PETRONAS DAGANGAN

LEAPING FORWARD

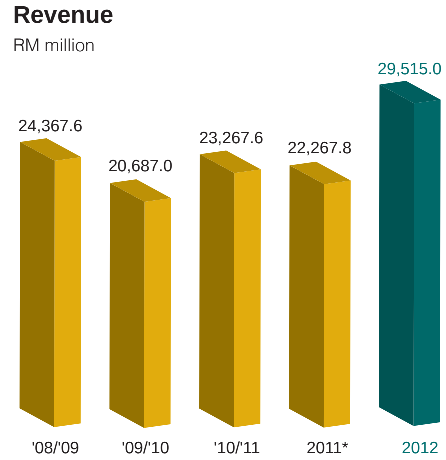
annual report 2012

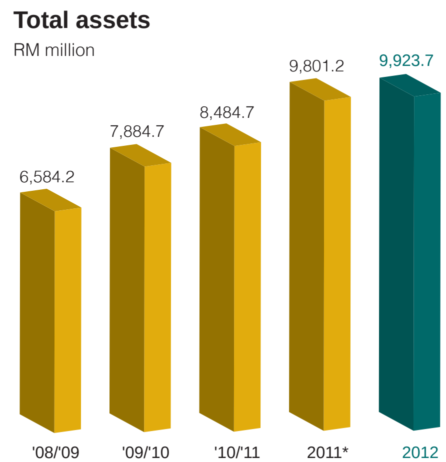
We are upbeat and confident that we are well positioned to capitalise on the opportunities ahead as we **LEAP FORWARD** to the next phase of growth.

INSIDE

PERFORMANCE HIGHLIGHTS

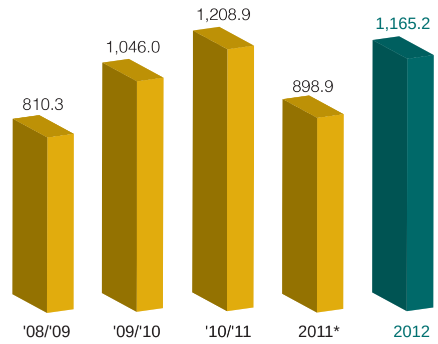
Earnings per ordinary share had been consistently above 55 sen for the last 5 years.



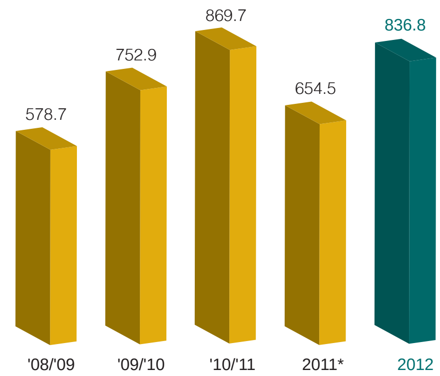


*Based on nine-months financial period ended 31 December 2011 result

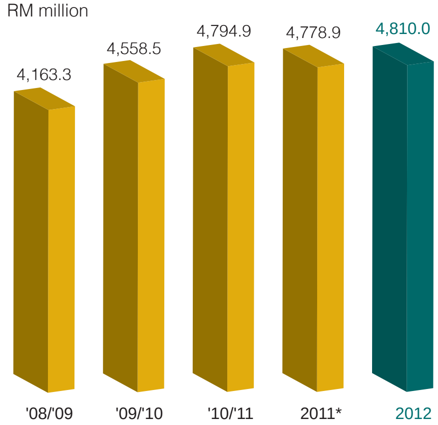
Profit before taxation
RM million



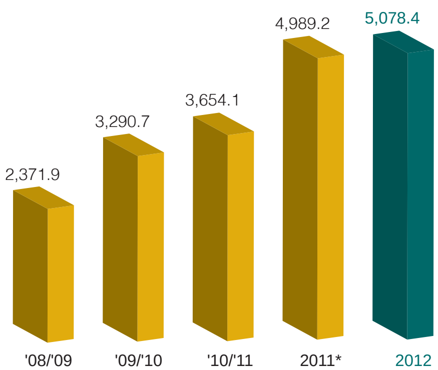
Profit after taxation attributable to shareholders
RM million



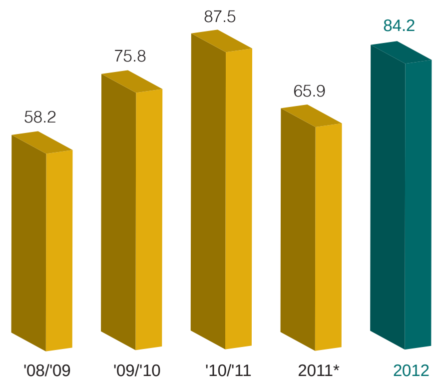
Equity attributable to shareholders
RM million



Total liabilities
RM million



Earnings per ordinary share
Sen



*Based on nine-months financial period ended 31 December 2011 result

BUSINESS HIGHLIGHTS

RETAIL

Petronas Stations
Over **1,000** PETRONAS Stations establishing the Company as the largest retail station network in Malaysia.

Kedai Mesra
695 Kedai Mesra nationwide.

COMMERCIAL

Reinforced its leading position with an impressive **64.5%** market share.

LPG

Sound volume growth of **6.5%** for its 12kg and 14kg cylinders segment.

LUBRICANTS

Improvement of **10.5%** in revenue through higher selling price and better portfolio management.

MESSAGE TO SHAREHOLDERS

We are now poised to achieve a monumental milestone, to grow PDB's presence beyond Malaysia, particularly in Southeast Asia which would clearly establish the company as a formidable player in the region.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of PETRONAS Dagangan Berhad (PDB) for the year ended 31 December 2012. The year under review was indeed a milestone for us. Our solid performance marks yet another year of positive growth as a premier marketer of petroleum products in the country.

We have continued to grow and build a competitive edge in all our four core businesses – Retail, Commercial, LPG and Lubricants.

