



PETRON

PETRON MALAYSIA REFINING &
MARKETING BHD
196001000260 (3927-V)

PRIORITISING WHAT

MATTERS



PROTECTING OUR EMPLOYEES AND STAKEHOLDERS DURING THE PANDEMIC

Adhering to Stricter Health and Safety Protocols



Petron remains a safe working place for our employees as we elevate the 'Be Safe' culture to the next level.



LEVERAGING ON WORKPLACE FLEXIBILITY FOR CONTINUOUS ENGAGEMENT & PRODUCTIVITY

Ensuring the Safety and Continuity of Our Operations

Amid challenges and restrictions, we continued to provide consistent and reliable services to our customers and communities.

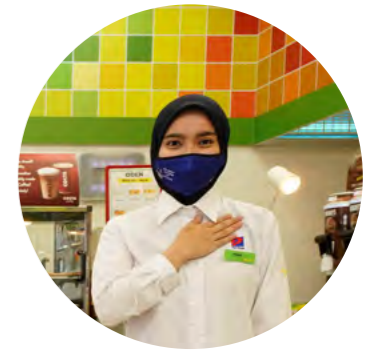


GOING THE EXTRA MILE IN SERVING OUR CUSTOMERS

Keeping Our Customers Safe



Frequent sanitisations are conducted in all our service stations to keep our staff and customers protected from the virus.



We strive to serve you with our personalised customer service.

STAYING CONNECTED WITH OUR CUSTOMERS ONLINE

Fueling Convenience on the Road and at Home



We partnered with food delivery provider, foodpanda Malaysia to make purchasing items at our Treats stores more convenient and faster.



Customers have the option to pay their Petron Gasul home deliveries using their e-wallet.

FUELING HOPE IN OUR COMMUNITIES AND FRONTLINERS

Constantly Finding Ways to Make Life Better for Affected Sectors

Through the combined efforts of Petron employees and our dealers, much-needed Personal Protection Equipment sets were donated to 12 hospitals in seven states.



The Company also donated our clean-burning Petron Gasul cooking gas to ease the burdens of communities in need.



Spreading cheer through PMiles Card for frontliners and food delivery riders.



MAKING EVERY EFFORT COUNT WE ARE STRONGER #KITAJAGAKITA

Coming Together as One to Help Overcome the Pandemic



Employees and service station staff helped to assemble 40,000 face shields for frontliners.



PRIORITISING WHAT MATTERS

COVER RATIONALE

When the pandemic struck, upholding our commitment to the country while keeping our people safe was foremost in our priorities. From our operations personnel who helped keep our supply chain running, the service station staff who attended to the needs of motorists, to the LPG delivery team that made sure that families had the means to prepare their meals— it was through the collective hard work and dedication of everyone in the organisation that allowed us to concretise our commitment to service. We stand together in overcoming this pandemic and emerging stronger from it.

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 |

Inside This Report

The interactive PDF allows you to access information easily, search for a specific item, view website or navigate between pages, sections and links.

- Content List
- Link
- Search
- Website
- Previous Page
- Next Page

01 ABOUT US

Our Story	10
2020 At a Glance	12
How Petron Reaches You	14

02 OUR PERFORMANCE REVIEW

Five-year Summary Charts	16
Financial Highlights	17
Chairman's Statement	18
Management Discussion and Analysis	22

03 SUSTAINABILITY STATEMENT

Sustainability Statement	38
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04 CORPORATE GOVERNANCE

Corporate Information	45
Profile of Board of Directors	46
Profile of Management Committee	51
Corporate Governance Overview Statement	54
Statement of Risk Management & Internal Control	72
Board Audit & Risk Management Committee Report	76
Nominating Committee Report	81

05 FINANCIAL STATEMENTS

Financial Statements	84
Independent Auditors' Report	137

06 ADDITIONAL INFORMATION

Information on Shareholdings	140
Top 10 Properties	142
Notice of Annual General Meeting	143
Statement Accompanying Notice of Annual General Meeting	145
• Proxy Form	

OUR STORY

OUR STORY



Petron Refinery in Port Dickson.

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 10 strategically-located depots and terminals of Petron subsidiaries in Malaysia.

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

As an Asian company with a global mindset, we look forward to becoming an integral part of your lives as we fuel journeys through our network of more than 720 service stations nationwide, including service 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.

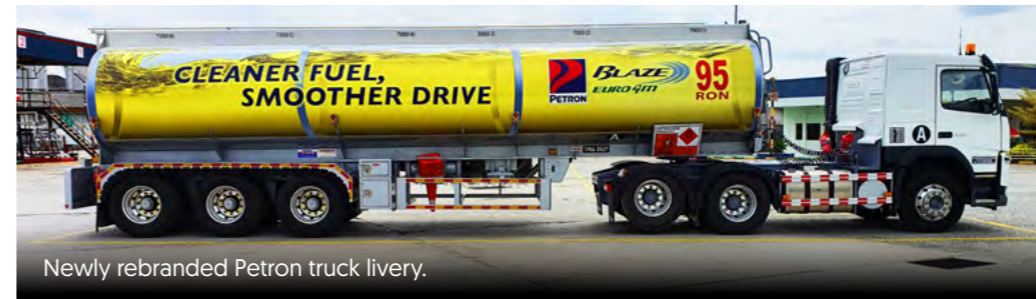
Petron's premier LPG brand, Petron Gasul, provides efficient energy for Malaysian households.

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.



Petron Aman Putri service station.



Newly rebranded Petron truck livery.

YouTube Click on the button to play video.

Petron #FuelHope

Underscoring our commitment to fuel the best customer experiences despite the pandemic, we continue to provide more value and opportunities for savings, whilst ensuring our customers' safety and upholding high product and service quality.

FEEDBACK FROM OUR CUSTOMERS

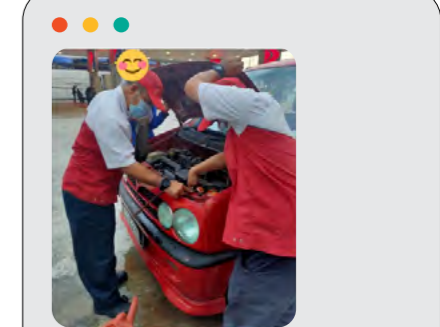
Twitter: @farissyakirin

P-rove the best customer service!
E-xcellence membership privileges!
T-remendous fuel quality!
R-ecommended station in Malaysia!
O-utstanding products and services quality!
N-ice and convenient store!
#PetronFuelHappy

Twitter: @Komandofairus

Terima Kasih Petron Malaysia saya sentiasa menggunakan minyak dari Petron. Jimat minyak kereta untuk perjalanan yang jauh

Twitter: @shazrashazleen



Dear Petron,

Congratulations & thank you sebab ada pekerja yang very helpful and friendly. Kiri tu OKU (pendengaran & bisu), kanan normal.

Even dia OKU but he's really skillful like a true mechanic, mahir serba serbi boleh. Bila nak bagi tips taknak ambik sebab ikhlas bantu

2020 AT A GLANCE



Streamed **25 NEW SERVICE STATIONS***



Bronze winner in the **Putra Brand Awards**



More than **720 SERVICE STATIONS* NATIONWIDE**



“Top 3 Most Attractive Employer in the Oil & Gas Sector” by Graduates’ Choice Award



Grand Award winner in **Malaysian Society for Occupational Safety & Health** for Port Dickson Refinery



Offering cash and carry LPG at **82 PETRON SERVICE STATIONS***

Achieved **18.7 years without Lost Time Injury** at **Port Dickson Refinery** and **24 Years at the Terminals***

* PMRMB and its sister companies

SUPPORTING OUR COMMUNITIES



98,000 pieces of PPE for 12 hospitals in 7 states



51,350 kg of rice for families in need



15,106 kg of cooking oil for families in need



40,000 pieces of face shields for frontliners



RM29,120 worth of Petron Miles points for MERCY and food delivery riders



33,252 kg of LPG for charity homes, NGOs and B40 families



3,240 liters of lubricants donated to food delivery riders



126 service stations contributed about **RM158,000** in cash, PPE, basic food items and essential goods to frontliners and the public



280 service stations participated in assembling 28,000 pieces of Face Shields for our station heroes working in the country



5,506 of food packs for B40 group in 6 states

HOW PETRON REACHES YOU

HOW PETRON REACHES YOU

WAY POINTS BETWEEN YOU AND OUR PRODUCTS

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.

COMMERCIAL

More than 720 Petron service stations provide a delightful and rewarding one-stop service experience for travellers on the road.

RETAIL

TERMINAL

REFINERY

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

LPG



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

FIVE-YEAR SUMMARY CHARTS

SALES VOLUME

Thousand barrels per calendar day

78
2020

99
2019

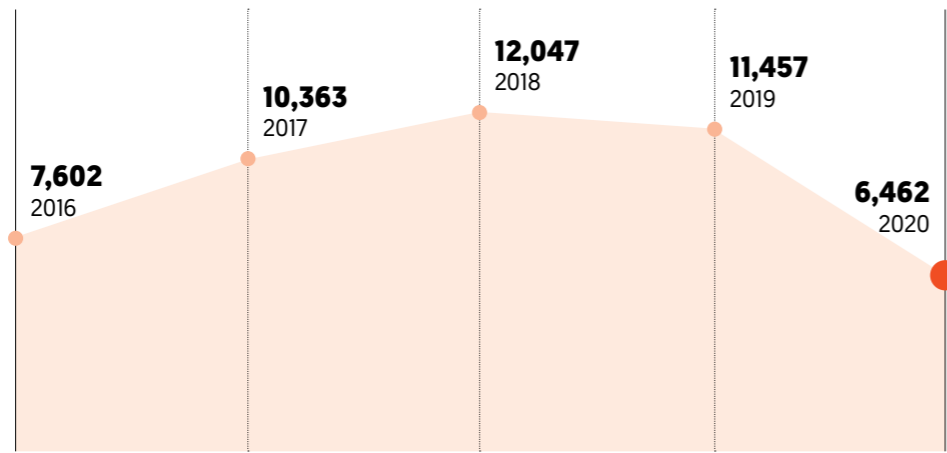
97
2018

96
2017

88
2016

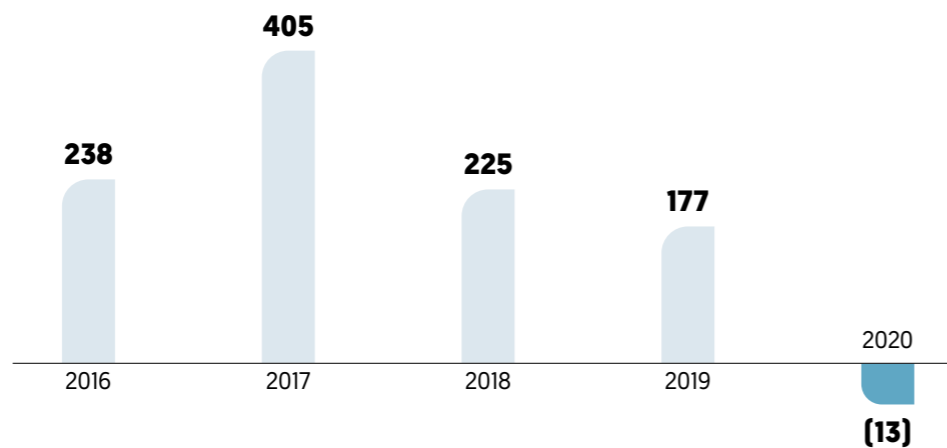
REVENUE

RM Million



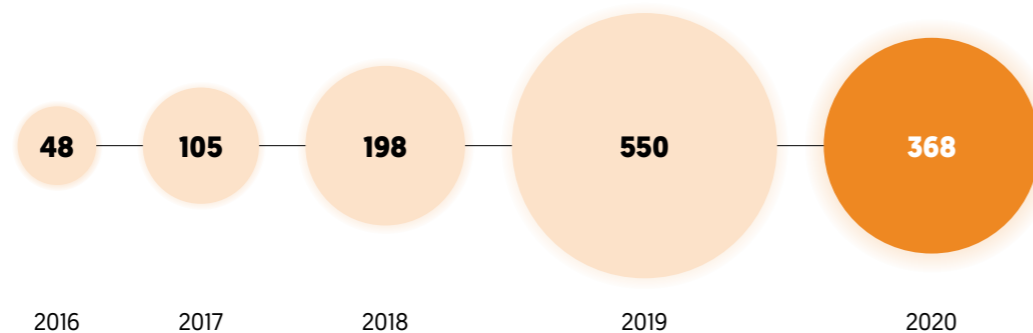
PROFIT/(LOSS) FOR THE YEAR

RM Million



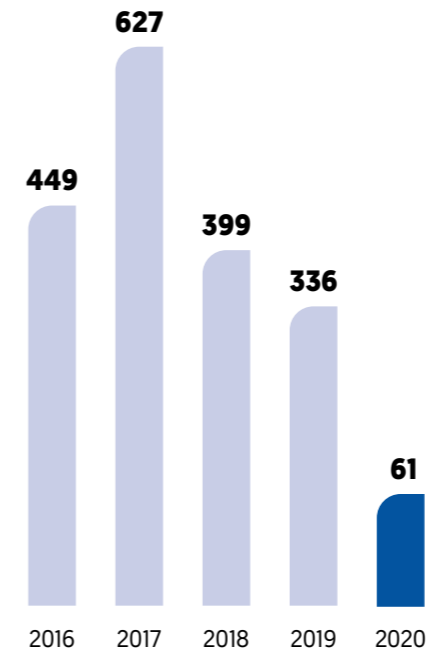
CAPITAL EXPENDITURES

RM Million



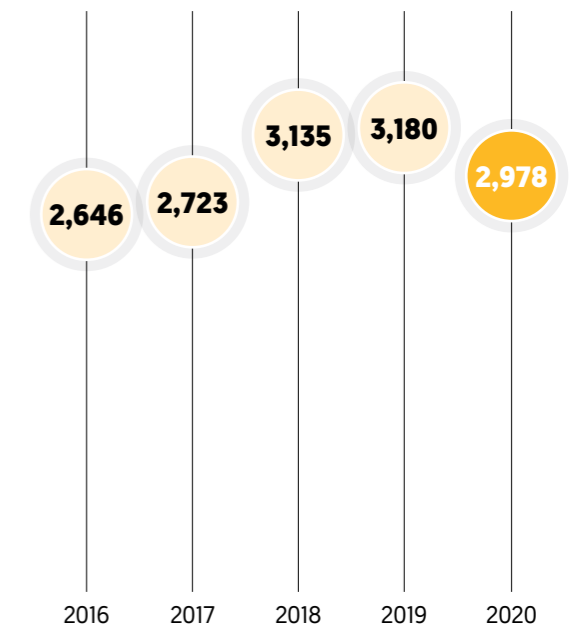
EBITDA

RM Million



TOTAL ASSETS EMPLOYED

RM Million (Financed by)



FINANCIAL HIGHLIGHTS

	2019 RM Million	2020 RM Million
Revenue	11,457	6,462
Profit/(Loss) for the year	177	(13)
Total assets employed	3,180	2,978
Total equity	1,786	1,742
Sales volume (million barrels)	36.3	28.6

SHAREHOLDERS' INFORMATION

	2016	2017	2018	2019	2020
Earnings/(Loss) per ordinary share (sen)	88.0	150.1	83.2	65.6	(4.9)
Dividends per ordinary share (sen)	22.0	25.0	20.0	12.0	5.0
Dividends yield (%)	4.6	3.0	2.3	2.0	1.2
Share price (RM)					
- Highest	7.31	15.06	14.16	7.50	6.75
- Lowest	3.51	4.09	6.01	4.92	2.49
- Average	4.80	8.47	8.59	5.99	4.03
Number of employees at year-end	315	328	343	349	341

CHAIRMAN'S STATEMENT

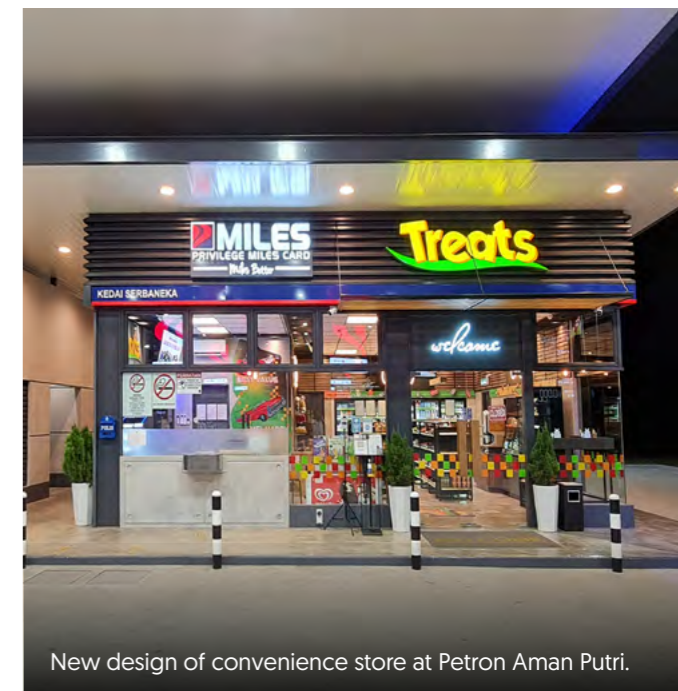


RAMON S. ANG
Chairman

DEAR SHAREHOLDERS,

2020 was filled with unexpected and unprecedented challenges. The COVID-19 pandemic disrupted the world economy and affected millions of lives. And we, too, were not spared from its economic impact.

CHAIRMAN'S STATEMENT



New design of convenience store at Petron Aman Putri.

We continued to grow our retail network to ensure that our products are always accessible to motorists and consumers. Together with our sister companies in the Petron Malaysia Group, we streamed 25 new service stations, making our world-class petroleum products available at more than 720 stations in Malaysia. To meet the increasing demand for our high-performance fuels, Blaze 100 is now available at over 100 stations, while our trailblazing Turbo Diesel Euro 5 is now offered at over 240 stations.

The Malaysian government imposed a Movement Control Order (MCO) to curb the spread of the virus, limiting movement and business activities, before gradually easing into a Conditional MCO and Recovery MCO. This eventually allowed for some economic recovery in the second half. However, the drop in consumer demand due to the lockdowns impacted the country's Gross Domestic Product (GDP) which contracted by 5.6% (according to BNM published report) for 2020.

The oil price war in the first quarter and the worldwide demand destruction caused by the pandemic triggered the oil market crisis characterised by oversupply of oil and plummeting prices. Dated Brent marked its all-time low, averaging only US\$19 per barrel in April.

OVERCOMING THE CHALLENGES

Our total sales volume declined by 21% to 28.6 million barrels in 2020 from 36.3 million barrels in the previous year. The collapse in prices caused our revenues to contract 44% to RM6.5 billion from the RM11.5 billion posted in 2019. The drop in sales volume and inventory holding losses resulting from the oil price plunge led to a 65% decline in our gross profit to RM167 million compared to RM472 million in 2019.

In overcoming these financial challenges, we prioritised what matters most to us. We re-aligned our plans and initiated cash preservation measures to overcome the pandemic's severe impact - all while putting the health and safety of our people first. Because of our concerted efforts, we managed to save RM31 million or 11% in our operating expenses.

By the second half of the year, we were able to bring our Company back to profitability, successfully overcoming the pandemic slump. This greatly reduced our net loss for the whole year to RM13 million.

UNPRECEDENTED EVENTS, EXTRAORDINARY ACTIONS

As challenging as the year was, our past experiences and strong fundamentals fuelled our capacity to remain resilient. Despite the unfavourable business environment, we still followed through on our expansion efforts, committed to our promise to fuel growth and recovery.

The Diesel Hydrotreater (DHT) and Marine Import Facility 2 (MIF2), two of our biggest projects yet in Port Dickson Refinery (PDR), continued despite experiencing some delays during the MCO. The new processing unit and finished product tanks including its related offshore facilities are scheduled to be completed in the second quarter of 2021. Once the DHT is completed, we acquire the capabilities to produce ultra-low sulphur automotive diesel making our product compliant to the Euro 5 specification. The additional tanks will allow us to import in bigger parcels resulting in additional import freight savings.

