)	(278)	-	(86)
<b>2018</b>					
Cash and cash equivalents	19,994	-	-	-	-
Trade and other receivables	47,180	-	-	-	-
Trade and other payables	(468,742)	(3,827)	(88)	(9)	-
Net exposure	(401,568)	(3,827)	(88)	(9)	-

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.6 Market risk (continued)**
**26.6.1 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% (2018:10%) 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	
	2019 RM'000	2018 RM'000
USD	22,068	30,519

A 10% (2018:10%) 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.

**26.6.2 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:

	2019 RM'000	2018 RM'000
	<b>Floating rate instruments</b>	
Financial liabilities	(130,000)	(390,000)

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.6 Market risk (continued)**
**26.6.2 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			
	2019		2018	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(4)	4	(6)	6

**NOTES TO THE FINANCIAL STATEMENTS**
**26. Financial instruments (continued)**
**26.7 Fair value information**

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

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

	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>2019</b>					
<b>Financial assets</b>					
Commodity swaps	-	8,914	-	8,914	8,914
	-	8,914	-	8,914	8,914
<b>Financial liabilities</b>					
Forward exchange contracts	-	(1,732)	-	(1,732)	(1,732)
Commodity swaps	-	(8,209)	-	(8,209)	(8,209)
	-	(9,941)	-	(9,941)	(9,941)
<b>2018</b>					
<b>Financial assets</b>					
Commodity swaps	-	32,419	-	32,419	32,419
	-	32,419	-	32,419	32,419
<b>Financial liabilities</b>					
Forward exchange contracts	-	(2,412)	-	(2,412)	(2,412)
Commodity swaps	-	(2,916)	-	(2,916)	(2,916)
	-	(5,328)	-	(5,328)	(5,328)

**Level 2 fair value**
*Derivatives*
*Forward exchange contracts*

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).

*Commodity swaps*

The fair value of commodity swaps is estimated using forward pricing model based on market observable inputs.

**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 (2018: no transfer in either directions).



**NOTES TO THE FINANCIAL STATEMENTS**
**27. 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 2019 and 31 December 2018 were as follows:

	2019 RM'000	2018 RM'000
Loans and borrowings (Note 13)	130,000	390,000
Lease liabilities	33,667	-
<b>Total debt</b>	<b>163,667</b>	390,000
<b>Total equity</b>	<b>1,785,959</b>	1,668,809
<b>Debt-to-equity ratios</b>	<b>0.09</b>	0.23

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

**28. Capital and other commitments**

	2019 RM'000	2018 RM'000
<b>Capital expenditure commitments</b>		
Contracted but not provided for		
Plant and equipment	164,168	198,528
Investment property	74,749	28,073

Included above is contracted for the jointly-owned assets of the Multi-Product Pipeline amounting to RM Nil (2018: RM619,000).

**29. 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.

**29. Other proceeding (continued)**

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.

KLSSB also filed a motion to amend the Order made by the Court of Appeal dated 10 December 2015 and was dismissed by the Court of Appeal on 24 September 2018. KLSSB has since filed an application for leave to appeal to the Federal Court in relation to the dismissal by the Court of Appeal. KLSSB's leave to appeal was heard and also dismissed on 5 March 2019 by the Federal Court.

On 3 December 2018, KLSSB filed a new claim against the Company allegedly over a breach of contract in relation to the same Agreement (the Second Suit). The amount of damages claimed was approximately RM109,183,500.

On 4 April 2019, High Court allowed the Company's application to strike out the Second Suit. Subsequently, on 29 April 2019, KLSSB filed an Appeal against the decision of the High Court to the Court of Appeal. The Court of Appeal on 9 January 2020 upheld the High Court decision.

On 5 February 2020, KLSSB filed an application for leave to appeal to the Federal Court against the dismissal by the Court of Appeal. The Company has instructed its external counsel to act on its behalf and does not expect any financial or operational impact as a result of KLSSB's application for leave to appeal to the Federal Court. Accordingly, no provision is required for this claim.