Economic Landscape

For the financial year under review, the Company sustained its growth trend and recorded strong financial performance despite uncertainties in the global economy. The global economic growth dropped from 3.9% in 2011 to 3.2% in 2012. Many developed economies are still recovering from the 2008-2009 economic downturn especially in Europe and the United States of America (USA).

The regional markets were not spared from the onslaught of the global economic slowdown. Emerging economies in the Asian region including economic powerhouses such as China and India experienced slower growth, while natural disasters such as floods in Thailand and Indonesia also affected the economic climate.

Despite these external pressures from the global economy, domestic demand remained resilient and the economy posted stronger growth of 5.6% as compared to 5.1% in the previous year.

The push from the Economic Transformation Programme (ETP) and the Government Transformation Programme (GTP) has provided the impetus for domestic demand and supported growth in the local economy. Moreover, private consumption supported by stable employment conditions and income growth, helped fuel investment activities which were mainly driven by capital spending in the domestic oriented industries, oil and gas sector and the ongoing implementation of infrastructure projects in key economic centres such as Iskandar Malaysia and Greater Kuala Lumpur.

Operational Highlights

On the domestic front, our Retail service network extended its customers reach with more than 1,000 stations throughout the country as part of our aggressive effort to gain market share in the Retail Business.

We also introduced a new concept, the first-of-its-kind twin stations that features four key energy efficient solutions including the installation of Photovoltaic (solar) panel. Located at Serdang, the PETRONAS Solaris Serdang and PETRONAS Solaris Putra twin stations also adopted energy-saving concepts by using the efficient Energy Management System. This initiative was a culmination of our customer centricity with the sustainability agenda to create a socially responsible organisation as we continue to provide our customers with convenience and unique shopping experience through the variety of offerings at the stations.

For our Commercial Business, we were able to reinforce our leading position with an impressive 64.5% market share where diesel, aviation fuel and fuel oil continue to be the key products. On the other hand, our LPG Business sustained its leading position as Malaysia's No.1 Cooking Gas as demonstrated by its sound volume growth of 6.5% for its 12kg and 14kg cylinders segment through innovative efforts such as the Gas PETRONAS Home Delivery (GPHD). The Lubricants Business achieved an improvement of 10.5% in revenue through higher selling price and better portfolio management with the introduction of the Fluid Technology Solutions™ as a key attraction for our customers.

As part of its business expansion strategy beyond Malaysia, the Company completed the acquisitions of companies in the Philippines, Vietnam and Thailand to further enhance our shareholders' value. This was certainly a momentous and significant achievement as it marked the maiden journey for the Company conducting its business outside Malaysia.

In this regard, we will continue to develop the talents and capabilities of the Company to face the upcoming challenges and prepare for the next phase of growth.

Financial Performance

The Company registered a revenue of RM29,515.0 million for the year ended 31 December 2012, an increase of RM864.5 million from the previous year. Profit Before Tax (PBT) recorded a slight decrease of RM49.3 million to RM1,165.2 million as compared to the previous year. Despite the slight decrease in PBT, the strong revenue growth demonstrates the Company's resilience amid the challenging economy as shown by the increase in sales volume by 1.4%.

For our shareholders, the Board of Directors is recommending a special dividend of 35 sen per share subject to shareholder's approval at the Company's next Annual General Meeting (AGM). This recommendation is in addition to the declaration of the interim dividend of 70 sen per share in respect to the year ended 31 December 2012 which brings the total dividend for the year under review to RM1.05 per share.

The total dividend for the year underpinned our commitment of the Company to provide shareholders with attractive returns.

Meanwhile, the Company's share price remains on an increasing trend despite volatile economic conditions. As at 31 December 2012, the Company's share price stood at RM23.50 as compared to RM17.80 as at 30 December 2011. The Company's shareholder's funds increased by RM31.1 million and the increase in cash from operations by RM2,420.6 million demonstrates the Company's strong financial position.

Corporate Responsibility

The Company is well aware that Corporate Responsibility must be clearly embedded into the strategy and operations of the Company. We fully embrace the PETRONAS Group Corporate Sustainability Framework introduced in 2005 as it provides a holistic approach for the Company to pursue its sustainability agenda.

The framework sets several key result areas for the Company to create long term trust and value for stakeholders namely from the focus on shareholder value to societal needs, from the use of our natural resources to biodiversity, just to name a few.

In strengthening the governance and integrity of the Company as well as the business partners, suppliers and contractors, we have adopted two new policies namely the Whistleblowing Policy and No Gift Policy to complement the Code of Conduct and Business Ethics (CoBE) in the move to build a more transparent and accountable workplace.

Outlook

The fragile global economic climate will continue to affect markets including those in Asia as fundamental issues such as the US debt ceiling and fiscal cliff, Eurozone financial crisis as well as China's slowing economy persist. These persistent economic issues will continue to have an impact on the investment environment.

As we leap forward to the next phase of growth for the Company, the road ahead will be a challenging one. The Company continues to operate in an intensely competitive environment amid the volatile global economic climate.

These factors will cumulatively exert pressure on the Company's strategies to defend its domestic market leadership position in Commercial and Liquefied Petroleum Gas (LPG) Businesses, and to strive for domestic market leadership in Retail and Lubricants Businesses, as well as to penetrate and build a strong foundation for growth in the new regional markets.

Against this backdrop, the Company remains upbeat and confident that it is well positioned to capitalise on the growth potential in the domestic and regional downstream oil and gas sector. We believe that we have the right people, a culture of innovation, a world-class supply-chain network and above all, a full range of quality products and differentiated services, which will clearly set us apart and make the Company the Brand of 1st Choice.

We must continue to pursue and drive for market dominance given our years of experience. The end goal, be it in Malaysia or across the region is to retain existing customers and attract new ones by creating more new and exciting approaches in the way we do things.