We adopted a new design for the new station located at Petron Aman Putri, Selangor, which was completed in the fourth quarter of 2020. This breakthrough design primarily revolves around the "Less is More" design philosophy. With customer focus in mind, the new design enables us to build less, yet provide more to meet customers' needs.

Our loyalty programme, Petron Miles Card continued to reward our loyal patrons through collaborations with strategic partners. We constantly thought of ways to provide better value, better rewards, and better privileges to our ever-growing Petron Miles members.

One area we particularly focused on was serving the fuel requirements of the industrial, wholesale, and aviation sectors. With our proven track record on product quality and reliability, we were able to secure new and retain existing accounts even under such difficult business condition. Our Petron Gasul LPG is sold in more service stations, providing better accessibility while expanding our distribution network.

CHAIRMAN'S STATEMENT

We re-aligned our plans and initiated cash preservation measures to overcome the pandemic's severe impact—all while putting first the **health and safety of our people.**

Despite the unfavourable business environment, we still followed through on our expansion efforts, **committed to our promise to fuel growth and recovery.**



We carried on with our **Corporate Social Responsibility (CSR) programmes** to uplift the lives of the underprivileged and bring relief to hard-hit areas.



We are equally **proud of our business partners – service station dealers and staff, distributors, vendors and service providers** – who selflessly joined hands to assist communities affected by the pandemic. They all helped in fulfilling our role in nation-building.



Food aid distribution programme to communities during pandemic.

CARING FOR OUR CUSTOMERS AND COMMUNITIES

The pandemic affected communities including those we are part of. We carried on with our Corporate Social Responsibility (CSR) programmes to uplift the lives of the underprivileged and bring relief to hard-hit areas.

In support of our health workers, we donated Personal Protective Equipment (PPE) to twelve hospitals in seven states. We also distributed basic items for cooking such as rice, oil, and other essential items. We donated our Petron Gasul LPG and PMiles points redeemable for fuels to families in need as well as frontliners. Our employees also made personal donations, which were matched by the Company, enough to make 40,000

face shields. We take great pride in the dynamism of our employees who are part of our Volunteerism in Action (VIA) programmes. We are equally proud of our business partners – service station dealers and staff, distributors, vendors and service providers – who selflessly joined hands to assist communities affected by the pandemic. They all helped in fulfilling our role in nation-building.

EMPLOYEE SAFETY AND WELFARE

Our employees are our most valuable assets. As we aimed to provide a safe and conducive work environment, we implemented a work from home arrangement for our employees while ensuring that critical operations continued running.

Our 'Be Safe' culture is at the forefront of our business practices as we promote a safe work environment in all facets of our operations for our employees, business partners and ultimately for our customers.

In support of our people, we upheld our ExCITES (Excellence, Customer Focus, Innovation, Teamwork, Ethics, and Safety) culture which underlines the core values of the Company. We were recognised for the second consecutive year by the Graduates' Choice Award as one of the "Top 3 Most Attractive Employers to Work For in the Oil & Gas sector" for our human resources initiatives.

SEEDING THE FUTURE

Strengthening the business, making it more competitive, and caring for

our people remain at the centre of our priorities. At the same time, we will continue to identify new avenues for growth that will put us in a better position to respond to the changing times.

The Malaysian economy is projected to gradually recover this 2021 with the roll-out of the country's vaccination programme. This increases our confidence in seeing significant improvements in the business environment which - in tandem with our financial resilience, operational excellence, and brand-building efforts - will make for a better and stronger year for your Company.

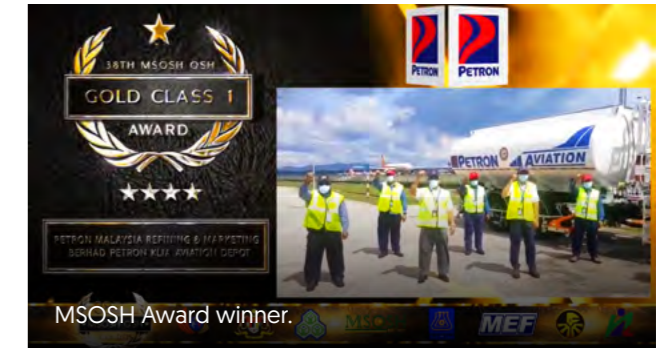
Allow me to thank the Board of Directors, most especially our Independent Directors, for their consistent support and guidance. To our

shareholders, employees, customers, business partners, dealers, and other stakeholders, thank you for your continued confidence and for standing strong with us throughout the years.

We look forward to achieving more and building more value with you. Thank you!

RAMON S. ANG
Chairman

CHAIRMAN'S STATEMENT



MSOSH Award winner.



Graduates' Choice Award winner.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Delivering The Best whilst navigating through the COVID-19 Crisis

Petron Malaysia Q1 Petron Dealers Helped Frontliners and Families in Need Amidst COVID-19	Petron Malaysia Q2 Petron Offered Cashless E-Wallet Payment for LPG Cooking Gas	Petron Malaysia Q3 PayNet, Petron and Tourism Malaysia jointly launched "Fuel Penuh Gaya – MyDebit Je with your ATM Card!"	Petron Malaysia Q4 Petron Employees Liven Up Children in Community Centre
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Petron Malaysia Refining & Marketing Bhd and its sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd., form the Petron Malaysia Group, the third-largest downstream player in Malaysia. The Petron Malaysia Group is a rapidly evolving Asian oil company with refining, terminaling, and service station operations.

STRATEGIC OBJECTIVES

With almost a decade of presence in Malaysia, Petron has captured more markets through its extensive network of service stations in the country.

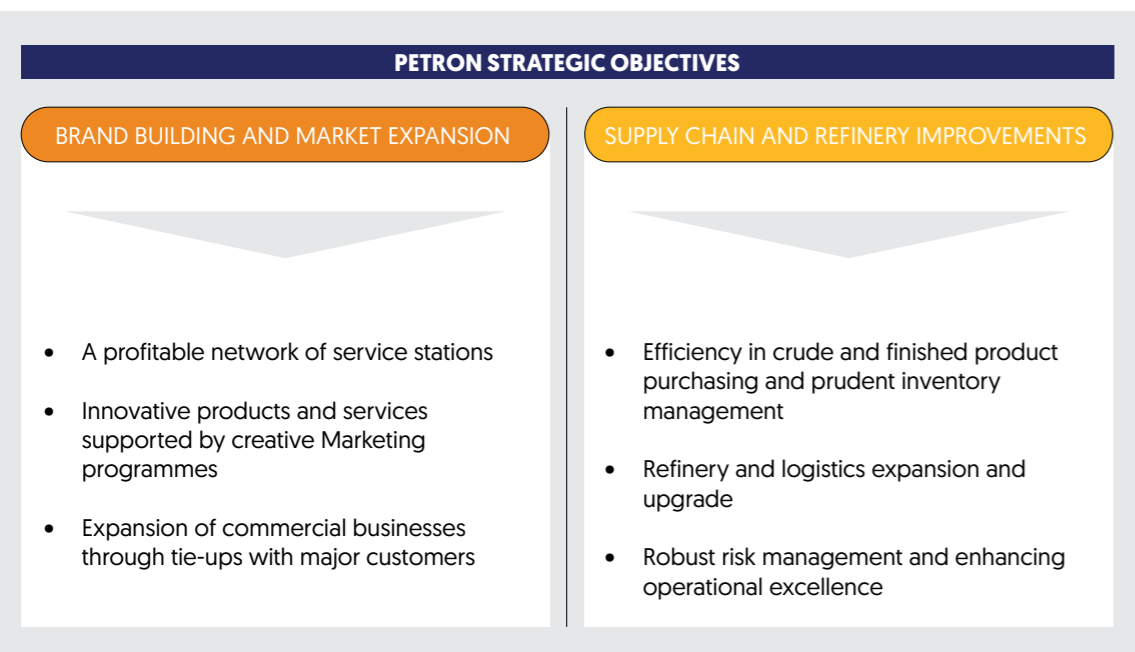
In 2020, the COVID-19 pandemic swept across the world, including Malaysia. The outbreak presented a major challenge to the economy, and especially to the safety and livelihood of people. The implementation of the Movement Control Order (MCO) in March initially for three months followed by the Conditional MCO (CMCO) and Recovery MCO (RMCO) limit the movements and economic activities, substantially reducing the domestic fuel demand.

The extensive impact of the pandemic drove the Company to prioritise its responses by re-evaluating its strategies and adopting best-suited approaches

in its operations. The Company focused its efforts on managing its financials, prioritising critical and key projects, re-inventing its marketing plans to recover sales volume at a faster pace, ensuring the safety and health of its employees and business partners, and improving business processes including cost-saving measures.

By activating our Business Continuity Plan, we were able to fulfil our commitment to fuel the nation, our customers, and vital industries with no disruptions. We also reached out to communities that were most impacted by the pandemic through various Corporate Social Responsibility (CSR) activities.

While addressing these challenges, the Company still pursued its long-term strategies on brand building, market expansion, and overall supply chain improvements.



1 RETAIL

We expanded our retail network and streamed 25 new service stations including 14 under PMRMB.

MyDebit debit card is now accepted at Petron fuel pumps at 'no charge and no hold'.

Cashless payment alternative with strategic e-wallet partners at Petron service stations.

Treats and P-Kedai convenience stores are available online through foodpanda Malaysia.

Petron Miles Card loyalty programme brings greater experience and rewards via the "Jom Bantu" campaign and "Red Hot Special Fuels" promo.

Launched a new line of hand sanitisers and antibacterial wet wipes via a co-branding partnership.

Petron Senawang 2 in Negeri Sembilan was awarded first place in the National Toilet Competition by the Ministry of Housing and Local Government.

2 COMMERCIAL

Petron Aviation supported cargo transport during the pandemic.

Inked a new partnership with a third-party LPG terminal in the south.

A third-party LPG bottling plant in the east coast is now fully operational to serve the region.

Petron Gasul LPG 'cash & carry' is now available at 82 service stations.

Introduced e-wallet cashless payment for home delivery services.

3 SUPPLY, REFINERY & DISTRIBUTION

The Diesel Hydrotreater unit and Marine Import Facility 2 are expected to complete by the second quarter of 2021.

Petron Distribution and Terminal Operations and Port Dickson Refinery (PDR) were recognised for their good safety performance in the Malaysian Society for Occupational Safety & Health Award 2019.

Distribution and Terminal Operations achieved 28.7 Million Man Hours without Lost Time Injury (LTI) to any employee while PDR achieved 18.7 years of operations without LTI as of 31 December 2020.

Lumut LME Plant in Perak received 'Halal' and 'Kosher' certifications.

Petron terminals in the Group continued to achieve ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

5 HUMAN RESOURCES

Continuous human capital development initiatives including upskilling employees and employee engagement programmes.

Won the Graduates' Choice Award 2020 as the "Top 3 Most Attractive Employers to Work For in the Oil & Gas Sector."

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



Petron Nilai USIM service station.



Launch of 'Fuel Penuh Gaya' campaign.



Petron stations were recognised for their cleanliness by Majlis Bandaraya Shah Alam.

RETAIL

The retail industry was heavily affected by the imposition of lockdowns and travel restrictions. Schools and businesses were closed reducing the movement of motorists and consumers. As a result, demand in the retail sector contracted by about 18%.

We continued to fuel the nation by overcoming the pandemic-induced barriers to our operations. In adopting the 'new normal', Petron service stations followed stringent Standard Operating Procedures (SOP) as mandated by the Government including temperature checks, registration on the MySejahtera app, physical distancing, and frequent sanitisation.

Despite the challenges, we continued to grow our reach, especially in underserved markets. Petron Malaysia expanded its retail network and streamed 25 new service stations, 14 of which are under PMRMB.

Our Treats and P-Kedai convenience stores operations also evolved. As the nation was placed under MCO, the demand to purchase groceries online increased. Thus, we collaborated with delivery service foodpanda Malaysia to enable our customers to purchase items online and have these delivered to their homes.

True to our promise to deliver the best customer experience, many of our service stations were recognised for the cleanliness of their restrooms. Petron Senawang 2 in Negeri Sembilan was awarded first place in the National Toilet Competition by the Ministry of Housing and Local Government. Other notable achievements were Petron Rantau Panjang which won third place in Kelantan, while Petron NKVE KL Bound and Petron Rahman Putra were awarded first and second place, respectively by the Majlis Bandaraya Shah Alam.

In collaboration with our partners, we not only strived to give our Petron Miles Cardmembers better rewards and experiences but also provided them with means to cope with the pandemic better. Through the "Jom Bantu" campaign, we rewarded members with cash prizes, grocery vouchers, and PMiles points. While our "Red Hot Special Fuels" promo allowed PMiles cardholders to purchase fuel at a lower redeemed PMiles points.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



Winner of the 'FUEL-YOOOH MyDebit Je with your ATM Card' campaign.



Winners of 'Jom Bantu' Campaign.

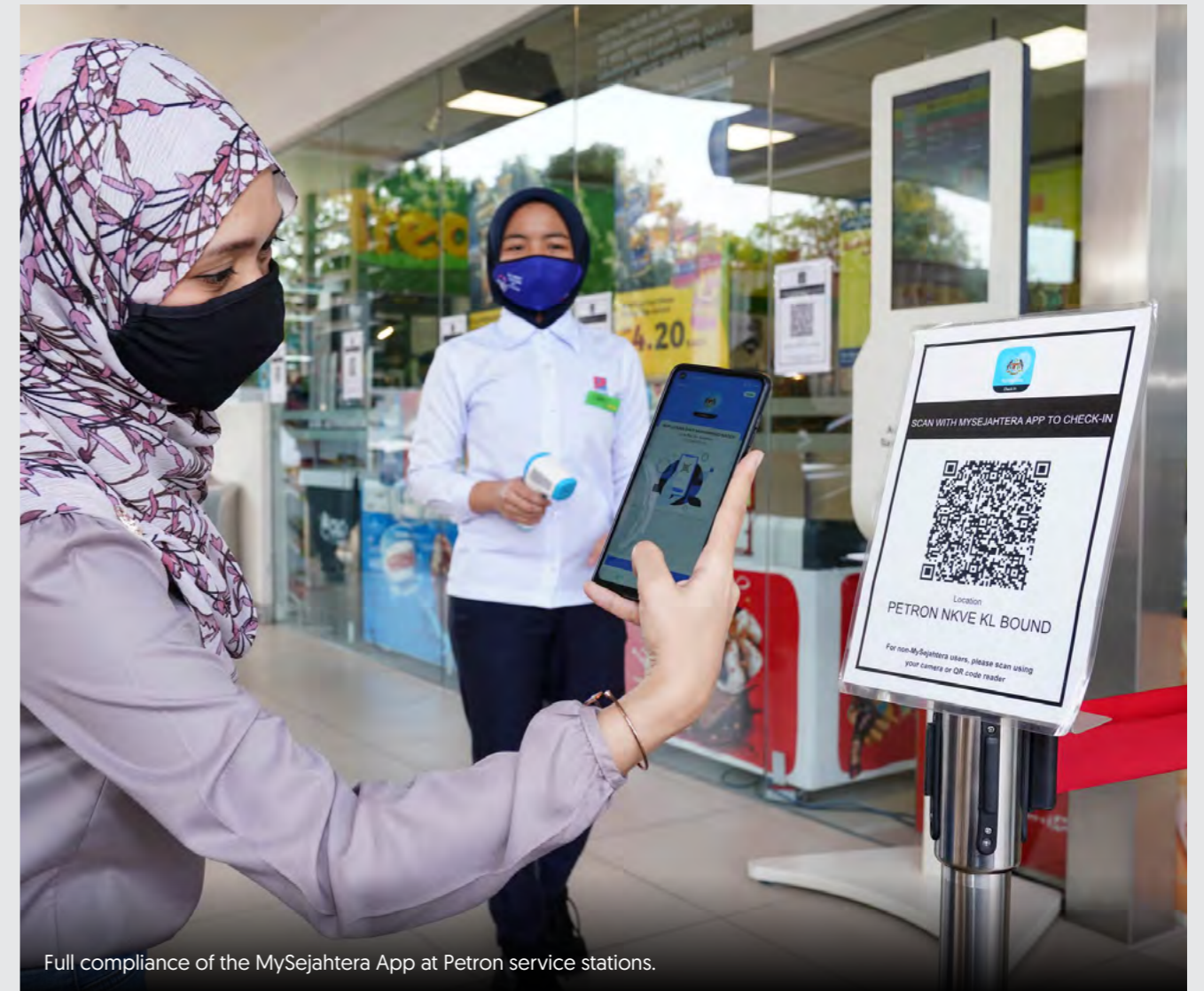


E-payment services at Petron service station.

Increasing safety and convenience at our stations, Petron in collaboration with PayNet became the first oil company in Malaysia to accept the MyDebit ATM card at fuel pumps. This provides a greater benefit to our customers to fuel without the pre-authorisation amount of RM200. Together with PayNet, we launched two campaigns, "FUEL-Yoooh MyDebit Je with your ATM Card!" and "Fuel Penuh Gaya" in collaboration with Tourism Malaysia. As we embrace the increasing trend of using e-payment, we collaborated with e-wallet partners to reward users through cashback or vouchers, paving the way for more cashless transactions.

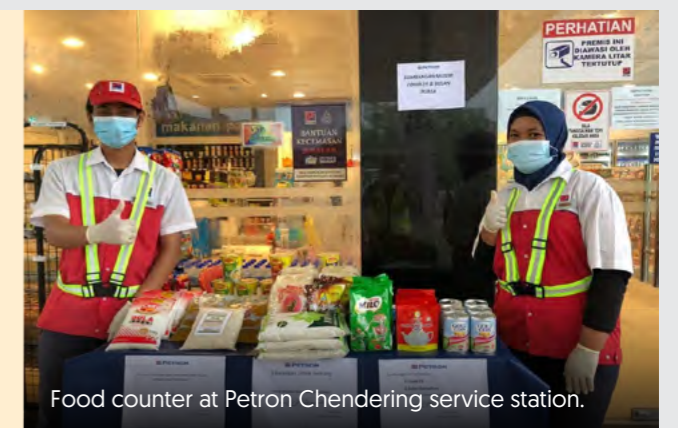


As part of our enhanced safety initiatives, we launched a line of hand sanitisers and antibacterial wet wipes via a co-branding partnership with a leading manufacturer and marketer of health and beauty products. As of November 2020, the brand "Wetty" has been available in all Treats stores.



Full compliance of the MySejahtera App at Petron service stations.

Our service station dealers also initiated various CSR programmes. Among others, they offered a "Community Table" wherein anyone in need can take essential items that were put on a table for free, while some provided space to support local entrepreneurs to sell their products. Dealers also ran their own localised promotions to reach out to customers, among other CSR efforts.



Food counter at Petron Chendering service station.