**30. 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**30. Related parties (continued)**
**Significant related party transactions**

In the ordinary course of business, the Company undertakes transactions with related parties which include the sale and purchase 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 14.

	2019 RM'000	2018 RM'000
Purchase of petroleum products from related company:		
Petron Fuel International Sdn. Bhd.	1,183,494	1,300,684
Sale of petroleum products to related company:		
Petron Fuel International Sdn. Bhd.	2,484,155	2,632,399
Central management, shared facilities and service costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	75,259	88,293
Charged to:	1,128	1,107
Central management, shared facilities and service costs with intermediate holding company:		
Petron Corporation		
Charged from:	224	286
Key management personnel:		
Non-executive directors		
Fees	312	325
Other short-term employee benefits	196	314
	<b>508</b>	<b>639</b>

**31. 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	
				2019	2018
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 common carrier pipeline facilities	50%	50%

**NOTES TO THE FINANCIAL STATEMENTS**
**32. Significant changes in accounting policies**

During the year, the Company adopted MFRS 16, *Leases*, on its financial statements.

**Definition of a lease**

The Company applied the requirements of this accounting standard retrospectively with cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019. On transition to MFRS 16, the Company elected to apply the practical expedients as allowed by the standard, such that MFRS 16 is only applied to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117, *Leases* and IC Interpretation 4, *Determining whether an Arrangement Contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

**As a lessee**

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amounts as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019. The weighted average rate applied is 8.3%.

The Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**As a lessor**

The Company reassessed the classification of leases previously classified as operating lease under MFRS 117 and concluded that the leases are operating lease under MFRS 16.

**Impacts on financial statements**

The Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

The following table explains the difference between operating lease commitments disclosed in applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Company's financial statements	16,362
Discounted using the incremental borrowing rate at 1 January 2019	13,184
Extension and termination options reasonably certain to be exercised	2,854
Lease liabilities recognised at 1 January 2019	<b>16,038</b>

Prepaid lease rentals for operating lease under MFRS 117 at 31 December 2018 were recognised as right-of-use assets at 1 January 2019.



**NOTES TO THE FINANCIAL STATEMENTS**
**32. Significant changes in accounting policies (continued)**
**Impacts on financial statements (continued)**

The following table summarises the impacts arising from the adoption of MFRS 16 on the Company's financial statements.

	At 31 December 2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000
<b>Statement of financial position</b>			
Current assets	1,871,490	<b>(14,138)</b>	<b>1,857,352</b>
Non-current assets	1,263,730	<b>28,660</b>	<b>1,292,390</b>
Current liabilities	(1,351,896)	<b>(1,609)</b>	<b>(1,353,505)</b>
Non-current liabilities	(114,515)	<b>(14,065)</b>	<b>(128,580)</b>
Equity	(1,668,809)	<b>1,152</b>	<b>(1,667,657)</b>

**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 90 to 142 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 2019 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**

Date: 27 February 2020

## STATUTORY DECLARATION

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

I, **Mark Tristan D. Caparas**, 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 90 to 142 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 27 February 2020.

.....  
**Mark Tristan D. Caparas**

Before me:

.....  
Commissioner for Oaths  
Kuala Lumpur

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD  
(Company No. 196001000260 (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 2019, 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 90 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 2.14(i) and Note 18 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 controls of the goods have been transferred to the customers. 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.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD  
(Company No. 196001000260 (3927-V))  
(Incorporated in Malaysia)**

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD  
(Company No. 196001000260 (3927-V))  
(Incorporated in Malaysia)**

**Key Audit Matters (continued)**
**(i) Revenue recognition (continued)**
**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.

**(ii) Valuation of inventories**

Refer to accounting policy Note 2.8 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 to determine whether the cost of raw materials should be written down to its net realisable value at the end of the reporting period.