The Company is optimistic that there are potential opportunities in the regional markets within the ASEAN region, particularly in the Philippines, Thailand and Vietnam. Our entry into these markets opens up new avenues of growth by leveraging on our technical expertise, coupled by the strength of our resources and supply chain network. In the medium to long term, we will be able to leverage on the strengths of these companies and synergise their operations to facilitate the realisation of value from our acquisitions.

For us to leap forward to a new phase of growth, we must seize the opportunities and push for significant presence in these new markets.

Acknowledgement

On behalf of the Board of Directors, I wish to extend the Board's appreciation to all our stakeholders for supporting us in making the big leap to grow beyond Malaysia during the year under review and it was certainly the unveiling of a whole new chapter of growth in the Company'smore than 30 years history.

My deepest appreciation to all our dealers, partners, shareholders, relevant government agencies and especially the customers for their relentless support.

I would like to thank outgoing Board and Board Audit Committee (BAC) member, Dato' Chew Kong Seng for his 18 years of contribution to the Board. I would also like to express a personal welcome to Mr. Lim Beng Choon whom I am confident will bring valuable insights and experience to the Board.

My utmost gratitude to the previous MD/CEO, En. Amir Hamzah bin Azizan for his leadership, commitment and hard work that further elevated PDB's position in the market and look forward to his continued contribution to the Board. I would like to welcome En. Aminul Rashid to the Board in his new capacity as the Managing Director and Chief Executive Officer of the Company and wish him all the very best in his new role.

I also wish to extend my gratitude to my colleagues on the Board, Management and Staff of the Company for their continued commitment to produce yet another robust performance for the Company. The achievement is a testimony of determination and dedication that our people have relentlessly pursued throughout the years.

I am confident that the journey will continue to be very exciting. We will be moving to enhance the Company's operational and marketing excellence and I look forward to yet another successful year ahead.

Datuk Wan Zulkiflee
Chairman

PDB TODAY

OUR VISION

Brand of 1st Choice

What does it mean?

"Brand of 1st Choice" drives the core essence of what the Company stands for in terms of delivering quality, innovation, excellence and differentiating experience for petroleum products and services in the ASEAN region particularly in Malaysia, Thailand, Vietnam and the Philippines.

Given its wide range of innovative products and differentiated services, the Company is driven to ensure that customers will continue to recognise, endorse and recommend PETRONAS as their foremost preferred brand in the downstream oil and gas sector.

How PDB achieves this

Supported by a strong delivery network in countries it operates in, the Company offers a wide spectrum of innovative petroleum products and differentiated services to meet the specific needs of its customers. These high quality products and services were developed based on the Company's continuous research and development initiatives as well as in partnerships with the best in class brands and companies.

More importantly, the Company has integrated this vision into its people, processes and procedures to make this aspiration a reality for each of its core businesses and across all levels of the Company.

The people at the Company fully embrace this vision and are committed to translate it into a reality for customers and stakeholders.

With aggressive plans for market penetration and renewed commitment towards customer service excellence, the Company has clearly set the platform for its next stage of growth. The Company is poised to challenge the market paradigm and continue being the industry trendsetter. This in turn will clearly reinforce PETRONAS' position as the "Brand of 1st Choice".

SHARED VALUES

Our values are embedded in our culture as the backbone of our business conduct, reflecting our sense of duty and responsibility in upholding our commitment towards contributing to the well-being of peoples and nations wherever we operate.

Loyalty
Loyal to nation and corporation

Professionalism
Committed, innovative and proactive and always striving for excellence

Integrity
Honest and Upright

Cohesiveness
United in purpose and fellowship

ABOUT PDB

Incorporated in Malaysia under the Companies Act 1965 on 5 August 1982, and listed on the Main Board of Bursa Malaysia on 8 March 1994, PETRONAS Dagangan Berhad (PDB) is the principal domestic marketing arm of Petroliam Nasional Berhad (PETRONAS). The Company has since established itself as Malaysia's leading retailer and marketer of downstream oil and gas products.

Committed to an aggressive growth journey, the Company continuously delivers innovative products and differentiated services in its four core businesses of Retail, Commercial, Liquefied Petroleum Gas (LPG) and Lubricants. The Company invests in research and development (R&D) to ensure that the Company continues to offer a wide range of internationally-recognised high quality petroleum products including motor gasoline, aviation fuel, kerosene, diesel, fuel oil, LPG cylinders and asphalt.

The Company continues to be the market leader in the Commercial and LPG sectors, with strong fundamentals to retain and further solidify this position. On the Retail and Lubricants front, the Company is rolling out effective measures to ramp up its position to lead the market in these sectors.

The Company's Retail Business has also grown to become Malaysia's largest petroleum retail network with over 1,000 stations and 695 Kedai Mesra throughout the country. It continues to grow through the opening of more retail stations, complemented with the one-stop convenience centre of fueling, dining, shopping, banking, car spa and other services.

On both the Retail and Lubricants Business front, the Company remains committed to further accelerate growth through the introduction of innovative and niche products via a technology that was developed resulting from the Company's years of experience from the dynamic international partnerships with the various Formula One™ teams including its current partner, the Mercedes AMG.

The Company has widely extended its comprehensive nationwide logistics and distribution network over the years, comprising bulk and aviation depots, bunkering facilities as well as LPG bottling plants to ensure reliable and cost effective supply of products at all times. The Company's enhanced fleet of road tankers completes the value chain for a seamless delivery of its products and services throughout Malaysia.

The Company has also expanded its presence beyond Malaysia in 2012. Currently, the Company operates six downstream companies namely PETRONAS Energy Philippines Inc. (PEPI) and Duta Inc. (DUTA) in the Philippines, PETRONAS Vietnam Co. Ltd. (PVL) and Thang Long LPG Co. Ltd. (TLLCL) in Vietnam and PETRONAS International Marketing (Thailand) Co. Ltd. (PIMTCL) in Thailand. Through PETRONAS Aviation Sdn. Bhd. (PAV), the Company will defend and strenghten its aviation fuel business in the domestic market and grow internationally.