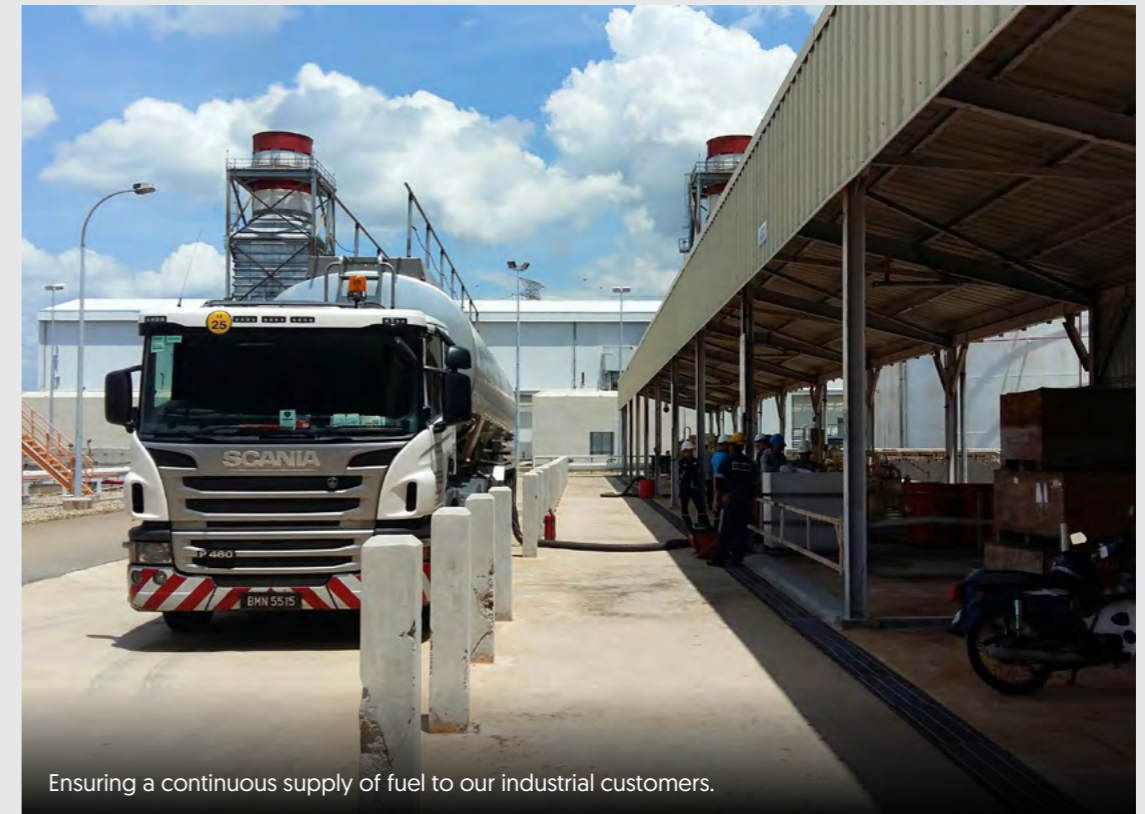
To increase brand awareness, a new creative marketing campaign, 'Koleksi Mistik' was launched. It won the APPIES 2020 Marketing Campaign Awards for Best in Consumer Durables and the MARKies 2020 Most Effective Use – Specific Audience Bronze Award.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



Petron Aviation fuelling Malaysia Airlines Airbus A330 at Kuala Lumpur International Airport.



Ensuring a continuous supply of fuel to our industrial customers.

COMMERCIAL

The closure and suspension of non-essential businesses during the lockdowns dampened the commercial sector's fuel demand which decreased by 31% versus the previous year. Despite lower demand, Petron remained steadfast in fuelling vital industries to keep the economy running.

As international borders were closed, the aviation sector was severely affected. Nevertheless, we persisted in supporting our aviation accounts, both domestic and international, and focused on cargo transport during these times of limited passenger flights.

Our Petron Gasol LPG segment was also impacted by the lockdowns although it recovered faster. We made our products more accessible by growing our distribution network to reach more household customers. We collaborated with third-party LPG bottling plants to serve new markets and increase delivery efficiency. Our partnership with a bottling plant that was commissioned at the end of 2019 is now fully operational, enabling us to expand our reach in the east coast states. Meanwhile, a new partnership with a third-party terminal in Pasir Gudang is expected to increase our product availability for households in the southern states.

For the convenience of our customers, we expanded the 'cash & carry' Gasol LPG at our service stations to 82 sites. We embarked on a safer way to conduct sales transaction by introducing e-wallet cashless payment for home delivery services. We also launched a new chatbot on social media to enhance our online presence and allow us a faster response to our customer's queries and concerns.

The industrial fuel sector remained challenging with stiffer pricing competition. Nevertheless, we continued to serve the utilities, fishery, manufacturing and power plants sectors safely and reliably.

Despite the tough market condition, the confidence in the Petron brand, backed by our excellent customer service won us new accounts in the industrial, commercial and wholesale sectors. This underscores the Company's long-term efforts to strengthen our business relationship and deliver reliable after-sales service to our customers.



"Cash & Carry" Petron Gasol LPG at Petron Subang Parade.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLY, REFINERY & DISTRIBUTION

Quality Product Sourcing and Efficient Crude Runs

As an essential service provider, one of our key priorities was to ensure a continuous and reliable supply of fuel. We navigated through the low demand period by effectively managing our inventories, refinery production, and crude and product imports during the year.

To improve our Port Dickson Refinery's (PDR) production yield, we diversified our crude processing to include Kimanis, Bintulu and Kidurong in addition to Tapis and Terengganu condensates.

Driven by its adherence to the highest management systems and safety standards, PDR maintained its commitment to continuous improvement. In recognition of its safety performance, it won the Grand Award from the Malaysian Society for Occupational Safety & Health (MSOSH) for 2019. The refinery achieved 18.7 years of operations without Lost Time Injury (LTI) as of 31 December 2020.

As part of our plant reliability programme, PDR conducted a 24-day shutdown for the periodic catalyst regeneration and some minor mechanical repairs. The units re-started in November without any incidents reported.

Refinery Upgrade and Logistics Expansion

As the refinery focused its efforts on completing two major projects, it operated with maximum SOP adherence to avoid any COVID-19 outbreak on site.

Despite the temporary halt during the MCO, our Diesel Hydrotreater (DHT) unit and Marine Import Facility 2 (MIF2) are both projected to be completed by the second quarter of 2021.



Petron Port Dickson Refinery furthered its commitment to health and safety.



Diesel Hydrotreater.

DIESEL HYDROTREATER (DHT)

- 1 **FACILITY**
 - Catalytic reaction units to produce ultra-low sulphur automotive diesel oil, in compliance with the Government's mandate to introduce Euro 5 specification diesel.

- 2 **OBJECTIVE**
 - Process higher sulphur crude;
 - Diversify our crude slate and improve product yield.

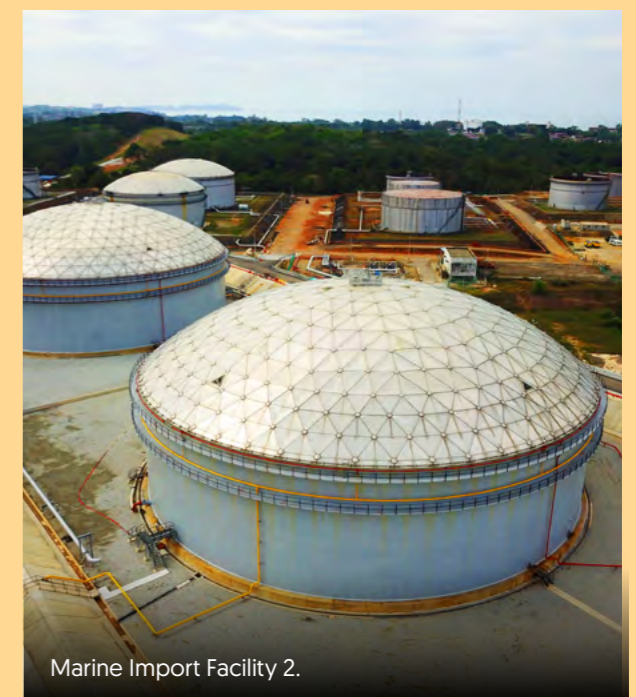
- 3 **PROGRESS**
 - Project is expected to complete in the second quarter of 2021.

MARINE IMPORT FACILITY 2

- 1 **FACILITY**
 - New pipeline linked to an existing facility;
 - Offshore marine terminal facilities;
 - A new single buoy mooring (SBM);
 - Two new 250,000-barrel product tanks.

- 2 **OBJECTIVE**
 - Reduce freight cost and support future growth.

- 3 **PROGRESS**
 - Project is expected to complete in the second quarter of 2021.



Marine Import Facility 2.

MANAGEMENT DISCUSSION AND ANALYSIS

Reliable Supply to End-Users

The Distribution and Terminal operations under the Group, which has ten facilities throughout the country fulfilled all product orders to all service stations and end-users successfully, on specifications, in full and on time with zero unplanned downtime.

In keeping with our promise of delivering quality products, Petron terminals in the Group continued to achieve continuous improvement through their ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 (Occupational Health & Safety Management System) certifications.

Our Palm Methyl Ester (PME) plant in Lumut, Perak, manufactures PME, our biodiesel requirements. The plant received its 'Halal' and 'Kosher' certifications, allowing our glycerine to be marketed for consumer products such as cosmetics and pharmaceuticals. In compliance with the Department of Occupational Safety and Health's requirement, our Lumut PME plant had its first turnaround in February 2020 with no major issues encountered.

Our Distribution and Terminal Operations achieved 28.7 million man-hours without LTI as of 31 December 2020. This was accomplished through our strict conformance to safety, security, health and environmental management systems.

Our efforts to enhance safety at our facilities were recognised by the industry as the terminals under the Group won various awards in the MSOSH Awards 2019. Bagan Luar, Kuantan, Port Dickson, Pasir Gudang and Sepanggar Bay Terminals each won a Gold Merit award, while our facilities in Sandakan, Tawau and KLIA won a Gold Class 1 award.



Lumut PME Plant received 'Halal' and 'Kosher' certifications.



The health and safety of our employees are our top priority.

MANAGEMENT DISCUSSION AND ANALYSIS

Safety & Operational Excellence

The safety and health of our employees operating our facilities are very important to us, especially during this pandemic.

At the onset of the lockdown in March, we activated the company-wide Business Continuity Plan. We deferred all non-essential works at our facilities. Our employees at the refinery and terminals worked in split teams, while office-based employees worked from home during the MCO.

We ensured strict compliance with the newly adopted SOPs such as daily temperature screening and scanning of the MySejahtera app before entering all our premises. Physical distancing was practised at the workplace while meetings were conducted virtually. Regular sanitisation at terminals and offices were carried out daily. Beyond their physical wellbeing, our employees were provided with mental health support through a series of awareness talks and access to our in-house occupational doctor.

HUMAN RESOURCES

Our workforce is our most valued asset. We further strengthened the competencies of our people through continuous human capital development initiatives. In support of our refinery expansion, PDR employees were trained on the latest refining technology in preparation for the future.

With over 300 employees nationwide, we have various programmes to promote work-life balance. For the second consecutive year, we were recognised in the Graduates' Choice Award 2020 as the "Top 3 Most Attractive Employers to Work For in the Oil & Gas Sector".



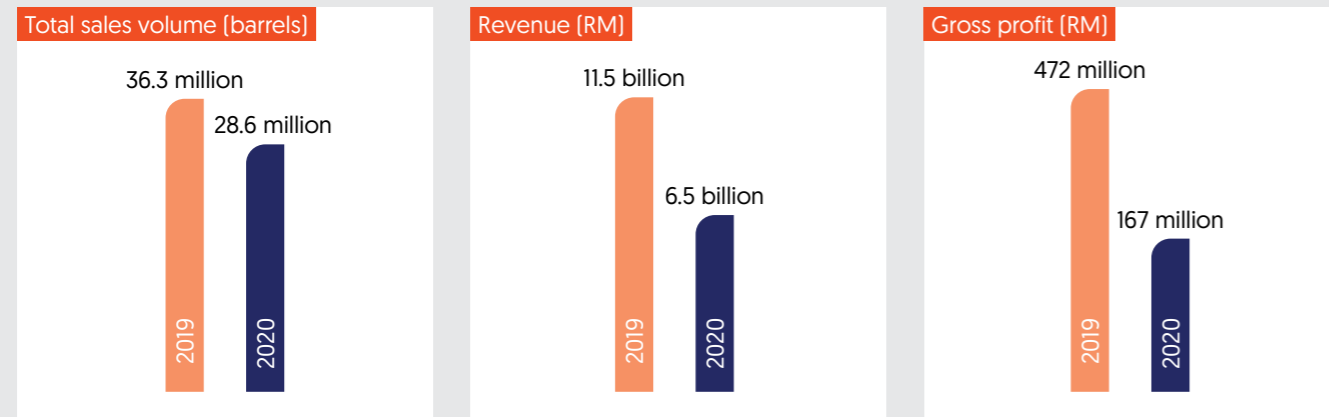
Our efforts to enhance safety at our facilities were recognised by the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The financial year 2020 was exceptionally challenging as the global COVID-19 pandemic caused an unprecedented economic crisis worldwide.

The oil market began to feel the impact of COVID-19 during the first quarter of the year as the pandemic drastically reduced global demand for both crude and refined products. The demand destruction further aggravated the existing oversupply caused by the oil price war by the top oil-producing countries in March 2020. Throughout the year, the price of benchmark Dated Brent crude trended lower compared to 2019 dipping to its lowest at US\$19 per barrel average in April 2020. As prices plunged in the second quarter, the Company incurred substantial inventory holding losses. Regional refining margins were also weighed down by the lower prices of finished products.



Given the extensive impact of the pandemic that constrained both domestic fuel prices and demand, the Company posted a net loss of RM13 million in 2020 compared to RM177 million net profit in 2019.

Revenue and Gross Profit

Amid restricted travel and economic activities in the domestic market following the implementation of MCO and CMCO by the Malaysian Government, total sales volume for the year declined by 21% to 28.6 million barrels compared to 36.3 million barrels in 2019.

The Company's revenues were further affected by the decline in oil prices settling at RM6.5 billion, 44% lower than the RM11.5 billion posted in 2019.

The contraction in sales volume and inventory holding losses contributed to the 65% decline in gross profit to RM167 million from the RM472 million in 2019.

Income and Expenses

With the Company's cost rationalisation measures, operating and administrative expenses were cut down by 11% or RM31 million versus 2019. The cost savings helped temper the negative impact of lower gross profit during the year.

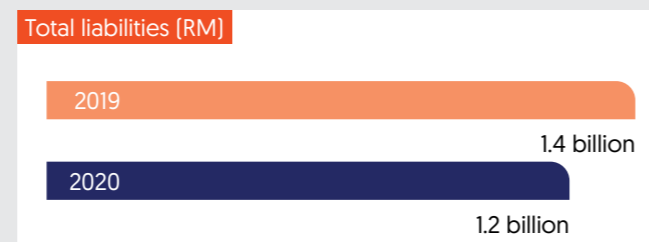
Dividends

During the Annual General Meeting held in June 2020, shareholders approved a dividend payment of 12 sen per share for the financial year 2019. Despite ending in a net loss for the financial year ending 31 December 2020, the Company is recommending a dividend of 5 sen per share. The dividend payout for 2020 considered, among others, the financial performance for the year and funding requirements of the Company.

Financial Position

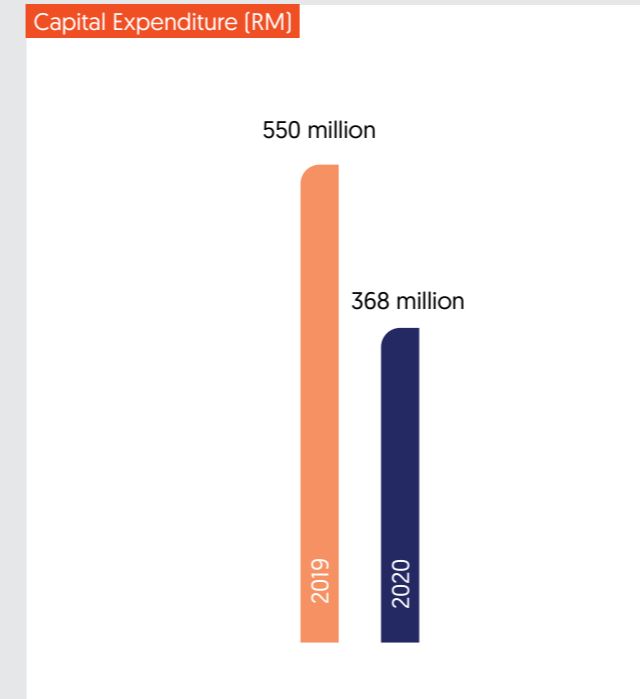
The Company's non-current assets increased to RM2.2 billion at end of 2020 from RM1.9 billion a year ago, due to the ongoing investments to upgrade refinery facilities, mainly the Diesel Hydrotreater (DHT) and a new Marine Import Facility 2 (MIF2) projects. The Company also continued investing in new service stations. The Company's total assets of RM3.0 billion by the end of 2020 were however marginally lower as compared to RM3.2 billion as of end-2019 mainly traced to reduced inventories and receivables due to lower prices and sales volume.

The Company's liabilities also declined by 11% to RM1.2 billion as of the end of 2020, compared with RM1.4 billion in 2019 due to reduced liabilities for crude and products from lower oil prices.



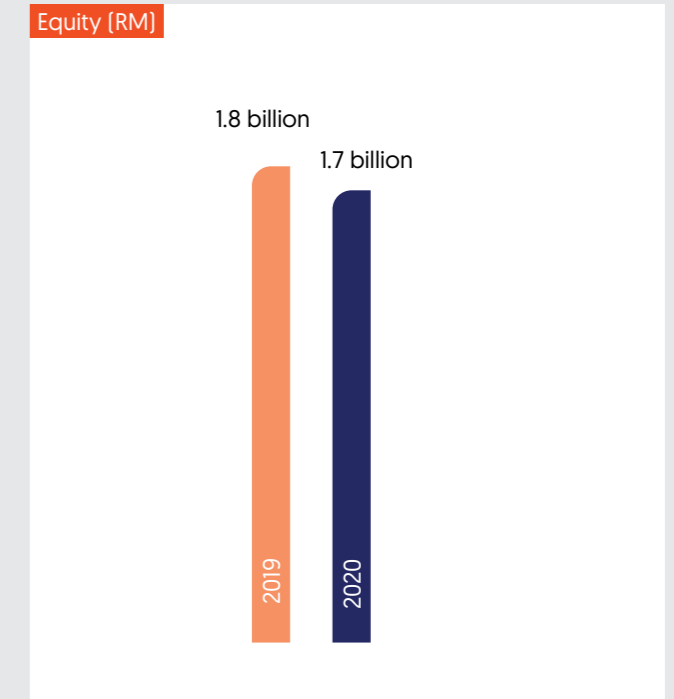
Capital Expenditure

The Company rationalised its capital expenditures during the year by prioritising and deferring projects. The total amount spent was lower at RM368 million compared to RM550 million in 2019. While expenditures for the DHT project increased, spending on network expansion projects was lesser in 2020.



Shareholders' Equity

As of 31 December 2020, the Company's share capital stood at RM143 million and retained earnings remained flat at RM1.6 billion.



FORWARD-LOOKING STATEMENT

In the fourth quarter of 2020, global oil prices started to recover from positive market sentiments boosted by the announcement of COVID-19 vaccine availability and production cuts from OPEC+ countries. While the recovery trend is expected to continue in 2021, it has to be taken with caution as the ongoing global pandemic can still disrupt demand recovery and cause price volatility. The change in US leadership in January 2021 may also trigger a potential shift in geopolitical and economic policies lockdown around the world. On the domestic front, the local economy is projected to gradually recover in 2021 as market confidence improves supported by the roll-out of vaccines targeting the majority of the population. However, until a successful vaccination programme is achieved, the country may still encounter some challenges from COVID-19 infections, which may trigger the re-imposition of lockdown affecting demand and business activity yet again.

Despite these continuing challenges, the Company remains confident that through the resilience of its operations, strong financial position and prudent risk management, the Company's business performance will improve as the country makes progress towards recovery.

MANAGEMENT DISCUSSION AND ANALYSIS

APPROACH TO RISK MANAGEMENT

Petron is resolute in its commitment to sustain a safe, secure, and environment-friendly business operation. Identifying and managing potential risks are crucial to the business and we have a strong and capable team rigorously following established practices and procedures, and implementing environmentally responsible operations. We are also guided by 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 by having a robust system of identifying and addressing the principal risks facing the Company.

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

RISK MANAGEMENT



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 following Industry Standards and regulatory requirements. Operational Integrity is a priority at our PDR and fuel terminals to achieve continuous operations. Process equipment failures can cause unplanned shutdowns and incidents that can render our facilities inoperable thereby disrupting our product supply chain. Operating 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.
- PDR is designed to process low sulphur crudes. This limited crude range and dependence on a few crude 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 the local market.

2 FINANCIAL RISK



- Crude and product price volatilities can potentially impact the Company's financial results. The Commodity Risk Management Committee meets weekly to steward appropriate inventory risk management strategies including commodity hedging activities. Managing foreign currencies from export sales and hedging agreements with banks are 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 ensure accurate and complete submission of documents to relevant Government agencies and to engage them for timely reimbursement process are taken to mitigate any potential delay in cash flow.
- Changes in Government policy for price deregulation/subsidy rationalisation can impact the way the Company does its business. Continuous engagement with the Government is always practised to understand and prepare for any potential policy changes.