**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 (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.

**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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD  
(Company No. 196001000260 (3927-V))  
(Incorporated in Malaysia)**

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- 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

Petaling Jaya, Selangor

Date: 27 February 2020

**Chong Dee Shiang**  
Approval Number: 02782/09/2020 J  
Chartered Accountant

## INFORMATION ON SHAREHOLDINGS

As at 1 April 2020

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	449	4.195	11,799	0.004
100 - 1,000	4,278	39.970	3,176,275	1.176
1,001 - 10,000	5,020	46.902	18,772,431	6.952
10,001 - 100,000	8,184	8.184	23,956,910	8.872
100,001 - 13,499,999	79	0.738	25,903,522	9.593
13,500,000 and above	1	0.009	198,179,063	73.399
	10,703	100.00	270,000,000	100.00

**THIRTY LARGEST SHAREHOLDERS**

As at 1 April 2020

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)	2,700,100	1.000
3. TAN KAH HOCK	1,501,600	0.556
4. CITIGROUP NOMINEES (ASING) SDN BHD CBLDN FOR POLUNIN EMERGING MARKETS SMALL CAP FUND, LLC	1,462,186	0.541
5. NEOH CHOO EE & COMPANY, SDN. BERHAD	1,309,000	0.484
6. JOHAN ENTERPRISE SDN. BHD.	884,600	0.327
7. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)s	749,500	0.277
8. CGS-CIMB NOMINEES (ASING) SDN BHD EXEMOT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	744,948	0.275
9. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	720,900	0.267
10. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	720,000	0.266



**INFORMATION ON SHAREHOLDINGS**

Name	No. of Units Held	% of Issued Capital
11. CHIA KUN JUAN	635,000	0.235
12. SOON HOCK TEONG	605,000	0.224
13. UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	578,560	0.214
14. YAYASAN GURU TUN HUSSEIN ONN	539,200	0.199
15. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AM INV)	500,100	0.185
16. DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR ALBERTA INVESTMENT MANAGEMENT CORPORATION	490,000	0.181
17. TAN HOCK CHENG	486,000	0.180
18. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	428,600	0.158
19. LIM SOO HIAN	412,000	0.152
20. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	350,000	0.129
21. DYNAQUEST SDN. BHD.	318,900	0.118
22. ELETECHNICS SDN BHD	100,000	0.111
23. KIM POH HOLDINGS SDN BHD	300,000	0.111
24. REUBEN TAN CHERH CHUNG	300,000	0.111
25. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP CERIES	294,500	0.109

**INFORMATION ON SHAREHOLDINGS**

Name	No. of Units Held	% of Issued Capital
26. NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
27. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	253,700	0.093
28. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	247,800	0.091
29. TEO SOO CHUAN (PRIVATE) LIMITED	245,000	0.090
30. HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	235,900	0.087
<b>TOTAL</b>	<b>216,772,157</b>	<b>80.285</b>

**SUBSTANTIAL SHAREHOLDER**

As at 1 April 2020

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 2019

	Tenure	Land area (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value
<b>NEGERI SEMBILAN</b>							
<b>MPP and KVDT</b>	L	745,929	MPP/KVDT facilities	01.03.2001	01.02.2100	19	20,223,815
<b>Port Dickson Refinery</b> 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		60	11,159,825
<b>PETRON RSA Seremban Northbound</b> (PBL#305412) Lot 2378, KM271.5, Lebuhraya Kuala Lumpur – Seremban (Arah Utara), 71900 Seremban, Negeri Sembilan	L	4,190	Service station	01.01.2016	04.01.2036	4	17,062,466
<b>PETRON Bandar Ainsdale</b> (PBL#308402) Lot PT 36339, Jalan Ainsdale 15/4, Bandar Ainsdale, 70200 Seremban, Negeri Sembilan	F	5,603	Service station	04.02.2019		1	9,683,430
<b>PENANG</b>							
<b>Bagan Luar Terminal</b> Lot 95-125, 2327-2338, Section 4, Butterworth, Seberang Perai Utara, Pulau Pinang	F	49,280	Storage and distribution terminal	Revalued in 1982		60	11,876,064
<b>PAHANG</b>							
<b>PETRON Karak Highway KL Bound</b> (PBL#307830) Lot PT 7402, KM72.5, Lebuhraya Karak Arah Barat, 28600 Karak, Pahang	L	4,702	Service station	07.06.2017	06.06.2047	3	8,140,324
<b>PERAK</b>							
<b>Lumut PME Plant</b> Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, 32100 Sitiawan, Perak	L	14,343	Industrial plant facilities	01.03.2019	13.03.2096	1	15,078,278
<b>PETRON Behrang Layby Southbound</b> (PBL#308343) Lot PT 19783, KM 382.6, Plus Arah Selatan, 35950 Behrang, Perak	L	3,411	Service station	07.08.2010	06.08.2040	10	9,392,256
<b>SELANGOR</b>							
<b>PETRON NKVE KL Bound</b> (PBL#305225) Lot PT 1953, KM10.8 (Arah Timur), Lebuhraya Baru Lembah Klang, Seksyen U1, 40150 Shah Alam, Selangor	L	5,853	Service station	16.03.2017	15.03.2047	3	15,540,638
<b>PETRON Bukit Lanjan Southbound</b> (PBL#101507) KM 458.4, Bukit Lanjan Utara, Lebuhraya Utara Selatan, 47000 Sungai Buloh, Selangor	L	2,880	Service station	01.06.2018	31.12.2038	2	7,379,183