The Company is proud that its growth over the last 30 years has been backed by the core expertise of its 1,966 employees. The Company's steadfastness to nurture and grow together with its people demonstrates the Company's commitment to be a responsible corporate citizen. It also provides a robust foundation for the Company to clearly position itself as the Brand of 1st Choice for all stakeholders.

The Company's steadfastness to nurture and grow together with its people demonstrates the Company's commitment to be a responsible corporate citizen and position itself as the Brand of 1st Choice.

GROUP STRUCTURE

PETRONAS DAGANGAN BERHAD

KUALA LUMPUR AVIATION FUELLING SYSTEM SDN BHD (KAFS)
PDB: 65%
Malaysia Airports Holdings Berhad: 20%
Malaysia Airlines System Berhad: 15%

Ownership & operation of aircraft refuelling system at KLIA

LUB DAGANGAN SDN BHD (LDSB)
PDB: 100%

Marketing and distribution of lubricants

PETRONAS AVIATION SDN BHD (PAV)
PDB: 100%

Marketing of aviation fuels and technical services

PDB (Netherlands) B.V. (PDBN)
PDB: 100%

Investment holding company for international subsidiaries

PHILIPPINES
PETRONAS Energy Philippines Inc (PEPI)
PDBN: 100%
Bottling and distribution of LPG and marketing of lubricant products

PHILIPPINES
DUTA Inc (Duta)
PDBN: 40%
Alsons Consolidated Resources: 30%
Masaligan Inc: 30%
Investment Holding

PHILIPPINES
Kaparangan Inc
DUTA: 100%
Investment Holding

THAILAND
PETRONAS International Marketing (Thailand) Co Ltd (PIMTCL)
PDBN: 100%
Marketing and distribution of lubricant products

VIETNAM
PETRONAS Vietnam Co Ltd (PVL)
PDBN: 100%
Bottling and distribution of LPG

VIETNAM
Thang Long LPG Co Ltd (TLLCL)
PDBN: 100%
Bottling of LPG

PS PIPELINE SDN BHD
PDB: 50%
Shell Malaysia Trading Sdn Bhd: 50%

Operation of Multi-Product Pipeline and Klang Valley Distribution Terminal (MPP-KVDT)

PS TERMINAL SDN BHD
PDB: 50%
Shell Timur Sdn Bhd: 50%

Operations of joint depots & bottling plants in Tawau and Bintulu

IOT MANAGEMENT SDN BHD
PDB: 20%
Shell Timur Sdn Bhd: 10%
Senari Synergy Sdn Bhd: 70%

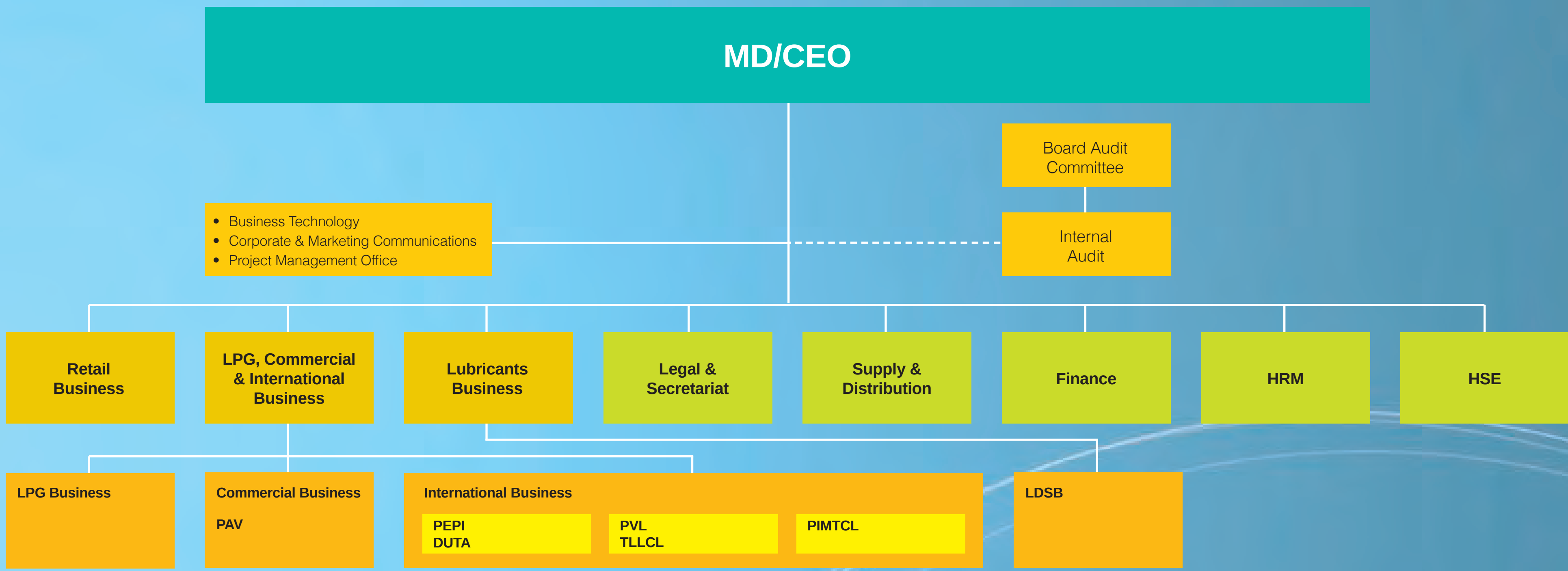
Operation of bulk & LPG terminal

ASSAR CHEMICALS DUA SDN BHD
PDB: 20%
Shell Timur Sdn Bhd: 20%
Senari Synergy Sdn Bhd: 60%

Ownership, operation and maintenance of Central Oil Distribution Terminal

Subsidiary
Jointly Controlled
Associate

GROUP ORGANIZATION



AREAS OF OPERATION

Joint Venture Depots and Facilities are:

i. PS Pipeline/KVDT Fuel Terminal
ii. PST Bintulu Fuel Terminal
iii. PST Tawau Fuel and LPG Terminal
iv. KLIA Aviation Terminal
v. ASB Labuan Fuel Terminal
vi. IOT Senari, Kuching
vii. CODT Tg Manis