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/sustained ISO certifications and are audited annually by the Standard and Industrial Research Institute of Malaysia (SIRIM) to ensure full adherence to the global quality standards. Petron Malaysia Group's terminals in Sabah will pursue their ISO certification in 2021.

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 in place Emergency Response Plans and Business Continuity Plan in preparation for any potential emerging issues related to the respective risks inclusive of any potential impact from cyber threats and pandemic. The readiness of each plan's ability to respond to such incidents has been proven effective by each Business Unit and operating site when the COVID-19 pandemic hit in 2020.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

In ensuring business sustainability during the COVID-19 pandemic, we had to shift our immediate focus and goals in 2020. Our priority during this time was to ensure the safety and health of our employees, business partners and customers; and to ensure continuous operations at our facilities in order to provide uninterrupted fuel supply to the country.



Petron employees contributed to Desa Mentari Seva Community Centre under the VIA initiative.

Globally, the pandemic was disruptive not only to businesses but also to society. The national healthcare system was strained, the crisis really took its toll on both lives and livelihood. In response to this unprecedented event, Petron stepped up its Corporate Social Responsibility (CSR) programmes under the social sustainability pillar, without neglecting the other two pillars - Economic and Environmental Sustainability.

DISCLOSURE ON SUSTAINABILITY PRACTICES

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

The 2020 Sustainability Report is into its fourth publication and complements the 2020 PMRMB Annual Report & Accounts. In line with our Environmental Sustainability, this report is only available online on our Company website www.petron.com.my with no printed hard copies. The Sustainability Report follows the global benchmark and conforms with Bursa Malaysia's requirements.

PREPARING THE REPORT

We continued to use the materiality matrix and key performance indicators. Data disclosed here were extracted from monitoring results, measures obtained from our facilities' environmental manual and from compliance submissions to the authorities.

COMMUNICATING SUSTAINABILITY

The Company's Sustainability Policy is shared and communicated to our employees, business partners, community leaders and programmes beneficiaries through our Intranet, e-mail communication and active engagement sessions. We regularly train our retail and commercial dealers and contractors to ensure our Safety, Security, Health, and Environment policies and practices are strictly adhered to.

SUSTAINABILITY PILLAR

01 ECONOMIC



- The Company implemented cost rationalisation measures to reduce operating and administrative expenses to mitigate the financial impact of the COVID-19 pandemic.
- Non-critical and non-committed capital expenditure projects were temporarily deferred due to the pandemic as well as to preserve funds to meet immediate operational requirements.
- We continued our sound resource management practices in prioritising the use of internally generated cash from our operations.
- We required all our suppliers and contractors to have similar sustainability practices including strict adherence to corporate governance, environment, health and safety standards, and social responsibility.
- We adhered to principles and policies that ensured effective corporate governance, transparency and accountability in every aspect of our operations.

02 ENVIRONMENTAL



- Corporate SSHE is responsible for the formulation and implementation of sound environmental policies, disseminating applicable regulations, standards and corporate policies throughout the organisation, and sharing best practices on environmental management.
- We adhered to the country's environmental regulations in managing our environmental footprint. We developed internal systems for measuring, managing, and minimising carbon footprint and continued to invest in cleaner and greener product lines.
- We employed Greenhouse Gas-Air Pollutant Accounting and Energy Conservation measures to manage emissions. We implemented several internal and external programmes that focused on waste reduction, emissions, and energy consumption at our Port Dickson Refinery, including furnace operation optimisation, minimising distillation tower pressure, tracking of Energy Intensity Index (EII), and choosing crude mix with better yield.
- We celebrated World Environment Day 2020 and encouraged our employees to 'plant a tree', with Port Dickson Refinery taking the lead in fruit tree planting.
- We were chosen by the Department of Environment (DOE) Negeri Sembilan as their preferred partner in the Negeri Sembilan National Environment Day 2020.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

03

SOCIAL



- We promoted inclusion and contributed to the community by providing local enterprises with opportunities to do business with us, particularly in supplying materials and services for our operations.
- In answering the call for help to fight the pandemic, Petron initiated programmes to protect the frontliners and provided assistance to communities impacted by the pandemic. We implemented pro-active CSR programmes during MCO 1.0. Below were our contributions:

- In association with MERCY Malaysia, we **donated 98,000 pieces of personal protective equipment (PPE) to healthcare professionals in 12 hospitals in 7 states**
- About 12,000 pieces of face shields assembled by our employee volunteers were given to frontliners
- Over 50,000kg of rice and 15,000kg of cooking oil were donated to needy families
- Over 33,000kg of LPG Gasul were provided to charity homes, NGOs and B40 families
- Over RM29,000 worth of PMiles points for fuel redemption were granted to MERCY Malaysia, NGOs and food delivery riders
- Over 5,500 food hampers were given to B40 families in 6 states
- Over 700 Petron service stations received cash donation of RM500 per station for their workers to buy essential items

- 280 service stations participated in Petron's **Volunteerism in Action (VIA)** programme and assembled 28,000 pieces of face shields for our frontliners at the service stations and other frontliners to use to protect themselves.
- 126 of our service station dealers, despite having their businesses impacted by the Movement Control Order and Conditional Movement Control Order, contributed to the needs of the frontliners and the public by contributing PPE, basic food items and other essential goods.

SUPPORTING FRONTLINERS	 PPE contribution to Hospital Tawau.	Project Shield by Service Stations by Petron Champions in various states	PPE & Food Aid for Frontliners in Tawau during MCO Mineral Water and PPE to the frontliners	Essential Items Giveaway to Fire & Safety Departments (BOMBA) in Pahang
	 Donation of basic cooking needs to PPR residents in Kuala Lumpur.	Food Aid for Underprivileged Families in Tawau	Care Package Giveaway to less fortunate families Community Table for free to service station customers	Kami Prihatin fund-raising activity with a School to donate essential items
	 Petron service station dealers giveaway food packages to customers.	'Ramadhan Bubor Lambuk' Giveaway to Customers	Free 'Buka Puasa' Meal for customers Provided space for local entrepreneurs to sell their goods	Food Giveaway to Lorry Drivers every Friday

- To ensure the safety and health of our employees, Petron implemented 'work from home' and 'split teams' working arrangements in our offices and facilities. Strict SOPs were implemented at all of our premises and employees were provided with 3-ply face masks and hand sanitisers for use in the office and facilities.
- Despite the nationwide adverse economic impact of the pandemic on our business, the Company did not initiate any reduction in employees' salaries and benefits, and there was no employment separation.
- Through the Petron Office Safety, Health and Care Committee (POSHCC), virtual online 'Green Bag' talks were organised for employees on pertinent topics concerning COVID-19, including measures to strengthen immunity and the pandemic's effects on mental health. POSHCC also organised free online fitness classes such as Yoga and Zumba to keep employees fit.
- **Petron Care Hotline** continued to be available for our customers to obtain information about our business operations, services and facilities.

SUSTAINABILITY STATEMENT

- Through our CSR programmes, under our social sustainability pillar, we collaborated with our fence line communities, relevant government agencies and employees who volunteered in the following programmes:

SAFETY

The key focus area for Petron in collaboration with the Royal Malaysia Police (RMP) in our **Go-To-Safety Point (GTSP) programmes**. This was further reinforced in 2020 when the RMP recognised the valuable role Petron and other oil companies play in carrying out the GTSP programme at service stations. Our service station dealers and staff also received Commendation Letter in recognition of their assistance to safety at the service stations between the period 2017 to 2019. During the ceremony, we also launched GTSP safety awareness posters to provide better information to the public. Under the **Petron Road Safety Programme** and in collaboration with the Road Safety Unit of the Road Transport Department, we participated in national level programmes such as the 'Ops Bersepadu dan Kempen Keselamatan Jalan Raya' Peringkat Kebangsaan, Negeri Kedah dan Melaka in conjunction with Chinese New Year.

ENVIRONMENTAL CONSERVATION

Petron worked with the Department of Environment in promoting for better environment and held activities like poster-making competition themed 'educating the youth to play their part in caring for the environment'. We also continued to monitor the progress of mangrove areas, beaches and community lake recreation area where we conducted CSR programmes in the past years.

EMPLOYEE ENGAGEMENT

Petron employees and service station dealers joined hands in volunteering to help communities in need during the **Volunteerism in Action (VIA)** Chinese New Year festivity programme in an old folks' home. Other **VIA** programmes included assembling face shields for service stations and other frontliners, Deepavali festivity at a community-based child and youth centre, 'Give A Kid A Book' and the flagship 'Back to School' programme that provided aid to children with special needs going to school.

The report of each initiative and project undertaken is further elaborated in the 2020 Sustainability Report.



Food distribution to affected communities in partnership with Mydin.

SUSTAINABILITY STATEMENT

WORKPLACE DIVERSITY

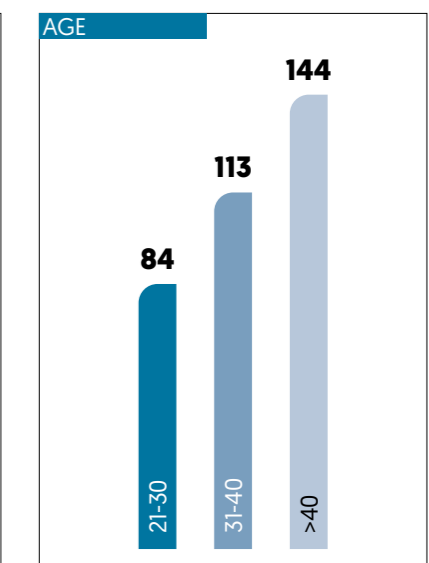
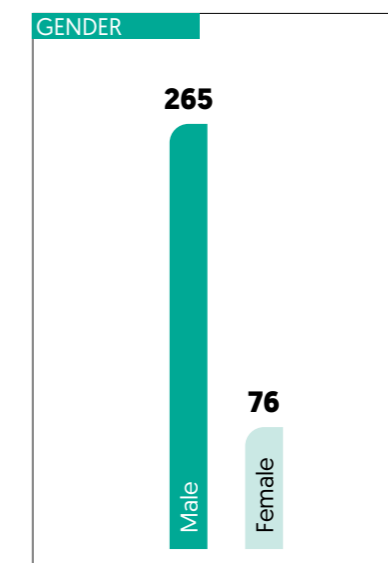
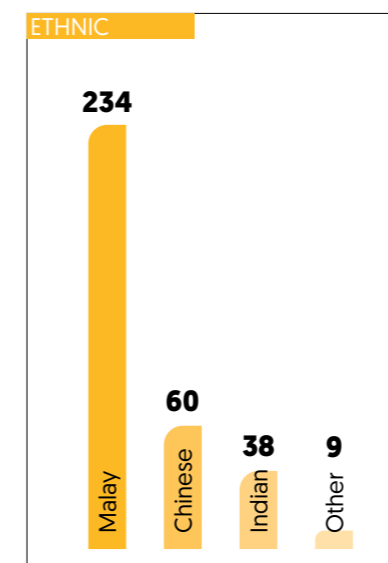
The Company promotes equal employment opportunity that is aligned with local laws, regulations and the Malaysian Government (GOM) policy. This ensures all qualified Malaysians regardless of gender, age and ethnicity get equal employment opportunity.

The Company implements personnel policies and programmes according to all applicable laws and regulations, including recruitment, work assignment, promotion, transfer, termination, wage and salary administration, and training.

Managers and supervisors are responsible to ensure compliance with the policies, and maintain a work environment free of discrimination, and promptly identifying and resolving any potential conflict.



Diversity and equal employment opportunity in Petron Malaysia Group.



Petron Malaysia Refining & Marketing Bhd

SUSTAINABILITY STATEMENT

It is the Company's workplace policy to:

- 1 **Develop and support educational programmes, recruitment sources and practices that facilitate the employment of Malaysian nationals, regardless of gender, race and age;**
- 2 **Develop and offer work arrangements that help meet the needs of a diverse workforce in balancing work and family obligations;**
- 3 **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, race and age throughout the Company;**
- 4 **Foster a conducive work environment free from sexual, racial, or other forms of harassment;**
- 5 **Make reasonable adjustments that enable qualified differently-abled individuals to perform the essential functions of their jobs;**
- 6 **Emphasise management responsibility in these matters at every level of the organisation.**

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

Work-Life Balance

Our office recreation clubs promote a healthy work-life balance for our employees. They also serve as a platform to engage with other employees in the Company. Underscoring the motto of "bringing fun to the workplace", our recreation clubs also instil the spirit of togetherness and camaraderie, in line with our ExcITES core values of Teamwork.

Petron KL Recreational Club (PKLRC) organises both physical as well as virtual activities to cater to the different interests of our employees. Prior to the MCO, team activities were conducted face-to-face while during the work from home arrangement, virtual programmes were held in collaboration with the Petron Office Safety, Health & Care Committee (POSHCC).

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
[SSM PC 202008001784] [LS0006885]

ASSISTANT COMPANY SECRETARY

Datin Shahidah Bt Aris
[SSM PC 2020080004658] [ACIS 7070727]

SHARE REGISTRAR

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Tel: +603-2783 9299
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Customer Service Centre

Unit G-3, Ground Floor, Vertical Podium,
Avenue 3, Bangsar South,
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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
Rosli Dahlan Saravana Partnership

REGISTERED OFFICE

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Petron Malaysia Refining & Marketing Bhd
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Website: www.petron.com.my

PROFILE OF BOARD OF DIRECTORS



MR. RAMON S. ANG

Chairman | Executive Director

67 years old

Male



Y. BHG. DATO' ZAINAL ABIDIN PUTIH

Independent Director

75 years old

Male



Chairman of the Board Audit & Risk Management Committee
Member of the Nominating Committee



MS. CHUA SEE HUA

Independent Director

67 years old

Female



Member of the Board Audit & Risk Management Committee
Chairman of the Nominating Committee



MR. FONG SEOW KEE

Independent Director

64 years old

Male



Member of the Board Audit & Risk Management Committee

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 President, Vice Chairman, 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 President and CEO of San Miguel Food and Beverage, Inc. and Chairman & CEO, President and COO 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 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, Tokio Marine Insurans (Malaysia) Berhad and Touch 'n Go Sdn. Bhd. He was appointed to the Board of Directors of Khazanah Nasional Berhad in November 2020. 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 (M).

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 a solicitor admitted in England and Wales, Hong Kong and Singapore. Ms. Chua joined Messrs Christopher & Lee Ong, Advocates & Solicitors, as a partner on 1 March 2021. Prior to that, Ms. Chua was 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 was appointed as an independent director to Matrix Concept Holdings Berhad in November 2020. 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 was appointed as a Director of the Company on 18 August 2016. His career spans 40 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. From 2008 to 2010, he was Chairman of the Malaysian Venture Capital & Private Equity Association. He was involved in the establishment of the Fintech Association of Malaysia in 2016 and, 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. From 2010 to 2018, he was a senior independent director of GHL Systems Bhd, a leading ASEAN payment solutions provider where he was 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. In April 2021, he was appointed as Independent Non-Executive Director of RAM Rating Services Berhad. 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 and Wales and a member of the Malaysian Institute of Accountants.



PROFILE OF BOARD OF DIRECTORS



MR. ANTONIO M. CAILAO

Independent Director

74 years old

Male



Filipino

Member of the Board
Audit & Risk Management
Committee

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), and an Accredited Speaker by the Philippine Security and Exchange Commission. 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, Korea, Venezuela, Vietnam where he established Citibank's presence; 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) where he initiated and led its financial rehabilitation. From 2007 to 2016, Mr. Cailao was the President and CEO of the Philippine National Oil Company, during which time the government utilised his financial competence in the two biggest landmark privatisation. Mr. Cailao obtained Bachelor of Business Administration (1968) and MBA (1973) from University of the Philippines. He completed an Executive Development Programme from Columbia University, New York, U.S.A (1989) and also Professional Directors Programme – Certified Independent Directors by the Institute of Corporate Directors (2007).

Y. BHG. DATO' NOORIZAH
BINTI HJ ABD HAMID

Independent Director

61 years old

Female



Malaysian

Member of the Board
Audit & Risk Management
Committee

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 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

69 years old

Male



Filipino

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 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

66 years old

Female



Filipino

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 Institute of the Philippines (FINEX) FINEX's Capital Market Development Committee, Director of the Market Governance Board of the Philippine Dealing System Holdings, [PDS], and a member of Philippine Institute of Certified Public Accountants [PICPA].

PROFILE OF BOARD OF DIRECTORS



MR. FERDINAND K. CONSTANTINO

Non-Independent Non-Executive Director

69 years old
Male
Member of the Nominating Committee
Filipino

Mr. Ferdinand K. Constantino was appointed to the Board on 30 August 2013. Mr. Constantino is the Group Chief Finance Officer and Treasurer and Corporate Information Officer of San Miguel Corporation (SMC). Mr. Constantino also sits on the boards of several San Miguel subsidiaries. He is the Chairman of San Miguel Foundation. He is the 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 Yamamura Packaging Corporation, San Miguel Pure Foods International, Ltd., San Miguel Holdings Corp. (Infrastructure), Citra Metro Manila Tollways Corporation (Skyway) and Northern Cement Corporation. He was previously SMC Comptroller and Chief Finance Officer of San Miguel Brewery Inc. Mr. Constantino holds a Bachelor's Degree in Economics from the University of the Philippines. He also took graduate courses in Economics and Business in the same university. Mr. Constantino has over 48 years' experience in financial management, financial planning and analysis, financial systems, comptrollership, economic analysis, and strategic planning.

PROFILE OF MANAGEMENT COMMITTEE

MR. LUBIN B. NEPOMUCENO

Filipino

MALE

69 years old

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 49.

PN. FARIDAH ALI

Malaysian

FEMALE

56 years old

General Manager

Qualifications:

- B.Sc. [Hons.] Accounting, University of East Anglia, United Kingdom.
- Institute of Chartered Accountants in England and Wales

Experiences:

- Pn. Faridah Ali 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.
- She 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.

MR. CHOONG KUM CHOY

Malaysian

MALE

58 years old

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

PROFILE OF MANAGEMENT COMMITTEE

MR. MARK TRISTAN D. CAPARAS	MR. MANOJ DEVADASAN	MS. FADZILAH MOHD TAHIR	EN. MOHD NIZAM MANSOR	EN. IBRAHIM ATAN
 Filipino MALE 38 years old <i>Chief Finance Officer</i>	 Malaysian MALE 57 years old <i>General Counsel/ Company Secretary/ HR Manager</i>	 Malaysian FEMALE 58 years old <i>Head of Refinery</i>	 Malaysian MALE 53 years old <i>Head of Supply</i>	 Malaysian MALE 59 years old <i>Head of Distribution & Terminal Operations</i>
<p>Qualifications:</p> <ul style="list-style-type: none"> 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, 17th placer in 2004 CPA Licensure Examination (Philippines). <p>Experiences:</p> <ul style="list-style-type: none"> 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 the 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. 	<p>Qualifications:</p> <ul style="list-style-type: none"> 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. <p>Experiences:</p> <ul style="list-style-type: none"> 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. 	<p>Qualifications:</p> <ul style="list-style-type: none"> B.Sc./MSc.(Chemistry), Illinois State University, United States of America. <p>Experiences:</p> <ul style="list-style-type: none"> 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. 	<p>Qualifications:</p> <ul style="list-style-type: none"> B.Sc. (Hons.) [Actuarial Science], University of Kent at Canterbury, United Kingdom. <p>Experiences:</p> <ul style="list-style-type: none"> 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. 	<p>Qualifications:</p> <ul style="list-style-type: none"> B.E (Hons.) [Civil Engineering], University of Malaya, Malaysia. Registered Competent Person with DOSH – Control of Industrial Major Accident Hazards (CIMA). <p>Experiences:</p> <ul style="list-style-type: none"> 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 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 2020.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- As at 1 January 2020, the Company had a market capitalisation of approximately RM1.417 billion. Nevertheless, as PMRMB did have a market capitalisation of over RM2 billion previously, for the reporting period of 2020, 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:

01	Board Charter	02	Management Committee Charter	03	Board Audit & Risk Management Committee Terms of Reference
04	Nominating Committee Terms of Reference	05	Standards of Business Conduct of Petron in Malaysia, that includes the Policy on Gender Equality (Diversity)	06	Policy on Corporate Disclosure

Part A:
Board leadership and its effectiveness

Part B:
Effective audit and risk management

This Corporate Governance Overview Statement will highlight the following:

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

As at 31 December 2020, the Board has nine (9) members, with five (5) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman).