## NOTICE OF ANNUAL GENERAL MEETING

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Sixty-First (61<sup>st</sup>) Annual General Meeting of the Company will be held at the Pullman Ballroom, Level 2, Pullman Kuala Lumpur Bangsar, No. 1 Jalan Pantai Baharu, Jaya Tower 3, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Thursday, 18 June 2020 at 2:00 p.m., for the purpose of transacting the following business:

- To receive the Company's Audited Accounts for the year ended 31 December 2019 and the Directors' and Auditors' Reports thereon. **(Ordinary Resolution 1)**
- To approve the declaration of final dividend of 12 sen per ordinary share for the year ended 31 December 2019. **(Ordinary Resolution 1)**
- To re-elect Mr. Fong Seow Kee retiring in accordance to Articles 103 and 104 of the Company's Constitution. **(Ordinary Resolution 2)**
  - To re-elect Mr. Antonio M. Cailao retiring in accordance to Articles 103 and 104 of the Company's Constitution. **(Ordinary Resolution 3)**
  - To elect Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid pursuant to Article 109 of the Company's Constitution. **(Ordinary Resolution 4)**
- To appoint Y. Bhg. Dato' Zainal Abidin Putih, who has served for more than twelve (12) years, as an Independent Director in compliance with Article 101(d) of the Company's Constitution and Practice 4.2 of the Malaysian Code on Corporate Governance 2017. **(Ordinary Resolution 5)**
- To approve the payment of Directors' fees and benefits payable to the Independent Directors with effect from 1 January 2020 until the next Annual General Meeting of the Company. **(Ordinary Resolution 6)**
- To appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 7)**
- To transact any other 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 10 June 2020. Only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy or proxies to attend and/or vote in his/her stead.

**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 23 June 2020, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 3 July 2020.

A shareholder shall qualify for entitlement only in respect of:

- Securities transferred to the Depositor's Securities Account before 4:00p.m. on 23 June 2020 in respect of transfers;
- Securities deposited into the Depositor's Securities Account before 12:30p.m. on 19 June 2020 in respect of securities which are exempted from mandatory deposit; and
- 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, 30 April 2020



**NOTICE OF ANNUAL GENERAL MEETING**
**Notes:**
**Proxy**

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies 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 and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment made via TIIH Online, the proxy form must be deposited at <https://tiih.online>. All proxy forms submitted must be received by the Company not less than twenty four (24) hours before the time set for the Annual General Meeting.

**Remote Participation/Voting**

Arising from uncertainties related to the COVID-19 pandemic and possibility of travel restrictions/restrictions against mass gatherings, the Company is exploring means to secure a system to enable shareholders and proxies to 'attend'/participate/vote at the Annual General Meeting via an online interactive system. If the Company moves to implement such a system, more details will be sent to shareholders in due course.