Bottling Plant
Aviation Depot
Fuel Terminal
Office
Bunkering Facilities
Multi Product Pipeline

CORPORATE INFORMATION

Directors

Datuk Wan Zulkiflee bin Wan Ariffin (Chairman)

Aminul Rashid bin Mohd Zamzam

Dato' Dr. R. Thillainathan

Dato' Kamaruddin bin Mohd Jamal

Vimala V R Menon

Lim Beng Choon

Dato Mohammad Medan bin Abdullah

Nuraini binti Ismail

Amir Hamzah bin Azizan

Board Audit Committee

Vimala V R Menon (Chairman)

Dato' Dr. R.Thillainathan

Dato' Kamaruddin bin Mohd Jamal

Lim Beng Choon

Amir Hamzah bin Azizan

Remuneration Committee

Dato' Kamaruddin bin Mohd Jamal (Chairman)

Dato' Dr. R. Thillainathan

Nuraini binti Ismail

Nomination Committee

Dato' Dr. R. Thillainathan (Chairman)

Dato' Kamaruddin bin Mohd Jamal

Dato Mohammad Medan bin Abdullah

Company Secretaries

Nur Ashikin binti Khalid

Yeap Kok Leong

Registrar

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia
Tel : (03) 7841 8000
Fax : (03) 7841 8151 / 7841 8152
Helpdesk : (03) 7849 0777

Registered Office

Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2051 5000
Fax : (03) 2026 5505

Business Address

Level 30-33, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2051 5000
Fax : (03) 2026 5505

Bankers

CIMB Bank Berhad
Malayan Banking Berhad

Stock Exchange Listing

Main Market of
Bursa Malaysia Securities Berhad

Auditors

KPMG Desa Megat & Co.

Website

www.mymesra.com.my

Customer Service Centre (MESRALINK)

Tel : 1-300-88-8181
e-mail : mesralink@petronas.com.my

PDB LEADERSHIP

from left to right:

Nur Ashikin binti Khalid • Yeap Kok Leong • Dato' Dr. R. Thillainathan

Lim Beng Choon • Nuraini binti Ismail

Aminul Rashid bin Mohd Zamzam • Amir Hamzah bin Azizan

Datuk Wan Zulkiflee bin Wan Ariffin • Vimala V R Menon

Dato Mohammad Medan bin Abdullah • Dato' Kamaruddin bin Mohd Jamal

PROFILE OF DIRECTORS

Datuk Wan Zulkiflee bin Wan Ariffin, a Malaysian aged 52, is a Non-Independent Non-Executive Director and the Chairman of PETRONAS Dagangan Berhad.

He holds a Bachelor of Engineering in Chemical Engineering from the University of Adelaide, South Australia. In 2000, he attended the INSEAD Senior Management Development Program and in 2004, he attended the Advanced Management Program at Harvard Business School, Harvard University. He was conferred the Honorary Fellowship by the Institution of Chemical Engineers, United Kingdom in November 2005.

He joined PETRONAS in 1983 as a Process Engineer involved in the development of several Gas Processing Plants. In the ensuing years, he has held various positions within the PETRONAS Group including serving in the Office of the President as Executive Assistant to the President, International Projects Management Division of OGP Technical Services and the Strategy and Business Development Unit. He was the Managing Director and Chief Executive Officer of a public listed subsidiary, PETRONAS Gas Berhad, from 2003 to 2007 and Vice President of Gas Business from April 2006 until April 2010.

Datuk Wan Zulkiflee is currently the Chief Operating Officer of PETRONAS and the Executive Vice President for Downstream Business. He is a member of the PETRONAS Board, the Executive Committee, the Management Committee and serves on various boards of several Joint Ventures and Subsidiary companies in the PETRONAS Group. He is the Chairman of another public listed subsidiary, PETRONAS Chemicals Group Berhad, Board Member of Johor Petroleum Development Corporation Berhad and is the Industry Advisor to the Engineering Faculty of Universiti Putra Malaysia.

He was appointed to the Board of PETRONAS Dagangan Berhad on 17 August 2010 and attended three (3) Board meetings during the financial year.

Amir Hamzah bin Azizan, a Malaysian aged 45, is a Non-Independent Non-Executive Director and a member of the Board Audit Committee of PETRONAS Dagangan Berhad.

He is the Vice President of Downstream Marketing of PETRONAS and Group Managing Director/CEO of PETRONAS Lubricants International Sdn. Bhd. He was re-designated from Managing Director/Chief Executive Officer to Non-Independent Non-Executive Director of PETRONAS Dagangan Berhad on 1 September 2012.

He holds a Bachelor of Science Degree in Management (majoring in Finance and Economics) from Syracuse University, New York. He had also attended the Stanford Executive Programme at Stanford University, United States of America and the Corporate Finance Evening Programme at the London Business School, United Kingdom.

He started his career within the Shell Group of Companies for ten (10) years, serving in various capacities including Head of Financial Services and Manager, Planning & Support at Sarawak Shell Berhad, Corporate Finance Executive at Shell Malaysia Limited, Marketing Credit Accountant at Shell Singapore Pte. Ltd., Internal Auditor at Shell Eastern Petroleum Pte. Ltd., and Senior Treasury Advisory at Shell International Ltd., London.

In the year 2000, he joined MISC Berhad as the Group's General Manager, Corporate Planning Services. Subsequently in 2004, he was the Regional Business Director (Europe, Americas, Africa and FSU) of MISC Berhad in London, United Kingdom before being appointed President/Chief Executive Officer, AET Tanker Holdings Sdn. Bhd. on 1 April 2005. He was promoted to become the President/Chief Executive Officer of MISC Berhad on 1 January 2009 and served until 14 June 2010.

He is also a board member of a number of companies within the PETRONAS Group including among them, Engen Limited and PETRONAS Lubricants International.