Independent Directors on the Board

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

As at the end of the 2020, the Board 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 Abidin Putih 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 2021 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’

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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 Malaysia market, leading to the Company winning multiple national awards;

The introduction of innovative products such as the RON100 gasoline (the highest octane rated 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 investments.

All this was done whilst maintaining an impeccable safety record with the Company's terminals having operated over twenty-four (24) years without any lost time injury (LTI) while the Port Dickson Refinery has been operating for 18.7 years without any LTI. In addition, the Port Dickson Refinery's two (2) major projects namely, the Diesel Hydrotreater (DHT) Project completed a cumulative of 3,275,383 manhours without LTI and the Marine Import Facility 2 (MIF2) Project completed a cumulative of 1,237,937 manhours without LTI, as at 31 December 2020.

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:

- | | |
|-------------------------|-------------------|
| 1 Excellence | 4 Teamwork |
| 2 Customer Focus | 5 Ethics |
| 3 Innovation | 6 Safety |

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 empowered 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. It is to be noted that arising from the several movement control orders in 2020 relating to the COVID-19 pandemic, the implementation of the planned programmes for the 'refreshed' ExCITES had to be put on hold. However, despite working from home and working on a split team basis for a significant part of the year, the Company's and its employees' ability to manage the business operations and several of its major projects is testimony to ExCITES' values that remained well grounded in Petron's culture. In 2021, as the Company moves towards embracing the new pandemic and post-pandemic norms and its forward plans, the ExCITES' plans will again be brought to the fore to ensure that the Company's continued and sustainable success will always remain focused.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 75, as well as the Board Audit & Risk Management Committee Report at pages 76 to 80. 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 nine (9) years since the takeover, led the Company to its present success as a major downstream oil & gas company in Malaysia. Mr Ang continues to be the driving force behind Petron's plans to further strengthen its market position 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 ensure that the Company and Management not only adhere to the requirements on governance but also continue to practise 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 practised 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 the Company has engaged six (6) new Independent Directors; one (1) of whom resigned in 2019.

The Board of Directors is currently comprised of persons with a diverse range of qualifications, experiences 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 31 December 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 81 to 83.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, 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 continued 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.

The implementation of a new Whistle-Blower protection policy.

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. This is expected to be completed in 2021 in time for Petron to make preparations to apply for an ISO37001 certification (Anti-bribery Management System).

In the third Quarter of 2020, the Company also commenced a refresher course for employees to update on expectations of the Company in relation to Petron's Standards of Business Conduct. However, this was disrupted by the Conditional Movement Control Order restrictions that led to work from home and split-team operations. The programme is expected to be continued and completed in 2021.

The Company also conducted training and compliance programme to ensure understanding and strict compliance with applicable laws and regulations relating to anti-money laundering and counter financing of terrorism and internal anti-money laundering policy, by the employees.

Background checks in recruitment of employees were performed particularly for employees in management positions and tasked with decision-making obligations.

Also performed was know-your-client/risk assessment whereby Customer Due Diligence (CDD) measures were taken to ascertain customer's identity and establish beneficiaries via documentary evidence prior to any business engagements to assess integrity of counterparties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Whilst the Company (and its sister companies) has 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.

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 76 to 80.

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 contracts exceeding RM5 million that are not in the ordinary course of business, accounts receivables written-off and risk management updates. In 2020, 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 was a 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 Philippine 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 matters, 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 and the level of fees; and

the independence and continued independence.

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 2020 was RM19,847.95.

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 well as recommendations by Internal Audit, are also reviewed.

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

The Board Audit & Risk Management Committee has reviewed the internal audit findings for 2020 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:

BOARD AUDIT & RISK MANAGEMENT COMMITTEE

- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company's Statement of Risk Management and Internal Control ("SORMIC") can be found at pages 72 to 75. 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. The review of risk management issues is a permanent agenda item at the Board Audit & Risk Management Committee meetings.

For 2020, the key risk identified is the ongoing pandemic and its impact on the global market. Based on the assessment, *pandemic* has significant impact on the Company given its effect on the Company's operations, especially during the lockdowns. The likelihood, however, is still considered to be medium as it is not expected to happen frequently. Hence, 'Pandemic' scenario is classified as high-impact but medium likelihood.

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 verification and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

RISK MANAGEMENT GROUP

- Each Department has a risk management process specific to that Department's business and with a business recovery process in the event of a business disruption.
- In some high-risk areas especially when there could be high financial impact, there are inter-departmental groups tasked with evaluating risk seeking solutions. Such would include weekly meetings on hedging (on both commodities and crude and finished products 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:

prepared by the relevant Department charged with preparing the Report;

reviewed by other Departments that have an interest in the Report;

reviewed independently by the Law Department/ Controllers Division, as appropriate; and

approved for release (for example, by the Board or by Senior Management).

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

In 2020, the Company was not subjected to any sanction or fines by the Securities Commission, Bursa Malaysia, the Companies Commission or other regulatory authority.

Stakeholder Engagement

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

- the downstream oil & gas business in Malaysia is highly competitive and much of the information (especially on strategy and business plans and investment) are highly confidential in nature; and

- there are no other 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2012. 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. In light of the COVID-19 pandemic in 2020 and due to the extension by the Government on restrictions placed on mass gatherings, the Company successfully implemented a virtual Annual General Meeting in 2020. The implementation of a virtual Annual General Meeting was duly announced to the shareholders and notices were issued as stipulated in the Constitution and required by the Listing Requirements.

The Company's website has a Management Committee member as its named contact person with contact details, to ensure that shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. Material information relating to the Company is disclosed to the public by way of announcements to Bursa Malaysia Securities Berhad ("BMSB"), as required by the Main Market Listing Requirements of BMSB.

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

SHAREHOLDERS

Annual General Meeting ("AGM") forms the most important avenue for shareholders to question/seek clarification 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 of Directors, the Board Audit & Risk Management Committee and Nominating Committee in 2020 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	3	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
Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid	4	3	4	3	Non-Member	Non-Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remunerations to the Independent Directors in 2020

As approved by the Shareholders at the Annual General Meeting on 18 June 2020, the benefits paid and payable to the Independent Director for 2020 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 for each Independent Director who served a full term in 2019.

INDEPENDENT DIRECTORS	RM DIRECTORS' FEES	RM ATTENDANCE ALLOWANCE	RM EX-GRATIA BENEFITS	RM FUEL REIMBURSEMENT
Y. Bhg. Dato' Zainal Abidin Putih	78,000.00	33,000.00	15,000.00	1,750.86
Ms. Chua See Hua	78,000.00	33,000.00	15,000.00	924.72
Mr. Fong Seow Kee	78,000.00	22,500.00	15,000.00	6,074.80
Mr. Antonio M. Cailao	78,000.00	22,500.00	15,000.00	-
Y.Bhg. Dato' Noorizah Binti Hj Abd Hamid	65,712.33	20,000.00	-	1,691.12

Remunerations Paid to Senior Management in 2020

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

01 MR. LUBIN B. NEPOMUCENO [Chief Executive Officer]	02 PN. FARIDAH ALI [General Manager]	03 MR. MARK TRISTAN D. CAPARAS [Chief Finance Officer]
04 MS. FADZILAH MOHD TAHIR [Head of Refinery]	05 MR. CHOONG KUM CHOY [Head of Retail & Commercial Business]	06 MR. MANOJ DEVADASAN [General Counsel/ Company Secretary/HR Manager]

The total remunerations of the top six (6) Senior Management (attributable to the Company) paid in 2020 is RM2,617,992.00

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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 2020. The Company does not provide any share option scheme for Senior Management personnel.
- The total bonuses paid in 2020 comprised of two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel. Unlike in recent years arising from the financial situation of the Company, there was no ex-gratia paid in 2020.

Training Attended by Directors in 2020

DIRECTORS	DATE
MR. RAMON S. ANG	
• Webinar on Corporate Governance In-House Training	Dec 3
- Best Practices in Sustainability Reporting for Publicly-Listed Companies	
- Best Practices for Successfully Managing OFAC, OFSI and EU Sanctions for Global Businesses: An Executive Briefing for Board Directors and Management as an Anti-Corruption Programme	
MR. LUBIN B. NEPOMUCENO	
• Resonance by San Miguel Group	Feb 17
• Corporate Governance	Sep 9
MS. AURORA T. CALDERON	
• Zoom: Corporate Governance Seminar	Sep 9
• Zoom: SMC HR Learning Conference	Sep 17
• Zoom: FINEX Conference	Oct 5 – Oct 9
- The Evolution of Strategy	
- The Current State of MSMEs and Achieving World Class Support	
- The State of Digital Infra	
- Operationalizing a World-Class Finance Function	
- Prospects of the Philippine Stock Market Beyond Pandemic	
- Certainty in an Increasingly Uncertain World	
- Harnessing New Development Models for Prosperous Asia Pacific	
- Realizing a World Class Finance Organization	
Y. BHG DATO' NOORIZAH BINTI HJ ABD HAMID	
• Integrity Seminar for Directors of MOF Inc Companies	Feb 26
• Corporate Briefing on MACC Section 17A Act (organised by L&G)	Mar 9

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS	DATE
• Executive Talk by MACC - Corruption cases by Organisations - A Corporate Liability	Mar 10
• Zoom seminar: Impact of Covid 19 - What is the new normal? (organised by ICLIF)	Mar 30
• Risk Management and Risk Governance in the New Normal - Considerations for Boards (Mr Ramesh Pillai) [Via Google Meet] - IERP	Sep 10
• IERP - Global Conference 2020 Enterprise Risk Management: When Irrationality Meets Disruption (Via Google Meet)	Nov 17 - 18
• Leadership Energy Summit Asia 2020 (LESA.2020) - Organised by Maybank (via Google Meet)	Nov 19
• PNB Knowledge Sharing Initiatives Forum 2020 (Via Zoom) - Malaysia and Asean: Navigating China-US relations in the 21st Century (PNB)	Nov 26
MR. FERDINAND K. CONSTANTINO	
• Webinar: Barclay's Asia Forum with Niall Ferguson What Economic History Can Teach Us about COVID-19	Jun 18
• Webinar: Barclay's Asia Forum with Dr. Janet Yellen How COVID-19 is transforming financial markets and monetary policy	Jul 30
• Zoom: SMC CSU Townhall Leader Session	Aug 13
• Webinar: Barclay's Asia Forum A delicate Balance by Fareed Zakaria	Aug 27
• Zoom: Asia CEO Forum by Richard Mills with Dr. Bernie Villegas	Sep 3
• Zoom: SMC HR Learning Conference	Sep 10
• Zoom: McKinsey A2E Programme for SMC	Sep 21
• Web: Barclay's Asia Forum Signals the noise on navigating new dimension of risk by Ian Bremmer	Sep 24
• Zoom: FINEX Conference	Oct 5 - Oct 9
- The Evolution of Strategy	
- The Current State of MSMEs and Achieving World Class Support	
- The State of Digital Infra	
- Operationalizing a World-Class Finance Function	
- Prospects of the Philippine Stock Market Beyond Pandemic	
- Certainty in an Increasingly Uncertain World	
- Harnessing New Development Models for Prosperous Asia Pacific	
- Realizing a World Class Finance Organization	
• Zoom: Asia Excellence Award	Oct 20
• Webinar: Barclay's Asia Forum by Michael Lewis	Oct 22
• Zoom: Corporate Governance Seminar by KPMG	Dec 1
• Zoom: Corporate Governance Seminar by Center for Global Best Practices	Dec 3
MS. CHUA SEE HUA	
• SAGE 3 Webinar: Restructuring in Times of Crisis, The Rescue Plan Packaged with Financing	Jun 9
• INSOL International Webinar: Weathering the Storm	Jun 9
• SIDC Webinar: How Will COVID-19 Change the Outlook for ESG Programme	Jun 30
• INSOL International Webinar: Offshore Response to COVID-19	Jul 14
• Bank Negara Malaysia Webinar: Key AML/CFT Requirements	Jul 23
Y. BHG. DATO' ZAINAL ABIDIN PUTIH	
• ALMA Remediation - Diagnostic Interview with Group & Banking AC - "Project Introduction" (organised by CIMB/Oliver Wyman)	Jan 23
• MFRS 17 Insurance Contract Training (by Tokio Marine Insuran/KPMG)	Feb 17
• Briefing on RARIC, Capital & FRS 9 (by CIMB)	Feb 18
• Engagement Session with DG Rasheed on Islamic Finance Strategy by Bank Negara Malaysia	Feb 20

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS	DATE
• Board Briefing on Adequate Procedures Principles T.R.U.S.T Pursuant to subsection 5 of Section 17A under the MACC Act 2009, presented by Mr A Siva Kumar, Legal Advisor of Tokio Marine Insuran	Dec 1
• Cyber Security Awareness Training by EY Malaysia for Tokio Marine Insuran	Dec 1
MR. FONG SEOW KEE	
• The ICLIF Executive Education Center- CG Watch: Raising Defenses: Section 17A, MACC Act	Apr 9
MR. ANTONIO M. CAILAO	
• Webinar: Survive and Thrive: Digital Transformation – Necessary for the New Normal by Institute of Corporate Directors (ICD), Philippines	Jul 6
• Seminar on Corporate Governance by SGV & Co.	Sep 25
• Webinar: Technology Governance for Directors by Institute of Corporate Directors (ICD), Philippines	Oct 20 – Oct 21
• Webinar: Pilipinas Aspire, Rise, Sustain Theme 2 : Integrating Climate Risks in Corporate Strategy by Institute of Corporate Directors (ICD), Philippines	Oct 29
• Webinar: Future Trends by Institute of Corporate Directors (ICD), Philippines	Dec 16

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act 2016 and the MMLR to confirm that the financial statements for each financial year have been made out in accordance with the applicable approved accounting standards and that they give a true and fair view of the results of the business and state of affairs of the Company for the financial year.

The Directors have carried out their responsibilities by:

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

The Directors are responsible for ensuring that the Company keeps such accounting and other records which will sufficiently explain the transactions and give a true and fair view of the financial position of the Company, enabling the Directors to ensure that the financial statements comply with the Companies Act 2016 and to safeguard the assets of the Company.

Material Contracts

The Company is not and was not a party to any material contracts involving the Directors' interests during the year. Further, the Company is not and was not a party to any material contracts that are not in its ordinary course of business. All new contracts in 2020 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 2020.

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 12 March 2021.

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. 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. A company-wide refresher training on the Code of Conduct was completed in 2019.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

5. In preparation for the implementation of the new amendments to the Malaysian Anti-Corruption Commission Act 2009, further training commenced in 2020 for all Petron personnel. These were done to ensure all employees of the Company understand and appreciate the risks associated with the new law that came 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.

6. The Company further provided Petron personnel with training on Anti-Money Laundering as well as measures that have been put in place to meet the requirements of the relevant law(s) and minimise risks associated with movement of funds involving Petron. The Board of Directors also approved the Anti-Money Laundering Policy of the Company in November 2020.

7. In line with the programme implemented by the parent company, the Board at its 4th Quarter 2020 meeting also approved the Information Security Management System and its Policy. This is in line with the additional attention given to cyber-security risks since 2017.

8. The Company also commenced in the 4th Quarter of 2020 an update session for Petron personnel on key areas of the Standards of Business Conduct – primarily on areas such as conflict of interest, external directorships/businesses, accuracy and integrity of documentation, proper use of Company assets and restrictions on use of the corporate credit cards. However, as these trainings were designed to be conducted face to face, it was halted when the Company opted in general to work from home (or in split-teams at the Refinery and Terminals) arising from the COVID-19 pandemic in the 4th quarter of 2020 and subsequent MCO in January 2021. The training will continue when staff are allowed to return to the Office and face to face training sessions are safe to conduct. The timing of this will depend on the status of the COVID-19 pandemic. Subject to any restrictions arising from the COVID-19 pandemic, this programme is expected to be completed by the 3rd Quarter of 2021.

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

10. 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.

11. In 2020, a revised Whistleblower Policy was approved.

Key elements of the Company's internal controls

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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, meets to review risks and from that meeting, provides 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.

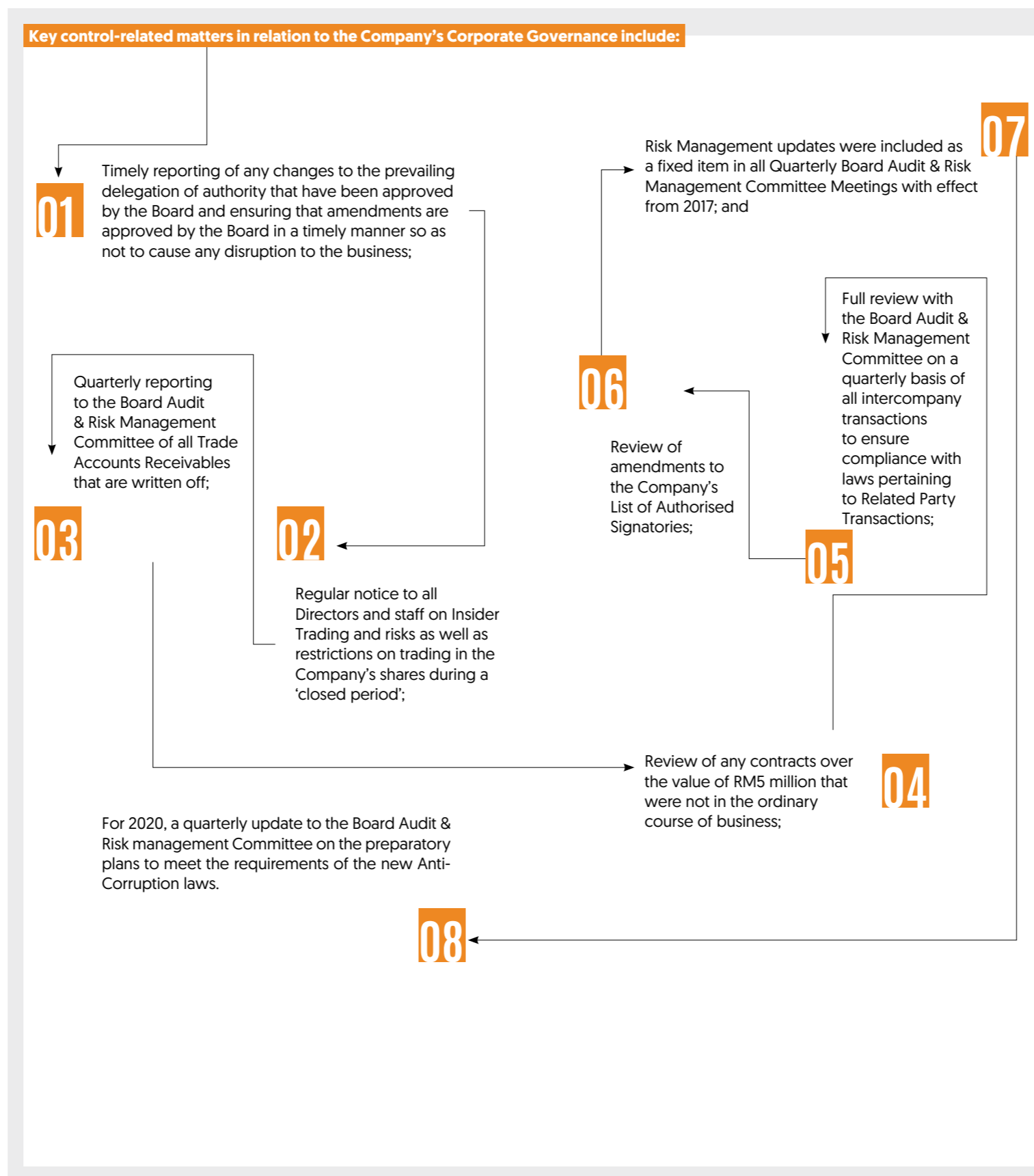
It should be noted that systems of internal controls and risk management are designed to manage or mitigate rather than eliminate the risk of failure to achieve business objectives and any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's risk management is managed by employing Petron Corporation's Enterprise-Wide Risk Management tools. The exercise points 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 continue 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 of a Pandemic Risk in 2020.