**Annual Report 2019**

The Annual Report 2019 and other accompanying documents:

- (1) are available online at <https://www.petron.com.my/investor-relations/our-annual-reports>; and
- (2) will be sent by electronic mail to Shareholders who have maintained their e-mail addresses in the Record of Depositors with Bursa Malaysia Depository Sdn. Bhd.

Please be advised that any request for hard copies of the Annual Report will be processed and forwarded to the requesting shareholders at the first reasonable opportunity due to difficulties in printing and mailing hard copies arising from the Movement Control Order that came into force on 18 March 2020 as well as uncertainties arising from the COVID-19 pandemic.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**
**1. Directors standing for election/re-election/appointment**

- Mr. Fong Seow Kee and Mr. Antonio M. Cailao, retire by rotation and are eligible for re-election pursuant to Articles 103 and 104 of the Company's Constitution.
- Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid, who was appointed as an Independent Director by the Board on 27 February 2020, retires pursuant to Article 109 of the Company's Constitution and is eligible for election.
- Y. Bhg. Dato' Zainal Abidin Putih, age 74, is an Independent Director of the Company. As Y. Bhg. Dato' Zainal Abidin Putih has served on the Board for more than twelve (12) years, in compliance with Article 101(d) of the Company's Constitution and 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 continued excellence in the functioning of the Board Audit & Risk Management Committee. Y. Bhg. Dato' Zainal Abidin Putih also can continue to greatly contribute by providing sound advice to the Independent Directors and the Board as a whole, guiding the Company in its plans and policies, and at the same time, acting to protect the interest of minority shareholders.
- The Nominating Committee following its annual evaluation of the Board's performance, concluded that Mr. Fong Seow Kee, Mr. Antonio M. Cailao and Y. Bhg. Dato' Zainal Abidin Putih, 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 that Mr. Fong Seow Kee and Mr. Antonio M. Cailao be re-elected, that Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid be elected to the Board and that Y. Bhg. Dato' Zainal Abidin Putih be appointed to the Board for another one-year term as an Independent Director.
- Y. Bhg. Dato' Zainal Abidin Putih's appointment (Resolution 5) shall be voted on by means of a two-tier voting system per the recommendation of the Malaysian Corporate Governance Code 2017.

The above Directors' profile containing their qualifications, experience and other directorships can be viewed on pages 43 to 45 of the Annual Report.

**2. Directors Benefits**

- Section 230(1) of the Companies Act 2016 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) RM78,000 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 Board 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 Board Committee) attends;
  - (d) RM700 per month to each Independent Director as fuel allowance, on reimbursement basis; and
  - (e) RM15,000 as an ex-gratia payment to each Independent Director of the Company for services rendered to the Company in 2019.

The above proposals are unchanged from those approved at the Annual General Meeting in 2019

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

**3. 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.

**4. 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 43 to 45 of the Annual Report.

**(ii) Statement of shareholdings**

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

**(iii) Family relationship**

None of the Directors standing for election/re-election/appointment has 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 has 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 was there any Director imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



**PETRON MALAYSIA REFINING & MARKETING BHD**

Registration No. 196001000260 (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 18 June 2020 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:

Resolution No.	Agenda Item	For	Against
	To receive the Company's Audited Accounts	-NIL-	-NIL-
1.	To approve the declaration of final dividend		
2.	Re-elect Mr. Fong Seow Kee		
3.	Re-elect Mr. Antonio M. Cailao		
4.	Elect Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid		
5.	Appointment of Y. Bhg. Dato' Zainal Abidin Putih		
6.	Payment of Directors' fees and benefits for 2020		
7.	Appoint KPMG PLT as Auditors and authorise the Directors to determine their remuneration		

(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 : \_\_\_\_\_

Contact No : \_\_\_\_\_

**Notes:**

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies 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 the **Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur**, alternatively online via our share Registrars' website, TIIH Online at <https://tiih.online>, not less than 24 hours before the time set for the meeting.





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AFFIX  
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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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**PETRON**

**PETRON MALAYSIA REFINING & MARKETING BHD** Registration No. 196001000260 (3927-V)

Level 12A, Menara I&P 1, No. 46 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

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[www.petron.com.my](http://www.petron.com.my)