He was appointed to the Board of PETRONAS Dagangan Berhad on 15 June 2010 and attended four (4) Board meetings during the financial year.

From Left:

Datuk Wan Zulkiflee bin Wan Ariffin

Amir Hamzah bin Azizan

Aminul Rashid bin Mohd Zamzam

Aminul Rashid bin Mohd Zamzam, a Malaysian aged 47, is the Managing Director and the Chief Executive Officer of PETRONAS Dagangan Berhad.

He holds a Bachelor of Science in Civil Engineering from the University of Missouri-Columbia, USA. He joined PETRONAS in 1987 as a Civil Engineer and served with PETRONAS Gas Berhad for thirteen (13) years.

He was heavily involved in the development of the Gas Processing Plant (GPP) and Peninsular Gas Utilisation (PGU) Loop 1 and Loop 2 projects. He has held various positions across the PETRONAS Group including, Manager of HR Planning Corporate Department, Senior Manager of Change Management Unit in Corporate Planning and Development Division and General Manager of Leadership and Capability Development of the Human Resource Division. His last position prior to joining PETRONAS Dagangan Berhad was the CEO of PICL (Egypt) Corp. Ltd. He joined PETRONAS Dagangan Berhad in March 2012 as the Chief Operating Officer before being appointed as the Managing Director/Chief Executive Officer.

He is also the Chairman and Board member of several subsidiary companies of PETRONAS Dagangan Berhad.

He was appointed to the Board of PETRONAS Dagangan Berhad on 1 September 2012 and attended one (1) Board meeting during the financial year.

Vimala V R Menon, a Malaysian aged 58, is an Independent Non-Executive Director and the Chairman of the Board Audit Committee of PETRONAS Dagangan Berhad.

She is a qualified Chartered Accountant, a Fellow of the Institute of Chartered Accountants in England and Wales and is also a member of the Malaysian Institute of Accountants.

She is qualified as a Chartered Accountant in 1981 and began her career at Deloitte KassimChan in 1982. In 1984, she joined Edaran Otomobil Nasional Berhad ("EON Berhad") and served as the Executive Director of Finance and Corporate Services of EON Berhad until 2007. She was subsequently appointed to Proton Holdings Berhad as the Director of Finance and Corporate Services from 2008 to 2009. She served on the Boards of EON Berhad from 1990 to 2006 and EON Bank Berhad from 1994 to 2004. She was also a member of the Boards of Jardine Cycle & Carriage Limited from 1994 to 2003 and PT Astra International Tbk, Indonesia from 2000 to 2003.

Currently, she is the Senior Independent Non-Executive Director, Chairman of Board Audit Committee and a member of the Nomination and Remuneration Committee of PETRONAS Chemicals Group Berhad. She is also a Director and Audit Committee Chairman of Cycle & Carriage Bintang Berhad and is a board member of two (2) other non listed companies.

She was appointed to the Board of PETRONAS Dagangan Berhad on 18 November 2011 and attended four (4) Board meetings during the financial year.

Dato' Dr. R. Thillainathan, a Malaysian aged 68, is the Senior Independent Non-Executive Director, Chairman of the Nomination Committee and a member of the Board Audit Committee and Remuneration Committee of PETRONAS Dagangan Berhad.

He holds a Class 1 Honours in Bachelor of Arts (Economics), University of Malaya (1968) and obtained his Masters and PhD in Economics from the London School of Economics. He is also a Fellow of the Institute of Bankers, Malaysia.

He sits on the boards of Bursa Malaysia Berhad, Genting Berhad, Citibank Berhad, Allianz General Insurance Company (Malaysia) Berhad, Allianz Life Insurance Malaysia Berhad, Allianz Malaysia Berhad and Asia Capital Reinsurance Malaysia Sdn. Bhd. He is also a member of the Board of Trustees of Child Information, Learning and Development Centre as well as Yayasan MEA.

Dato' Dr. R. Thillainathan has extensive years of experience in finance and banking and is actively involved in numerous professional and national bodies. He is also the Past President of the Malaysian Economic Association.

He was appointed to the Board of PETRONAS Dagangan Berhad on 24 March 1994 and attended four (4) Board meetings during the financial year.

From Left:

Vimala V R Menon

Dato' Dr. R. Thillainathan

Lim Beng Choon

Lim Beng Choon, a Malaysian aged 53, is an Independent Non-Executive Director and a member of the Board Audit Committee of PETRONAS Dagangan Berhad.

He holds a Bachelor of Science (Hons) in Mathematics and Computer Science from the Australian National University, Canberra, ACT Australia and has attended numerous Accenture Management Training Programs around the globe including the IMD Leadership Program in Switzerland.

He was the Country Managing Director in Accenture, the global consulting, technology and outsourcing giant, before he retired in 2009. He held various positions during his twenty-eight (28) years tenure in Accenture, including that of Managing Partner for Accenture's Resources Industry Group (Oil & Gas, Chemicals, Utilities, Natural Resources) in South-East Asia. He also had oversight of their Management Consulting practice across industries in ASEAN.

His extensive experience in management consulting spans strategy formulation, operational consulting and merger integrations and he has led complex projects to deliver transformational change for multinationals as well as top Malaysian companies. Prior to moving into management consulting, he was in technology consulting covering IT strategies and system integration work.

Currently, he serves as a Trustee in the ECM Libra Foundation, actively advising on their welfare initiatives. He is an Independent Non-Executive Director on the boards of Hong Leong Bank Berhad, PETRONAS Gas Berhad and MISC Berhad and is a member of various board committees.

He was appointed to the Board of PETRONAS Dagangan Berhad on 13 August 2012 and attended two (2) Board meetings during the financial year.

Dato Mohammad Medan bin Abdullah, a Malaysian aged 54, is a Non-Independent Non-Executive Director and a member of the Nomination Committee of PETRONAS Dagangan Berhad.

He holds a Bachelor of Laws from the University of Malaya. He joined PETRONAS in 1982 and is currently the Senior General Manager of Group Corporate Affairs Division.