As part of the Risk Management review, all business continuity plans of the Company will be periodically reviewed to ensure that the business recovery process in the event of an emergency is sound and effective. In 2016, a fire incident at the Company's Port Dickson Refinery, caused a temporary shutdown of the facilities. The Business Continuity Plan was activated to manage the continued supply of petroleum products to the customers. 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 was activated on two occasions:

- (a) 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.
- (b) Similarly, 2020 proved to be challenging arising from the COVID-19 pandemic which altered delivery schedules of crude/finished product and caused delays in completion of key projects at the Refinery.

In both of these instances, the Company's business continuity plans were immediately activated, and the plans proved to be effective in ensuring the Company's interests are protected and the continued supply of petroleum products to the Company's customers continued unaffected. The business continuity plans will nevertheless continue to be reviewed periodically.



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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 9001:2015 certification by 2017. In 2019, the Company's Port Dickson Terminal and Bagan Luar Terminal achieved another milestone when they received the Integrated Management System (IMS) Certification from SIRIM, i.e. ISO 9001:2015 – Quality Management System), ISO 14001:2015-Environmental Management System and ISO 45001:2018 -OHSMS. Its sister company, Petron Fuel International Sdn. Bhd's Kuantan Terminal obtained the ISO 45001:2018 -OHSMS certification while its Pasir Gudang Terminal was granted the 14001:2015-Environmental Management System and ISO 45001:2018 -OHSMS certification.

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 was selected by the Malaysian Society for Occupational Safety and Health ("MSOSH") as Grand Award winner of MSOSH OSH Excellence Award. The Company's Terminals at Port Dickson and Bagan Luar, along with its sister companies, Petron Fuel International Sdn. Bhd.'s Kuantan and Pasir Gudang Terminals and Petron Oil [M] Sdn. Bhd.'s Sepanggar Bay Terminal, were recognised by MSOSH with Gold Merit Awards for excellent OSH performance. Furthermore, the Company's terminal at KLIA Aviation Depot, along with sister company, Petron Oil [M] Sdn Bhd's Tawau and Sandakan Terminals were awarded by MSOSH with Gold Class Awards for good OSH performance. In 2018, the Company's Port Dickson Refinery was also awarded the Prime Minister's Hibiscus (Exceptional Class) Award for its environmental excellence. In 2020, the Company's Port Dickson Refinery, as well as all Petron Malaysia group's Terminals, achieved an outstanding milestone of 18.7 years and 24 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 2020 and up to the date of this Report) are operating adequately and effectively, in all material respects.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

As at 31 December 2020, the Board Audit & Risk Management Committee (“Committee”) comprises five (5) Independent Directors, namely:

- | | | | | |
|--|----------------------------------|-----------------------------------|---------------------------------------|---|
| 1
Y. BHG. DATO’
ZAINAL ABIDIN
PUTIH
the Chairperson
of the Committee | 2
MS. CHUA
SEE HUA | 3
MR. FONG
SEOW KEE | 4
MR. ANTONIO
M. CAILAO | 5
Y. BHG. DATO’
NOORIZAH BINTI
HJ ABD HAMID |
|--|----------------------------------|-----------------------------------|---------------------------------------|---|

Y. Bhg. Dato’ Noorizah Binti Hj Abd Hamid was appointed to the Committee on 21 May 2020.

The profile of the Committee members can be found at pages 46 to 48.

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 67. 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 2020. The internal auditor provided updates to the Committee at the May and November meetings in 2020.

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.

Meeting with the internal auditor (19 November 2020)

Following the mid-year review with Internal Audit on 21 May 2020, the Committee reviewed the completed (with Internal Control Ratings) and on-going audit engagements in 2020, which were executed remotely due to the Government’s Movement Control Orders (MCO), and those to be pursued in 2021 as follows:

1. Review of Product Importation and Vessel Chartering Process (including Product Inventory Management) was completed with rating of ‘Very Satisfactory’.
2. Review of Petron Miles Card Processes and Systems to be completed in 2021.
3. Review of Enhanced Retail Automation (ERA) System to be pursued in 2021.

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

Status of Audit Plan

The status of the 2020 Audit Plan, were as follows:

1. As approved in the 21 May 2020 mid-year review, three (3) of the originally planned five (5) engagements will be pursued for the remainder of 2020, after considering the impact of the COVID-19 pandemic and the MCO.
2. Internal Audit conducted two (2) audit engagements in 2020 which were both executed remotely:
 - One (1) audit engagement (Review of Product Importation and Vessel Chartering) was completed;
 - One (1) audit engagement (Review of Petron Miles Card Processes and System) was in closing stage, however due to the MCO, the audit engagement is scheduled to be completed in 2021.
3. One (1) audit engagement (Review of Enhanced Retail Automation (ERA) System) to be pursued in 2021.

Internal Controls Assessment

There were no major issues noted that have significant impact on the Company’s financial statements and business operations.

Audit Plan for 2021

The Committee at its meeting on 19 November 2020, approved four (4) audit engagements for 2021:

1. Carryover: Review of Enhanced Retail Automation System IT Audit.
2. Commodity Hedging Process.
3. Review of Terminal’s Dispatch and Management System.
4. Review of Lumut Palm Methyl Ester (PME) Plant.

Implementation of NorthStar System

The Committee noted the implementation of the Northstar System which went live in August 2020 as follows:

- NorthStar is used to track and monitor outstanding audit findings.
- Intended to help the Company to achieve its corporate governance objectives and promote strong internal controls.
- Provides ready access to management by providing updates on outstanding audit findings and to generate status report in real time (as a self-service).

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

- Whilst the Internal Audit is independent from the Company, it is necessary for the Committee to be given an opportunity to evaluate the performance of Internal Audit and provide feedback as part of the Internal Audit Department’s performance evaluation.
- Internal Audit would be required to provide the Committee with a written assurance of independence and continued independence from Management of the Company.

BOARD AUDIT & 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 2020 are as follows:

Review of Risk Management matters

The Committee reviewed and provided recommendations to Management and (where necessary) approved 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 2020, Management had updated the risk profile of the Company to include 'Pandemic' as a high impact, medium likelihood risk.

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	Operations/Financial/Reputation
Changes in government policy	Regulatory
Competition	Financial
Product quality	Operations/Financial
Regulatory compliance	Regulatory/Operations/Reputation
Pandemic	Financial/Operations

For each of these identified risks, there are existing risk management tools and business continuity programmes in place. In this regard, the Committee was particularly briefed on the effectiveness of the Business Continuity Plan relating to the Company's response to the impact of the COVID-19 pandemic. The Business Continuity Plan was activated in 2020 and successfully managed the situation to ensure continued and safe operations of the Company in providing undisrupted supply of petroleum finished products to the domestic market being an essential service during the COVID-19 pandemic.

The Committee also took note that for 2021, the same risks in 2020, continue to be regarded as major risks (i.e. those with highest potential impact on the Company). Thus, the major risks for 2021 would be:

MAJOR RISKS FOR 2021

- Commodity price risk/forex risk;
- Major incident rendering facilities inoperable;
- Shipping incident/oil spill;
- Supply disruption/over dependence on few suppliers;
- IT Systems/Infrastructure outage/Cybersecurity; and
- Pandemic.

For each of these major risks (with the exception of price risk/forex risk), Management continues to review and (where necessary) update the existing Business Continuity Plans in managing risks/threats to the business.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Review with the internal auditor and external auditor

In 2020, external auditor, KPMG PLT ["KPMG"] met privately with the Committee on 27 February 2020 in relation to the 2019 audited Financial Statements and the review of the Statement of Risk Management and Internal Control (SORMIC) that were then included in the 2019 Annual Report. The meeting was carried out without the presence of Management. There were no issues arising from this meeting that required further action.

KPMG also met with the Committee on 19 November 2020 to present and seek approval of the Committee for the 2020 Audit Plan and Strategy. The matters discussed at this meeting included:

- The scope of the audit and that the audit would be conducted based on the Approved Standards on Auditing in Malaysia;
- Materiality used in the audit;
- Matters relating to the audit and the identified focus areas and the approach to be taken;
- New MFRS requirements;
- Assurance on the independence of KPMG; and
- A review of the SORMIC.

On 23 February 2021, KPMG presented their report in relation to the external financial audit for the year ended 31 December 2020 (to be included in the 2020 Annual Report) to the Committee. A summary of the discussion is as follows:

Key Audit Matters

The Key Audit Matters identified were:

- Revenue recognition; and
- Valuation of inventories.

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:

OTHER AUDIT MATTERS

- Net current liabilities position assessment;
- Valuation of property, plant and equipment, investment property and right-of-use asset;
- Change in accounting estimates – refinery assets' depreciation;
- Compliance to loan covenants; and
- Management override of controls.

The Committee was also informed of the related party transactions that have been disclosed in the financial statements. In addition, KPMG also informed the Committee that they noted no exceptions in their audit and expects to sign the auditors' report without any modifications and that the disclosures made were in compliance with requirements and relevant standards.

Review of the Annual Report

As required under the auditing standards, KPMG reviewed the statements contained in the Company's 2020 Annual Report which was obtained after the date of the auditors' report to identify any inconsistency with material information that KPMG is aware and identify the same for the Management.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

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 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 19 November 2020, 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 19 November 2020 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 report, the follow-up action as well as audit plan for 2021, were reviewed and approved. The Committee was assured that there was no element of interference or influence by Management with its audit report.

Reporting of any internal audit issues

There was no special internal audit program, processes, results of the internal audit program, or investigation undertaken, or action that had been taken, that were needed to be reported to the Board in 2021.

Endorsement of Financial Statements

The Committee reviewed and reported to the Board the quarterly results in 2020 and year-end financial statements as at 31 December 2020, 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

There were no undisclosed related party transactions in 2020.

Review of other significant matters

Apart from major transactions and related party transaction, the Committee at all quarterly meetings in 2020, 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.

Also, at its meeting on 23 February 2021, the Committee endorsed the audit fee of RM399,000 payable to KPMG for the audit carried out for financial year 2020.

Appointment of External Auditors

At its meeting on 12 March 2021:

The Committee having considered the following considerations:

1. Regular external auditor rotation as a practice of good governance required/encouraged by relevant governing bodies:
 - The Malaysian Institute of Accountants requires audit engagement partner rotation every 5 years;
 - Regular audit firm rotation is encouraged by Bursa; and
 - International best practices of 5 to 10 year-cycle for audit firm rotation among listed companies.

2. Regular auditor rotation is also expected to enhance actual and perceived independence.

The Committee moved to the Board the recommendation to appoint PricewaterhouseCoopers (PwC) as PMRMB's external auditor for financial year 2021, for the shareholders' approval on 17 June 2021 Annual General Meeting.

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 on the year-end Financial Statements as at 31 December 2020.

This report is dated 12 March 2021.

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.

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:

- 01 **MS. CHUA SEE HUA**
(Independent Director)
Chairperson of the Nominating Committee
- 02 **Y. BHG. DATO' ZAINAL ABIDIN PUTIH**
(Independent Director)
- 03 **MR. FERDINAND K. CONSTANTINO**
(Non-Executive Director)

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

ROLE OF THE NOMINATING COMMITTEE AND ACTIVITIES IN 2020

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 23 February 2021.

Training Programmes

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

Board Diversity

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

The Nominating Committee recognises that diversity on the Board in terms of having one-third women directors was a call from the Government, which the Nominating Committee will strive to always achieve and maintain. 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 has 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 48 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.

NOMINATING COMMITTEE REPORT

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 2020, the Nominating Committee carried out the following activities:

NOMINATING COMMITTEE

- (a) conduct and review of the annual evaluation of the Directors, Board and Board Committees for the year ended 2020 and reported same to the Board in February 2021. A report of this evaluation is reported in the Annual Report of 2020;
- (b) review of candidates to retire by rotation and to recommend their re-election (Mr. Ramon S. Ang, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno) at the 2021 Annual General Meeting;
- (c) review of the Independent Directors having exceeded nine (9) cumulative years in office and making recommendations to the Board on retention for another terms (Y. Bhg. Dato' Zainal Abidin Putih) at the 2021 Annual General Meeting; and
- (d) review of candidates proposed for appointment as Independent Director (Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid) who was appointed by the Board on 27 February 2020.

APPOINTMENT OF DIRECTOR(S) IN 2020

On 27 February 2020, Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid was appointed to the Board in 2020 as an Independent Director.

Annual Review of Board/Committees/Directors Performance

For the annual evaluation, the Nominating Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Nominating Committee also considered its role in charting the course for the Company, setting out the strategic plans for the Company and stewarding

the implementation process. The Nominating Committee also reviewed other matters such as trainings attended, attendance record at meetings (including their respective participation) as well as their level of compliance with legal requirements, including the Main Market Listing Requirements (MMLR).

A customised evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was used for the 2020 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 2020 annual evaluation was completed in January 2021 and the results were presented to the Nominating Committee and the Board on 23 February 2021. 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 4.97 [out of a maximum of 5.0] and the Nominating Committee's average rating was 4.98 [out of a maximum of 5.0]. The rating is an increase from the rating in 2019.

Board Evaluation – The rating received indicated an overall average of 4.81 [out of a maximum of 5.0] indicating 'Consistently Good'. This is also an increase from the rating in 2019.

Board Skill Evaluation (Peer Assessment) – The Directors were rated between 4.78 and 4.90 [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 2019.

Performance Evaluation (Self-Assessment and a Peer Assessment by each Director) – Each Director was rated between 4.75 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 2019.

NOMINATING COMMITTEE REPORT

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.

Election/Re-election/Appointment of Directors

The Nominating Committee at its meeting on 23 February 2021, 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 three (3) Directors, namely Mr. Ramon S. Ang, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno (all Executive Directors) shall retire by rotation at the 2021 Annual General Meeting. The Committee, having considered the said three (3) retiring Directors' Annual Evaluation (namely in regard their excellent evaluation ratings) and 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.
- (b) 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 12 March 2021.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2020.

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
Loss for the year	13,315

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 12 sen per ordinary share totalling RM32,400,000 in respect of the financial year ended 31 December 2019, declared on 18 June 2020 and paid on 3 July 2020.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2020 is 5 sen per ordinary share totalling RM13,500,000 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

Directors of the Company

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

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



FINANCIAL STATEMENTS

Directors' Report ↗	85
Statement of Financial Position ↗	88
Statement of Profit or Loss and Other Comprehensive Income ↗	89
Statement of Changes in Equity ↗	90
Statement of Cash Flows ↗	91
Notes to the Financial Statements ↗	94
Statement by Directors ↗	135
Statutory Declaration ↗	136
Independent Auditors' Report ↗	137



Click on the links [↗](#) to further information within the document.

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 1.1.2020	Acquired	Sold	At 31.12.2020
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 2020 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 RM47,800. During the financial year, no indemnity claim or payment was made.

DIRECTORS' REPORT

Other statutory information

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

- i) all known bad debts have been written off and adequate provision 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 2020 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: 23 February 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Cash and cash equivalents	3	139,059	156,599
Derivative financial assets	4	7,838	8,914
Trade and other receivables	5	221,351	420,865
Inventories	6	419,834	706,564
Other current assets	7	7,268	6,332
Tax recoverable		10,969	-
Total current assets		806,319	1,299,274
Property, plant and equipment	8	1,456,122	1,190,138
Investment property	9	653,996	634,333
Right-of-use assets	10	31,856	32,339
Long-term assets	11	28,071	23,469
Intangible assets – software	12	1,401	167
Total non-current assets		2,171,446	1,880,446
Total assets		2,977,765	3,179,720
Liabilities			
Loans and borrowings	13	420,320	130,000
Trade and other payables	14	634,009	1,088,355
Lease liabilities		1,576	3,776
Derivative financial liabilities	4	13,560	9,941
Retirement benefit obligations	15	4,273	5,951
Tax payable		-	3,606
Total current liabilities		1,073,738	1,241,629
Retirement benefit obligations	15	48,545	46,944
Deferred tax liabilities	16	73,418	75,297
Lease liabilities		40,467	29,891
Total non-current liabilities		162,430	152,132
Total liabilities		1,236,168	1,393,761
Equity			
Share capital	17	143,000	143,000
Retained earnings		1,598,597	1,642,959
Total equity		1,741,597	1,785,959
Total equity and liabilities		2,977,765	3,179,720

The notes on pages 94 to 134 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Revenue	18	6,461,691	11,456,829
Cost of sales		(6,295,051)	(10,984,600)
Gross profit		166,640	472,229
Other operating income		55,237	65,967
Other operating expenses		(227,137)	(256,884)
Administrative expenses		(14,896)	(16,425)
Results from operating activities		(20,156)	264,887
Other income		12,475	12,077
Other expenses		(13,238)	(34,528)
Finance income		1,890	3,731
Finance costs	19	(3,042)	(6,821)
(Loss)/Profit before tax	20	(22,071)	239,346
Tax benefit/(expense)	21	8,756	(62,220)
(Loss)/Profit for the year		(13,315)	177,126
Other comprehensive income/(loss), net of tax			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	22	1,353	(4,824)
Other comprehensive income/(loss) for the year, net of tax		1,353	(4,824)
Total comprehensive (loss)/income for the year		(11,962)	172,302
Basic (loss)/earnings per ordinary share (sen)	23	(4.9)	65.6

The notes on pages 94 to 134 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2019		143,000	1,524,657	1,667,657
Remeasurement of defined benefit liability	22	-	(4,824)	(4,824)
Profit for the year		-	177,126	177,126
Total comprehensive income for the year		-	172,302	172,302
Dividends paid	24	-	(54,000)	(54,000)
At 31 December 2019/1 January 2020		143,000	1,642,959	1,785,959
Remeasurement of defined benefit liability	22	-	1,353	1,353
Loss for the year		-	(13,315)	(13,315)
Total comprehensive loss for the year		-	(11,962)	(11,962)
Dividends paid	24	-	(32,400)	(32,400)
At 31 December 2020		143,000	1,598,597	1,741,597

Note 17

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
(Loss)/Profit before tax		(22,071)	239,346
Adjustments for:			
Amortisation of intangible assets	12	113	100
Amortisation of long-term assets	11	5,588	4,445
Depreciation of investment property	9	34,283	30,916
Depreciation of property, plant and equipment	8	46,678	57,846
Depreciation of right-of-use assets	10	486	504
Finance costs	19	3,042	6,821
Finance income		(1,890)	(3,731)
Gain on disposal of investment property		-	(3,729)
Gain on disposal of property, plant and equipment		(4,411)	(901)
Gain on disposal of right-of-use assets		-	(44)
Impairment loss on trade and other receivables		195	328
Retirement benefit costs	15	5,874	5,159
Reversal of impairment loss on trade and other receivables		(1,271)	(786)
Unrealised foreign exchange loss/(gain)		314	(3,450)
Unrealised loss on derivatives		5,722	1,027
Write-down of inventories to net realisable value	6	-	1,545
Write-off of investment property	9	-	426
Write-off of property, plant and equipment	8	154	1,779
Operating profit before changes in working capital		72,806	337,601
Change in inventories		286,730	(59,767)
Change in long-term assets		(641)	(352)
Change in trade and other payables and other financial liabilities		(444,816)	69,021
Change in trade and other receivables and other financial assets		207,396	570,213
Cash from operations		121,475	916,716
Interest paid		(14,747)	(5,387)
Interest received		1,884	3,721
Tax paid		(10,489)	(63,892)
Tax refund		2,364	20,322
Retirement benefits paid	15	(4,171)	(3,810)
Net cash from operating activities		96,316	867,670

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from investing activities			
Acquisition of investment property		(25,752)	(25,086)
Acquisition of property, plant and equipment		(330,463)	(513,568)
Payment for long-term assets		(11,961)	(11,675)
Purchase of intangible assets		(131)	-
Proceeds from disposal of investment property		-	9,164
Proceeds from disposal of property, plant and equipment		4,696	2,108
Proceeds from disposal of right-of-use assets		-	60
Net cash used in investing activities		(363,611)	(538,997)
Cash flows from financing activities			
Dividends paid	24	(32,400)	(54,000)
Net proceeds from/(repayment of) borrowings		291,340	(260,000)
Payment of lease liabilities		(7,506)	(3,466)
Net cash from/(used in) financing activities		251,434	(317,466)
Net change in cash and cash equivalents			
		(15,861)	11,207
Effect of exchange rate fluctuations on cash held		(1,679)	(38)
Cash and cash equivalents at 1 January		156,599	145,430
Cash and cash equivalents at 31 December	3	139,059	156,599

Cash outflows for leases as a lessee

Total cash outflows for leases amounted to RM10,254,000 (2019: RM4,832,000) comprised of principal and interest payments on lease liabilities.

The notes on pages 94 to 134 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Borrowings RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2019	390,000	16,038	406,038
Changes from financing cash flows			
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)
Other changes:			
Accrued interest	-	572	572
Acquisition of new leases	-	20,723	20,723
Remeasurement of lease liabilities	-	(200)	(200)
At 31 December 2019/1 January 2020	130,000	33,667	163,667
Changes from financing cash flows			
Proceeds from borrowings	1,061,340	-	1,061,340
Repayment of borrowings	(770,000)	-	(770,000)
Payment of lease liabilities	-	(7,506)	(7,506)
Total changes from financing cash flows	291,340	(7,506)	283,834
Other changes:			
Accrued interest	-	677	677
Acquisition of new leases	-	15,042	15,042
Remeasurement of lease liabilities	-	163	163
Unrealised forex gain	(1,020)	-	(1,020)
At 31 December 2020	420,320	42,043	462,363

The notes on pages 94 to 134 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 23 February 2021.

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 (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Company except for the Amendment to MFRS 16, *Leases – COVID-19 – Related Rent Concessions*:

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as a First-time Adopter (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 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 does not plan to apply Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2* that are effective for annual periods beginning on 1 January 2021 as they are not applicable to the Company.

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

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as a First-time Adopter (Annual Improvements to MFRS Standards 2018–2020)*, Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework* and Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* which are not applicable to the Company.
- from the annual period beginning on 1 January 2023 for those accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* and Amendments to MFRS 17, *Insurance Contracts* which are 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 8 – estimates of crude consumption, 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.

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.

(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.

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

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

Financial assets (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

(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.

(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 for plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of plant and equipment from the date that they are available for use. Effective 1 January 2020, depreciation of refinery production assets is computed based on the unit of production method using expected refinery crude consumption over the estimated useful lives of these assets. In addition, the Company also revised the estimated useful lives of certain items of refinery plant and equipment such as storage tanks. 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 6 - 33 years (2019: 10 - 33 years)

Estimates in respect of useful lives of certain items of property, plant and equipment were revised during the year as disclosed in Note 8.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.5 Leases

(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.

(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.

COVID-19 related rent-concessions

The Company has applied the practical expedient of Amendment to MFRS 16, *Leases – COVID-19 – Related Rent Concessions*, allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**2.5 Leases (continued)****(ii) Recognition and initial measurement (continued)****(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.

(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.

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).

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**2.6 Investment property (continued)****(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**2.10 Impairment (continued)****(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**2.12 Employee benefits (continued)****(ii) State plans**

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

(iii) Defined benefit plans

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

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

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

The Company determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

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

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

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**2.14 Revenue and other income (continued)****(i) Revenue (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**2.16 Income tax (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)**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

	2020 RM'000	2019 RM'000
Fixed deposits	116,500	118,000
Cash and bank balances	22,559	38,599
	139,059	156,599

4. Derivative financial assets/(liabilities)

	2020			2019		
	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	185,686	5	(1,672)	218,219	-	(1,732)
- Commodity swaps	481,923	7,833	(11,888)	528,687	8,914	(8,209)
	667,609	7,838	(13,560)	746,906	8,914	(9,941)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables, payables, loans and borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS

5. Trade and other receivables

	2020 RM'000	2019 RM'000
Trade		
Trade receivables	110,557	201,948
Less: Impairment allowance	(382)	(746)
	110,175	201,202
Amounts due from related company	36,706	108,082
	146,881	309,284
Non-trade		
Subsidy receivables	48,321	82,191
Amounts due from related companies	276	106
Other receivables	25,873	29,284
	74,470	111,581
	221,351	420,865

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.

6. Inventories

	2020 RM'000	2019 RM'000
Crude oil	145,304	283,067
Petroleum products	259,401	407,467
Materials and supplies	15,129	16,030
	419,834	706,564
Recognised in profit or loss:		
Inventories recognised as cost of sales	6,216,234	10,859,991
Write-down to net realisable value	-	1,545

7. Other current assets

	2020 RM'000	2019 RM'000
Prepayments	7,268	6,332

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment

	Freehold land RM'000	Buildings and improvements RM'000	Plant and equipment RM'000	Capital project in-progress RM'000	Total RM'000
Cost					
At 1 January 2019	51,219	46,730	1,424,482	171,968	1,694,399
Addition	-	4,436	68,041	549,530	622,007
Disposal	-	-	(2,309)	-	(2,309)
Write-off	-	-	(5,042)	-	(5,042)
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 2019/1 January 2020	23,468	49,632	1,502,021	655,812	2,230,933
Addition	-	137	45,400	279,109	324,646
Disposal	(285)	-	-	-	(285)
Write-off	-	(97)	(524)	-	(621)
Reclassification to intangible assets	-	-	-	(1,216)	(1,216)
Reclassification to investment property	-	(368)	-	(9,726)	(10,094)
Reclassification (to)/from long-term assets	-	(382)	(155)	215	(322)
Reclassification	-	488	13,789	(14,277)	-
At 31 December 2020	23,183	49,410	1,560,531	909,917	2,543,041
Accumulated depreciation					
At 1 January 2019	-	36,290	952,663	-	988,953
Depreciation for the year	-	1,498	56,348	-	57,846
Disposal	-	-	(1,102)	-	(1,102)
Write-off	-	-	(3,263)	-	(3,263)
Reclassification to investment property	-	(1,639)	-	-	(1,639)
At 31 December 2019/1 January 2020	-	36,149	1,004,646	-	1,040,795
Depreciation for the year	-	1,348	45,330	-	46,678
Write-off	-	(26)	(441)	-	(467)
Reclassification to investment property	-	(18)	-	-	(18)
Reclassification to long-term assets	-	(49)	(20)	-	(69)
At 31 December 2020	-	37,404	1,049,515	-	1,086,919
Carrying amount					
At 1 January 2019	51,219	10,440	471,819	171,968	705,446
At 31 December 2019/ 1 January 2020	23,468	13,483	497,375	655,812	1,190,138
At 31 December 2020	23,183	12,006	511,016	909,917	1,456,122

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

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 RM73,755,000 (2019: RM72,768,000).

In 2019, compulsory acquisitions by the government resulted in the divestments of properties and equipment amounting to RM1,174,000.

The Company capitalised finance cost in capital project in-progress amounting to RM15,495,000 (2019: RM4,341,000). The capitalisation rates used to determine the amount of interest eligible for capitalisation ranged from 3.1% to 5.1%.

These rental income are recognised in profit or loss:

	2020 RM'000	2019 RM'000
Rental income	4,143	3,021

The operating lease income to be received are as follows:

	2020 RM'000	2019 RM'000
Less than one year	7,537	2,347
One to two years	3,264	1,526
Two to five years	4,052	2,278
More than five years	9,047	4,957
Total undiscounted lease income	23,900	11,108

Change in estimates

During the year, the Company adopted the units of production method for depreciation of refinery plant and equipment directly used in the manufacturing of petroleum products as the method closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

Depreciation of refinery production assets is computed based on the unit of production method using expected refinery crude consumption over the estimated useful lives of these assets. Previously, depreciation for these assets was computed on a straight-line method. In addition, the Company also revised the estimated useful lives of certain items of refinery plant and equipment such as storage tanks. These revisions were accounted for prospectively as a change in accounting estimates and the effects of these changes on depreciation expense in current and future periods are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	Later RM'000
(Decrease)/Increase in depreciation expense	(5,441)	(2,706)	(1,914)	(1,538)	(1,035)	12,634

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)**Estimates of crude consumption**

The estimated crude consumption of the Port Dickson Refinery (PDR) is dependent on refining economics. These estimates require the application of judgements and are subject to regular revision based on economic factors such as crude supply, oil prices and sales forecast.

Such revisions will impact the Company's reported financial position and results which include:

- (i) carrying amounts of refinery plant and equipment
- (ii) carrying amounts of deferred tax assets and liabilities

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
Cost					
At 1 January 2019	138,108	423,081	443,542	-	1,004,731
Addition	-	20,778	6,978	18,108	45,864
Disposal	-	(4,798)	(4,933)	-	(9,731)
Write-off	-	-	(1,996)	-	(1,996)
Reclassification from prepayments	-	102	-	-	102
Reclassification from long-term assets	-	7,756	-	-	7,756
Reclassification from property, plant and equipment	27,751	-	1,862	48,265	77,878
Reclassification	6,077	-	35,533	(41,610)	-
At 31 December 2019/ 1 January 2020	171,936	446,919	480,986	24,763	1,124,604
Addition	-	15,073	14,708	11,044	40,825
Reclassification from long-term assets	-	2,665	-	-	2,665
Reclassification from property, plant and equipment	-	-	368	9,726	10,094
Reclassification	5,857	-	25,807	(31,664)	-
Lease reassessment	-	380	-	-	380
At 31 December 2020	177,793	465,037	521,869	13,869	1,178,568

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
Accumulated depreciation					
At 1 January 2019	-	183,235	280,147	-	463,382
Depreciation for the year	-	14,436	16,480	-	30,916
Disposal	-	(1,888)	(2,208)	-	(4,096)
Write-off	-	-	(1,570)	-	(1,570)
Reclassification from property, plant and equipment	-	-	1,639	-	1,639
At 31 December 2019/ 1 January 2020	-	195,783	294,488	-	490,271
Depreciation for the year	-	15,514	18,769	-	34,283
Reclassification from property, plant and equipment	-	-	18	-	18
At 31 December 2020	-	211,297	313,275	-	524,572

Carrying amount

At 1 January 2019	138,108	239,846	163,395	-	541,349
At 31 December 2019/ 1 January 2020	171,936	251,136	186,498	24,763	634,333
At 31 December 2020	177,793	253,740	208,594	13,869	653,996

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:

	2020 RM'000	2019 RM'000
Rental income	38,612	44,999
Direct expenses	40,509	36,399

The operating lease income to be received are as follows:

	2020 RM'000	2019 RM'000
Less than one year	34,919	33,381
One to two years	18,021	16,669
Two to three years	3,315	6,090
Total undiscounted lease income	56,255	56,140

Fair value information

The fair value of investment properties as at 31 December 2020 was RM936,619,000 (2019: RM886,606,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

9. Investment property (continued)**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

	2020 RM'000	2019 RM'000
Leasehold land		
At 1 January	32,339	21,929
Addition	-	10,930
Depreciation for the year	(486)	(504)
Disposal	-	(16)
Lease reassessment	3	-
At 31 December	31,856	32,339

Included in the above is leasehold land amounting to RM18,942,000 (2019: RM19,178,000) for the Company's 20% participating interest in the jointly-owned assets of Multi-Product Pipeline (MPP).

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	42,043	-	100

NOTES TO THE FINANCIAL STATEMENTS

10. Right-of-use assets (continued)**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

	2020 RM'000	2019 RM'000
Prepaid lease rentals	13,999	11,148
Deposits	4,583	2,796
Marketing assistance to dealers	2,680	4,083
Others	6,809	5,442
	28,071	23,469

The movement in the long-term assets is as follows:

At 1 January	23,469	23,643
Addition	11,961	11,675
Amortisation for the year	(5,588)	(4,445)
Reclassification to investment property	(2,665)	(7,756)
Reclassification from property, plant and equipment	253	-
Others	641	352
At 31 December	28,071	23,469

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.

NOTES TO THE FINANCIAL STATEMENTS

12. Intangible assets - software

	Total RM'000
Cost	
At 1 January 2019	22,829
Reclassification from property, plant and equipment	244
At 31 December 2019/1 January 2020	23,073
Addition	131
Reclassification from property, plant and equipment	1,216
At 31 December 2020	24,420
Accumulated amortisation	
At 1 January 2019	22,806
Amortisation for the year	100
At 31 December 2019/1 January 2020	22,906
Amortisation for the year	113
At 31 December 2020	23,019
Carrying amount	
At 1 January 2019	23
At 31 December 2019/1 January 2020	167
At 31 December 2020	1,401

13. Loans and borrowings

	2020 RM'000	2019 RM'000
Current		
Revolving credit – unsecured		
- Denominated in RM	340,000	130,000
- Denominated in U.S. Dollar (USD)	80,320	-
	420,320	130,000

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

NOTES TO THE FINANCIAL STATEMENTS

14. Trade and other payables

	2020 RM'000	2019 RM'000
Trade		
Trade payables	429,115	868,473
Non-trade		
Accrued expenses	42,512	38,299
Duties and tax payables	87,988	65,661
Amounts due to related companies	-	1
Other payables	74,394	115,921
	634,009	1,088,355

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

	2020 RM'000	2019 RM'000
Current	4,273	5,951
Non-current	48,545	46,944
	52,818	52,895

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The plan assumptions are reappraised every three years by an independent actuary. 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:

	2020 RM'000	2019 RM'000
At 1 January	52,895	45,476
Included in profit or loss		
Current service cost	3,378	2,782
Interest cost	2,496	2,377
	5,874	5,159
Included in other comprehensive income		
Remeasurement of retirement benefit obligations		
Actuarial (gain)/loss arising from:		
- Experience adjustments	(1,780)	4,369
- Financial assumptions	-	1,978
	(1,780)	6,347
Others		
Benefits paid	(4,171)	(3,810)
Transfer to affiliate	-	(277)
	(4,171)	(4,087)
At 31 December	52,818	52,895

Actuarial assumptions

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

	2020 %	2019 %
Discount rate	5.0	5.0
Future salary growth	5.8	5.8

As at 31 December 2020, the weighted average duration of the defined benefit obligation was 8.33 years (2019: 8.13 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			
	2020		2019	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(3,907)	4,510	(3,824)	4,407
Future salary growth (1% movement)	5,587	(4,918)	4,855	(4,295)

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	-	-	(90,457)	(81,972)	(90,457)	(81,972)
Right-of-use assets	-	-	(15,341)	(11,611)	(15,341)	(11,611)
Lease liabilities	15,963	12,021	-	-	15,963	12,021
Retirement benefit obligations	6,096	6,095	-	-	6,096	6,095
Capital allowances carry-forward	8,602	-	-	-	8,602	-
Other items	1,719	1,167	-	(997)	1,719	170
Net tax assets/(liabilities)	32,380	19,283	(105,798)	(94,580)	(73,418)	(75,297)

Movement in temporary differences during the year

	At 1.1.2019 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	Recognised in profit or loss (Note 21) RM'000	Recognised directly in equity (Note 21) RM'000	At 31.12.2020 RM'000
Property, plant and equipment	(72,419)	(9,553)	-	(81,972)	(8,485)	-	(90,457)
Right-of-use assets	(5,117)	(6,494)	-	(11,611)	(3,730)	-	(15,341)
Lease liabilities	5,481	6,540	-	12,021	3,942	-	15,963
Retirement benefit obligations	5,066	(494)	1,523	6,095	428	(427)	6,096
Capital allowances carry-forward	-	-	-	-	8,602	-	8,602
Other items	(6,195)	6,365	-	170	1,549	-	1,719
Net tax liabilities	(73,184)	(3,636)	1,523	(75,297)	2,306	(427)	(73,418)

NOTES TO THE FINANCIAL STATEMENTS

17. Share Capital

	2020		2019	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid:				
At 1 January/31 December	270,000	143,000	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.

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.

	2020 RM'000	2019 RM'000
Revenue from contracts with customers		
Third-party sales	5,019,341	8,943,972
Sales to related company	1,421,446	2,484,155
	6,440,787	11,428,127
Other revenue		
Other revenues and rebates	20,904	28,702
	6,461,691	11,456,829

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 RM12,699,000 (2019: RM21,953,000).

19. Finance costs

	2020 RM'000	2019 RM'000
Interest expense of financial liabilities measured at amortised cost – loans	12,275	3,900
Interest expense on lease liabilities	3,425	1,938
Other finance costs	2,837	5,324
	18,537	11,162
Recognised in profit or loss	3,042	6,821
Capitalised into property, plant and equipment:		
Interest expense of financial liabilities measured at amortised cost - loans	12,070	1,657
Interest expense on lease liabilities	3,425	1,684
Other finance costs	-	1,000
	15,495	4,341
	18,537	11,162

NOTES TO THE FINANCIAL STATEMENTS

20. (Loss)/Profit before tax

	2020 RM'000	2019 RM'000
(Loss)/Profit before tax is arrived at after charging:		
Amortisation of intangible assets	113	100
Audit fees	399	399
Depreciation of right-of-use assets	486	504
Foreign exchange		
- Realised loss	1,238	920
- Unrealised loss	314	-
Impairment loss on trade and other receivables	195	328
Investment property		
- Depreciation	34,283	30,916
- Write-off	-	426
Long-term assets		
- Amortisation		
- Prepaid lease rentals	96	-
- Marketing assistance to dealers	1,528	1,827
- Others	3,964	2,618
Loss on derivatives	-	54,710
Personnel expenses (including key management personnel)		
- Contributions to Employees' Provident Fund	7,265	7,028
- Retirement benefits	5,874	5,159
- Wages, salaries and others	62,735	62,815
Property, plant and equipment		
- Depreciation	46,678	57,846
- Write-off	154	1,779
Property rental – short term leases	2,949	2,543
Repair and maintenance	38,597	45,226
Trucking cost	51,251	57,161
Write-down of inventories to net realisable value	-	1,545
and after crediting:		
Finance income	1,890	3,731
Foreign exchange		
- Unrealised gain	-	3,450
Gain on derivatives	5,512	-
Gain on disposal of investment property	-	3,729
Gain on disposal of property, plant and equipment	4,411	901
Gain on disposal of right-of-use assets	-	44
Rental income	42,755	48,020
Reversal of impairment loss on trade and other receivables	1,271	786

NOTES TO THE FINANCIAL STATEMENTS

21. Tax (benefit)/expense

Recognised in profit or loss

	2020 RM'000	2019 RM'000
Current tax (benefit)/expense		
- Current year	2,955	67,497
- Prior years	(9,405)	(8,913)
Total current tax recognised in profit or loss	(6,450)	58,584
Deferred tax (benefit)/expense		
Reversal of temporary differences	(5,195)	(4,970)
Under provision in prior years	2,889	8,606
Total deferred tax recognised in profit or loss	(2,306)	3,636
Total income tax (benefit)/expense	(8,756)	62,220
Reconciliation of tax (benefit)/expense		
(Loss)/Profit before tax	(22,071)	239,346
Income tax calculated using Malaysian tax rate of 24% (2019: 24%)	(5,297)	57,443
Non-deductible expenses	4,294	5,955
Non-taxable income	(1,237)	(871)
Over provision in prior years	(6,516)	(307)
	(8,756)	62,220
Income tax recognised directly in equity		
Deferred tax		
- Adjustments on initial application of MFRS 16	-	(364)
- Retirement benefit obligations	427	(1,523)
	427	(1,887)

NOTES TO THE FINANCIAL STATEMENTS

22. Other comprehensive income/(loss)

	2020 RM'000	2019 RM'000
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability		
Before tax	1,780	(6,347)
Tax (expense)/benefit	(427)	1,523
Net of tax	1,353	(4,824)

23. (Loss)/Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2020 was based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

	2020	2019
Net (loss)/profit attributable to shareholders (RM'000)	(13,315)	177,126
Number of ordinary share units in issue ('000)	270,000	270,000
Basic (loss)/earnings per share (sen)	(4.9)	65.6

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
2020			
Final 2019 ordinary	12.0	32,400	3 July 2020
2019			
Final 2018 ordinary	20.0	54,000	27 June 2019

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 2020 ordinary	5.0	13,500

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:

	2020 RM'000	2019 RM'000
Domestic	5,811,168	10,402,027
Foreign	650,523	1,054,802
	6,461,691	11,456,829

Major customers

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

	2020 RM'000	2019 RM'000
Related party		
- Petron Fuel International Sdn. Bhd.	1,421,446	2,484,155

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
2020			
Financial assets			
Cash and cash equivalents	139,059	139,059	-
Derivative financial assets	7,838	-	7,838
Trade and other receivables	221,351	221,351	-
	368,248	360,410	7,838
Financial liabilities			
Loans and borrowings	(420,320)	(420,320)	-
Trade and other payables	(634,009)	(634,009)	-
Lease liabilities	(42,043)	(42,043)	-
Derivative financial liabilities	(13,560)	-	(13,560)
	(1,109,932)	(1,096,372)	(13,560)
2019			
Financial assets			
Cash and cash equivalents	156,599	156,599	-
Derivative financial assets	8,914	-	8,914
Trade and other receivables	420,865	420,865	-
	586,378	577,464	8,914
Financial liabilities			
Loans and borrowings	(130,000)	(130,000)	-
Trade and other payables	(1,088,355)	(1,088,355)	-
Lease liabilities	(33,667)	(33,667)	-
Derivative financial liabilities	(9,941)	-	(9,941)
	(1,261,963)	(1,252,022)	(9,941)

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Net gains and losses arising from financial instruments

	2020 RM'000	2019 RM'000
Net (losses)/gains on:		
Fair value through profit or loss	5,512	(54,710)
Financial liabilities measured at amortised cost		
- Finance costs	(18,537)	(11,162)
- Unrealised foreign exchange gain	2,685	5,131
- Realised foreign exchange loss	(3,531)	(301)
	(19,383)	(6,332)
Financial assets measured at amortised cost		
- Finance income	1,890	3,731
- Net reversal of impairment loss on trade and other receivables	1,076	458
- Unrealised foreign exchange loss	(2,999)	(1,681)
- Realised foreign exchange gain/(loss)	2,293	(619)
	2,260	1,889
	(11,611)	(59,153)

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:

	2020 RM'000	2019 RM'000
Domestic	52,458	75,647
Foreign	57,717	125,555
	110,175	201,202

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.