Prior to assuming this role, he has held various senior positions in PETRONAS such as the Managing Director/Chief Executive Officer of Malaysia LNG Sdn. Bhd. and the Executive Assistant to the President/Chief Executive Officer of PETRONAS. He is a Non-Independent Non-Executive Director of two (2) other public listed companies namely PETRONAS Gas Berhad and Bintulu Port Holdings Berhad. He is also a board member and/or the Chairman of other companies within the PETRONAS Group.

He was appointed to the Board of PETRONAS Dagangan Berhad on 17 August 2010 and attended four (4) Board meetings during the financial year.

From Left:

Dato Mohammad Medan bin Abdullah
Dato' Kamaruddin bin Mohd Jamal
Nuraini binti Ismail

Dato' Kamaruddin bin Mohd Jamal, a Malaysian aged 70, is an Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Board Audit Committee and Nomination Committee of PETRONAS Dagangan Berhad.

He had attended the British Royal Military College of Science and British Command and Staff College. He holds an MBA from the School of Business Management of the Cranfield Institute of Technology, United Kingdom. He had also attended the Advance Management Program at the IMD, Lausanne, Switzerland.

He was commissioned into the Malaysian Army in 1962 and left the service in 1974 after he had served in various command and staff positions for twelve (12) years. He then joined Esso Production Malaysia Inc. in 1975 and held various management positions in both upstream and downstream sectors. He was the Assistant to the Chairman for two (2) years before he was appointed as Human Resource Director for the Esso Companies in Malaysia on 1 January 1987. He remained in this position until he elected to retire in December 2001.

He was appointed to the Board of PETRONAS Dagangan Berhad on 1 March 2002 and attended four (4) Board meetings during the financial year.

Nuraini binti Ismail, a Malaysian aged 50, is a Non-Independent Non-Executive Director and a member of the Remuneration Committee of PETRONAS Dagangan Berhad.

She is a Fellow member of the Association of Certified Chartered Accountants (ACCA) United Kingdom.

She joined PETRONAS in 1992 and is currently the Vice-President of Treasury, PETRONAS. Prior to assuming this role, she has held various senior positions in PETRONAS Group including Senior General Manager, Group Treasury of PETRONAS, General Manager, Finance & Accounts Services and General Manager, Commercial Services of Malaysian International Trading Corporation Sdn. Bhd.

Her working experience includes in the areas of treasury, audit, tax, corporate finance, corporate planning, methods and systems, financial and management accounting, group budget, group consolidation, trade finance, credit control, loans rehabilitation, financial analyst, bank operations, logistics and operations.

Prior to PETRONAS, she had served in various organisations including Bank of Bumiputra Malaysia Berhad, Bumiputra Merchant Bankers and Mayban Finance Berhad.

She is also a board member and/or committee member of several companies within the PETRONAS Group.

She was appointed to the Board of PETRONAS Dagangan Berhad on 18 November 2011 and attended four (4) Board meetings during the financial year.

None of the Directors has:

Any family relationship with any Director and/or major shareholder.
Any conflict of interest with PETRONAS Dagangan Berhad.
Any conviction for offences within the past ten (10) years other than traffic offences.

THE WINNING TEAM

from left:

Ahmad Mohd Tahir • Mohd Shobri Abu Bakar

Rozaini Mohd Sani • Manisah Shaari

Aminul Rashid Mohd Zamzam • Vukile V Zondani

Nur Ashikin Khalid • Akbar Md Thayoob

Zubair Abdul Razak

MANAGEMENT COMMITTEE PROFILE

Aminul Rashid Mohd Zamzam
Managing Director / Chief Executive Officer

Aminul Rashid Mohd Zamzam, aged 47, graduated with a Bachelor of Science in Civil Engineering from University of Missouri-Columbia, United States of America. He joined PETRONAS in 1987 as a Civil Engineer and served with PETRONAS Gas Berhad for 13 years and heavily involved in the development of the Gas Processing Plant (GPP) and Peninsular Gas Utilisation (PGU) Loop 1 and Loop 2 projects.

He has held various positions across the PETRONAS Group including, Manager of HR Planning Corporate Department, Senior Manager of Change Management Unit in Corporate Planning and Development Division and General Manager of Leadership and Capability Development of the Human Resource Division. His last position prior joining the Company was the CEO of PICL (Egypt) Corp Ltd. He joined PETRONAS Dagangan Berhad in March 2012 as the Chief Operating Officer (COO) of the Company and in September 2012, he was appointed as the Managing Director and Chief Executive Officer of the Company.

Rozaini Mohd Sani
Chief Financial Officer

Rozaini Mohd Sani, a Malaysian aged 39, graduated with a Bachelor in Commerce (Accounting & Finance) from the University of New South Wales, Australia and is a Member of the Institute of Chartered Accountants in Australia. Rozaini started his career in KPMG Sydney, Australia and served the firm for six years in its Assurance & Advisory Division.

He joined PETRONAS in 2001 and was attached to PETRONAS' Group Internal Audit Division for three years before moving to undertake Business Development roles within the Gas Business of PETRONAS in 2004.

From 2005 until 2009, he was then involved in senior managerial roles in Marketing & Trading of Liquefied Natural Gas (LNG) in a subsidiary of PETRONAS, followed by a Senior Manager position at PETRONAS' Corporate Strategic Planning Division in 2009, before joining PETRONAS Dagangan Berhad in November 2010 as Chief Financial Officer.

Akbar Md Thayoob
Head, Retail Business Division

Akbar Md Thayoob, a Malaysian aged 49, graduated with a Bachelor of Science in Civil Engineering from the University of West Virginia, United States of America. He joined PETRONAS in 1987 and started his journey as a Project Engineer for the Peninsular Gas Utilization Project team and was later assigned several projects under the Gas Business Unit of PETRONAS which includes being responsible for the Lateral Gas Pipeline System for the country.