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 2020.

	Gross RM'000	Impairment RM'000	Net RM'000
2020			
Current	109,094	-	109,094
Past due 1 - 90 days	1,159	(78)	1,081
Past due more than 365 days	304	(304)	-
	110,557	(382)	110,175
2019			
Current	200,740	-	200,740
Past due 1 - 90 days	606	(144)	462
Past due more than 365 days	602	(602)	-
	201,948	(746)	201,202

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)**26.4 Credit risk (continued)****Receivables (continued)***Impairment losses for trade receivables (continued)*

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

	2020 RM'000	2019 RM'000
At 1 January	746	721
Allowance made during the year	195	328
Reversal of impairment loss	(364)	(303)
Write-off	(195)	-
At 31 December	382	746

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.

Impairment losses for other receivables

ECL was used resulting in the decrease in the allowance for impairment of other receivables amounting to RM907,000 (2019: decrease of RM483,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)**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.

There may be potential financial liquidity constraint the Company may face arising from the COVID-19 pandemic. While the Company's primary source of cash flows is from operations and has sufficient banking facilities to meet liabilities when they fall due, the Company is also in active engagement with both existing and new principal lenders to secure additional financing options to mitigate such risk.

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2020							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	634,009	-	634,009	634,009	-	-	-
Lease liabilities	42,043	4.6% - 10.9%	145,171	4,749	3,061	10,183	127,178
Loans and borrowings							
Revolving credit	420,320	2.5%	430,870	430,870	-	-	-
	1,096,372		1,210,050	1,069,628	3,061	10,183	127,178
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	1,667	-	185,686	185,686	-	-	-
Inflow	-	-	(184,019)	(184,019)	-	-	-
Commodity swaps (gross settled):							
Outflow	4,055	-	481,923	481,923	-	-	-
Inflow	-	-	(477,868)	(477,868)	-	-	-
	1,102,094		1,215,772	1,075,350	3,061	10,183	127,178

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)**26.5 Liquidity risk (continued)***Maturity analysis (continued)*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (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
2019							
<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	-	-	-
	1,252,022		1,343,059	1,230,116	2,815	6,829	103,299
<i>Derivative financial liabilities</i>							
<i>Forward exchange contracts (gross settled):</i>							
Outflow	1,732	-	218,219	218,219	-	-	-
Inflow	-	-	(216,487)	(216,487)	-	-	-
<i>Commodity swaps (gross settled):</i>							
Outflow	-	-	528,687	528,687	-	-	-
Inflow	(705)	-	(529,392)	(529,392)	-	-	-
	1,253,049		1,344,086	1,231,143	2,815	6,829	103,299

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, purchases, loans and borrowings 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) and Singapore Dollar (SGD) (2019: U.S. Dollar (USD), Japanese Yen (JPY), Singapore Dollar (SGD) and European Union Euro (EUR)).

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)**26.6 Market risk (continued)****26.6.1 Currency risk (continued)***Exposure to foreign currency risk*

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

	Denominated in			
	USD RM'000	JPY RM'000	SGD RM'000	EUR RM'000
2020				
Cash and cash equivalents	15,761	-	-	-
Trade and other receivables	57,717	-	-	-
Loans and borrowings	(80,320)	-	-	-
Trade and other payables	(171,367)	(382)	(140)	-
Exposure before forward exchange contracts	(178,209)	(382)	(140)	-
Forward exchange contracts	185,686	-	-	-
Net exposure	7,477	(382)	(140)	-
2019				
Cash and cash equivalents	16,273	-	-	-
Trade and other receivables	125,555	-	-	-
Loans and borrowings	-	-	-	-
Trade and other payables	(432,194)	(1,066)	(278)	(86)
Exposure before forward exchange contracts	(290,366)	(1,066)	(278)	(86)
Forward exchange contracts	218,219	-	-	-
Net exposure	(72,147)	(1,066)	(278)	(86)

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% (2019:10%) 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	
	2020 RM'000	2019 RM'000
USD	(568)	5,483

A 10% (2019:10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.6 Market risk (continued)

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:

	2020 RM'000	2019 RM'000
Floating rate instruments		
Financial liabilities	(420,320)	(130,000)

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) and London Interbank Offered Rate (LIBOR). 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			
	2020		2019	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(15)	15	(4)	4

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	
2020					
Financial assets					
Forward exchange contracts	-	5	-	5	5
Commodity swaps	-	7,833	-	7,833	7,833
	-	7,838	-	7,838	7,838
Financial liabilities					
Forward exchange contracts	-	(1,672)	-	(1,672)	(1,672)
Commodity swaps	-	(11,888)	-	(11,888)	(11,888)
	-	(13,560)	-	(13,560)	(13,560)
2019					
Financial assets					
Forward exchange contracts	-	-	-	-	-
Commodity swaps	-	8,914	-	8,914	8,914
	-	8,914	-	8,914	8,914
Financial liabilities					
Forward exchange contracts	-	(1,732)	-	(1,732)	(1,732)
Commodity swaps	-	(8,209)	-	(8,209)	(8,209)
	-	(9,941)	-	(9,941)	(9,941)

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 (2019: 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 2020 and 31 December 2019 were as follows:

	2020 RM'000	2019 RM'000
Loans and borrowings (Note 13)	420,320	130,000
Lease liabilities	42,043	33,667
Total debt	462,363	163,667
Total equity	1,741,597	1,785,959
Debt-to-equity ratios	0.27	0.09

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

28. Capital and other commitments

	2020 RM'000	2019 RM'000
Capital expenditure commitments		
Contracted but not provided for		
Plant and equipment	68,627	164,168
Investment property	51,684	74,749

Included above is contracted for the jointly-owned assets of the Multi-Product Pipeline amounting to RM900,000 (2019: RM Nil).

29. Contingent liabilities in 2019

An action was filed against the Company by its former transportation contractor, Konsortium Lord Saberkat Sdn. Bhd. (KLSSB) on 3 December 2018, allegedly over a breach of contract. The claim against the Company amounted to approximately RM109,183,500.

On 4 April 2019, the High Court allowed the Company's application to strike out the claim. 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. At the hearing of the application on 7 October 2020, the Federal Court unanimously dismissed KLSSB's application for leave with costs of RM20,000 to be paid by KLSSB to the Company. Accordingly, no provision and further legal action is required for this claim.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

	2020 RM'000	2019 RM'000
Purchase of petroleum products from related company:		
Petron Fuel International Sdn. Bhd.	773,491	1,183,494
Sale of petroleum products to related company:		
Petron Fuel International Sdn. Bhd.	1,421,446	2,484,155
Central management, shared facilities and service costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	69,581	75,259
Charged to:	960	1,128
Central management, shared facilities and service costs with intermediate holding company:		
Petron Corporation		
Charged from:	-	224
Key management personnel:		
Non-executive directors		
Fees	378	312
Other short-term employee benefits	206	196
	584	508

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**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	
				2020	2019
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%

32. Comparative figures

During the year, the Company presented deferred charges on major turnaround cost under property, plant and equipment. These charges were presented under long-term assets in prior years. Accordingly, certain comparative figures of the Company have been restated to conform with current year's presentation. The restatements do not have any impact to the statement of profit or loss and other comprehensive income, and only reclassification impact to the statement of financial position and statement of cash flows. The effects are disclosed below:

Statement of Financial Position

	2019	
	As restated RM'000	As previously stated RM'000
Assets		
Property, plant and equipment	1,190,138	1,163,817
Long-term assets	23,469	49,790

Statement of Cash Flows

	2019	
	As restated RM'000	As previously stated RM'000
Cash flows from operating activities		
Amortisation of long-term assets	4,445	11,157
Depreciation of property, plant and equipment	57,846	51,134
Write-off of property, plant and equipment	1,779	635
Change in long-term assets	(352)	792

In the opinion of the Directors, the financial statements set out on pages 88 to 134 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 2020 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: 23 February 2021

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 88 to 134 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 23 February 2021.

.....
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 2020, 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 88 to 134.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD
(COMPANY NO. 196001000260 (3927-V))
(INCORPORATED IN MALAYSIA)

Key Audit Matters (continued)

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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: 23 February 2021

Chong Dee Shiang
Approval Number: 02782/09/2022 J
Chartered Accountant

INFORMATION ON SHAREHOLDINGS

AS AT 16 MARCH 2021

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	450	3.680	11,413	0.004
100 – 1,000	4,964	40.601	3,742,125	1.385
1,001 – 10,000	5,855	47.889	21,991,975	8.145
10,001 – 100,000	884	7.230	22,604,125	8.371
100,001 – 13,499,999*	72	0.588	23,471,299	8.693
13,500,000 and above**	1	0.008	198,179,063	73.399
	12,226	100.00	270,000,000	100.00

Remark :

* Less than 5% of issued shares

** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS

As at 16 March 2021

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)	2,565,000	0.950
3. CITIGROUP NOMINEES (ASING) SDN BHD CBLDN FOR POLUNIN EMERGING MARKETS SMALL CAP FUND, LLC	2,133,086	0.790
4. TAN KAH HOCK	1,501,600	0.556
5. NEOH CHOO EE & COMPANY, SDN. BERHAD	1,309,000	0.484
6. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	890,700	0.329
7. JOHAN ENTERPRISE SDN. BHD.	850,600	0.315
8. CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	734,948	0.272
9. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)s	720,900	0.267
10. TAN HOCK CHENG	630,100	0.233
11. CHIA KUN JUAN	600,000	0.222
12. UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	566,940	0.209
13. YAYASAN GURU TUN HUSSEIN ONN	539,200	0.199

INFORMATION ON SHAREHOLDINGS

AS AT 16 MARCH 2021

Name	No. of Units Held	% of Issued Capital
14. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	428,600	0.158
15. ONG LEI IM	345,000	0.127
16. DYNAQUEST SDN. BHD.	318,900	0.118
17. ELETECHNICS SDN BHD	300,000	0.111
18. KIM POH HOLDINGS SDN BHD	300,000	0.111
19. LIM SOO HIAN	300,000	0.111
20. REUBEN TAN CHERH CHUNG	300,000	0.111
21. NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
22. RONIE TAN CHOO SENG	250,000	0.092
23. RONIE TAN CHOO SENG	250,000	0.092
24. TEO SOO CHUAN (PRIVATE) LIMITED	245,000	0.090
25. HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	235,900	0.087
26. ROHAN A/L PATHMAYOKAN	220,000	0.081
27. HONG WENG HWA	209,000	0.077
28. HSBC NOMINEES (ASING) SDN BHD SBL OF MORGAN STANLEY & CO. INTERNATIONAL PLC	206,900	0.076
29. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	206,700	0.076
30. LIM NG KIAT	202,000	0.074
TOTAL	215,819,137	79.933

SUBSTANTIAL SHAREHOLDER

As at 16 March 2021

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 2020

	Tenure	Land area (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value (RM)
NEGERI SEMBILAN							
MPP and KVDT	L	745,929	MPP/KVDT facilities	01.03.2001	01.02.2100	20	16,715,838
Port Dickson Refinery Lot 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930, 2645-2647, 12111-12112, 30151-30156 Mukim Port Dickson, Negeri Sembilan	F	1,634,812	Refinery, storage and distribution terminal	Revalued in 1982	NA	61	10,641,825
PETRON RSA Seremban Northbound (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	5	16,226,708
PETRON Bandar Ainsdale (PBL#308402) Lot PT 36339, Jalan Ainsdale 15/4, Bandar Ainsdale, 70200 Seremban, Negeri Sembilan	F	5,603	Service station	04.02.2019	NA	2	9,954,686
PENANG							
Bagan Luar Terminal Lot 95-125, 2327-2338 Section 4, Butterworth, Seberang Perai Utara, Pulau Pinang	F	49,280	Storage and distribution terminal	Revalued in 1982	NA	61	11,832,492
PAHANG							
PETRON Karak Highway KL Bound (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	4	7,742,238
PERAK							
Lumut PME Plant 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	2	14,902,221
PETRON Behrang Layby Southbound (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	11	9,402,746
SELANGOR							
PETRON NKVE KL Bound (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	4	16,581,000
PETRON Bukit Lanjan Southbound (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	3	7,509,230

Abbreviations:

L - Leasehold

F - Freehold

NA - Not applicable

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Second (62nd) Annual General Meeting ("AGM") of the Company will be conducted entirely through live streaming via remote participation and voting from the Broadcast Venue at **PETRON TRAINING ROOM, Level 13 Menara MBSB, Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia** on **Thursday, 17 June 2021 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 2020 and the Directors' and Auditors' Reports thereon.
- To approve the declaration of final dividend of 5 sen per ordinary share for the year ended 31 December 2020.
- (a) To re-elect Mr. Ramon S. Ang retiring in accordance to Article 103 and 104 of the Company's Constitution.
(b) To re-elect Ms. Aurora T. Calderon retiring in accordance to Article 103 and 104 of the Company's Constitution.
(c) To re-elect Mr. Lubin B. Nepomuceno retiring in accordance to Article 103 and 104 of the Company's Constitution.
- 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 of the Constitution and Practice 4.2 of the Malaysian Code on Corporate Governance 2017.
- To approve the payment of Directors' fees and benefits payable to the Independent Directors with effect from 1 January 2021 until the next Annual General Meeting of the Company.
- To appoint Messrs PricewaterhouseCoopers as Auditor of the Company and to authorise the Directors to determine their remuneration.
- As Special Business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of revenue or trading nature with the related parties as specified in Section 2.5 of the Circular to Shareholders dated 28 April 2021 ("Circular"), provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

THAT the authority conferred by such mandate shall continue to be in force until:

- the conclusion of the next AGM of the Company following the forthcoming AGM, at which time it shall lapse, unless by a resolution passed at a general meeting, the mandate is again renewed; or
- the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

- To transact any other business of the Company.

(Ordinary Resolution 1)**(Ordinary Resolution 2)****(Ordinary Resolution 3)****(Ordinary Resolution 4)****(Ordinary Resolution 5)****(Ordinary Resolution 6)****(Ordinary Resolution 7)****(Ordinary Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

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 9 June 2021. 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 22 June 2021, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 2 July 2021.

A shareholder shall qualify for entitlement only in respect of:

- Securities transferred to the Depositor's Securities Account before 4:00p.m. on 22 June 2021 in respect of transfers;
- Securities deposited into the Depositor's Securities Account before 12:30p.m. on 18 June 2021 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
(SSM PC No. 202008001784) (LS0006885)
Company Secretary

Kuala Lumpur
28 April 2021

Notes:

PROXY

A member of the Company entitled to attend and vote at the AGM 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>. Please refer to the Administrative Details of AGM for further information on submission via 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 AGM.

For the purpose of determining a member who shall be entitled to attend this AGM, only a depositor whose name appears on such Record of Depositors as at 9 June 2021 shall be entitled to attend, speak and vote at the AGM or appoint proxy or proxies to attend, speak and/or vote in his/her stead.

ANNUAL REPORT 2020

The Annual Report 2020 and other accompanying documents are available online on the Company website at <https://www.petron.com.my/investor-relations>.

The Notification to Shareholders 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Fully Virtual Annual General Meeting

In relation to PMRMB's AGM on 17 June 2021, in light of the continuing COVID-19 Pandemic and resulting in:

- Government imposed restrictions on interstate travelling, activities, social distancing requirements as imposed and limitations on numbers allowed to be physically present at a given venue;
- Government imposed quarantine requirements for international travel; and
- the continued risk of a large numbers of persons gathering at a 'physical' AGM venue,

and following from the Guidance issued by the Securities Commission on 19 February 2021 the 62nd AGM shall be held by fully virtual general meeting, similar to what PMRMB did in 2020.

This measure is to ensure physical distancing and other safety and precautionary measures are exercised in the interest of our board members, senior management, shareholders and others involved in a general meeting.

2. Directors standing for re-election/appointment

- Mr. Ramon S. Ang, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno, retire by rotation and are eligible for re-election pursuant to Article 103 and 104 of the Company's Constitution.
- Y. Bhg. Dato' Zainal Abidin Putih, age 75, 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 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. Ramon S. Ang, Ms. Aurora T. Calderon, Mr. Lubin B. Nepomuceno 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. Ramon S. Ang, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno 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 Code on Corporate Governance 2017.

The above Directors profile containing their qualifications, experience and other directorships can be viewed on pages 46 and 49.

3. Directors Benefits

- Section 230(1) of the Act provides amongst others, that "fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries must be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for the payment of Directors' fees and the benefits payable to the Directors as follows:
 - RM78,000 per annum as directors' fee to each Independent Director of the Company;
 - RM2,500 as meeting allowance for each meeting of the Board and of the Board Committees that an Independent Director (who is not the Chairperson of a Committee) attends;
 - RM3,000 as meeting allowance for each meeting of the Board and of the Board Committees that an Independent Director (who is the Chairperson of a Committee) attends;
 - RM700 per month to each Independent Director as fuel allowance, on reimbursement basis; and
 - RM15,000 as an ex-gratia payment to each Independent Director of the Company for services rendered to the Company in 2020.

The above proposal is unchanged from that approved at the AGM in 2020.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

4. Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature

The Proposed Resolution, if passed, will provide a mandate for the Company and/or its subsidiaries to enter into the recurrent related party transactions of revenue or trading nature which are necessary for the Company's and/or its subsidiaries' day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. Further information on the **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature** is contained in the Circular to Shareholders dated 28 April 2021.

5. 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.

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

(i) Profiles

The profiles of the Directors standing for re-election/appointment are set out in pages 46 and 49 of the Annual Report.

(ii) Statement of shareholdings

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

(iii) Family relationship

None of the Directors standing for 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 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 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.

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 June 17, 2021 at 2:00p.m. and at any adjournment thereof.

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

Resolution No.	Agenda Item	For	Against
	To receive the Company's Audited Accounts	-NIL-	-NIL-
1.	To approve the declaration of final dividend		
2.	To Re-elect Mr. Ramon S. Ang		
3.	To Re-elect Ms. Aurora T. Calderon		
4.	To Re-elect Mr. Lubin B. Nepomuceno		
5.	Appointment of Y. Bhg. Dato' Zainal Abidin Putih		
6.	Payment of Directors' fees and benefits		
7.	Appointment of Messrs PricewaterhouseCoopers as Auditor and authorise the Directors to determine their remuneration		
8.	To approve New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		

(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



First fold here

AFFIX
STAMP
HERE

The Share Registrar
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A,
Vertical Business Suite
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

Then fold here

www.petron.com.my

PETRON MALAYSIA REFINING & MARKETING BHD
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