He was appointed as the Deputy General Director of Phu My Plastics & Chemicals Co. Ltd. (PMPC) in charge of the running of the PVC Plant before assuming the role of General Director/CEO of PMPC in July 2004. After the stint in overseas operations, he was appointed the position of CEO of Petlin (M) Sdn Bhd in 2008, a joint venture between PETRONAS and Sasol of South Africa.

He assumed the role of the Head of the EVP Downstream Business Office before joining PETRONAS Dagangan Berhad in February 2012 as Head of Retail Business Division.

Vukile V Zondani
Head, LPG, Commercial and
International Business Division

Vukile V Zondani, a South African aged 51, graduated with a Business Degree from the University of Fort Hare in his native country. He further advanced his education at various institutions namely, Northwestern University – Kellogg School of Management, United States of America and University of Witwatersrand – Wits Business School.

He joined Engen Petroleum Limited in 1992 and assumed various senior positions over the years including; Member of the Engen Management Committee (2004 - 2012); General Manager – Engen Sales and Marketing (2007 - 2012), General Manager – Enterprise Risk and Assurance and General Manager – Corporate Affairs. He was also Managing Director for Engen Botswana Limited (a leading public listed company).

In 2005, Vukile was appointed as the General Manager Designate of Uhambo Oil Limited, a new company that is responsible for the potential merger between Engen and Sasol Oil. His responsibilities included establishing the new company and transitioning business as well as employees to Uhambo.

He has served as Director and Chairman in a number of Engen Subsidiary companies. Since 2010, he was also appointed as the Director and Board Member of Engen Limited.

Vukile joined PETRONAS Downstream Marketing in May 2012 on a cross-posting assignment. He was appointed as the Company's Head of the LPG, Commercial and International Business in September 2012.

Mohd Shobri Abu Bakar
Head, Lubricant Business Division

Mohd Shobri Abu Bakar, a Malaysian aged 52 joined PETRONAS in 1982. A graduate with a Bachelor in Mechanical Engineering from Universiti Teknologi Malaysia and served in the Supply and Distribution Division of the Company for 23 years. During his tenure with the Division, he held various management positions covering project management, maintenance, logistics planning ,operations and distribution before being promoted as the General Manager in 2005.

He then oversaw the expansion of PETRONAS Lubricants Unit as its General Manager. In 2007, he assumed the position of Head of Lubricants Business Division for the Company. Mohd Shobri is currently also a Board Member of Lub Dagangan Sdn Bhd, PETRONAS Base Oil Malaysia and PETRONAS International Marketing Thailand.

Zubair Abdul Razak
Head, Supply and Distribution Division

Zubair Abdul Razak, a Malaysian aged 48, graduated with a Bachelor (Sc) in Mechanical Engineering from the University of Southwestern Louisiana, United States of America in 1986.

He joined PETRONAS in 1987 and first served as a Project Engineer in PETRONAS Refining and Marketing Division. He later served PETRONAS Penapisan Melaka Sdn Bhd from 1989 to 2001, holding various positions within the company. Zubair then joined PETRONAS Dagangan Berhad in 2001 as Manager and subsequently Senior Manager in the Engineering Department, Supply and Distribution Division. In 2009, Zubair assumed the position of General Manager of the LPG Business Division. He is now currently the Head for the Supply and Distribution Division overseeing the Company's seamless supply chain distribution.

Manisah Shaari
Head, Human Resources
Management Division

Manisah Shaari, a Malaysian aged 50, graduated with a Bachelor in Business Administration from Ohio University, USA and holds a Masters in Business Administration from Toledo University, United States of America.

She joined PETRONAS in 1987 and has served in various Human Resource Management functions within the PETRONAS Group including in PETRONAS Holding Company, PETRONAS Maritime Services Sdn Bhd, MITCO Sdn Bhd & PETCO Sdn Bhd. During her 25 years with the Group, she was instrumental in leading and driving the development and implementation of people strategy as well as managing the operation of cross-discipline HR processes.

Manisah joined PETRONAS Dagangan Berhad in November 2012 as Head of Human Resources Management Division.

Nur Ashikin Khalid
Head, Legal & Secretariat Division

Nur Ashikin, a Malaysian aged 41, holds a Bachelor of Laws (Hons) Degree as well as a Master of Laws in Legal Aspects of Marine Affairs from the University of Wales, Cardiff.

She joined PETRONAS in 1996 as a Legal Officer for PETRONAS Maritime Services Sdn Bhd. She then held positions in PETRONAS Gas Berhad as well as in Corporate Services & Technology, Legal Services Unit, PETRONAS before her secondment as a Senior Legal Counsel to the East Coast Economic Region Development Council in 2008. She was the Senior Legal Counsel for the MLNG Group of Companies before joining PETRONAS Dagangan Berhad in January 2011.

Nur Ashikin is the Company Secretary of PETRONAS Dagangan Berhad. She is also the Company Secretary of the subsidiaries and joint venture companies within the PDB Group.

Ahmad Mohd. Tahir
Head, Health, Safety and Environment Department

Ahmad Mohd Tahir, a Malaysian aged 46, graduated with a Bachelor of Engineering in Mechanical Engineering (Hons) from University of Wollongong, Australia. He is professionally certified in HSE Practices and Management from the National Examination Board in Occupational Safety and Health (NEBOSH) in United Kingdom.

He joined PETRONAS in 1991 and first served as a Quality Assurance Engineer in PETRONAS Carigali Sdn Bhd. He then held various HSE positions within PETRONAS for 20 years including of PETRONAS Joint Ventures. He was the Senior Manager for Group HSE Capability Development for 2 years before joining PETRONAS Dagangan Berhad in October 2011 as the Head, Safety and Environment Department.

PERFORMANCE REVIEW

- MD/CEO's Statement
- Business Review
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- Simplified Group Financial Position
- Value Added Statement FY2012

MD/CEO'S STATEMENT

The time is right for the Company to leverage on its strong growth momentum by spreading its wings beyond the Malaysian shores.

Dear Shareholders,

From Strength to Strength

It gives me immense pleasure to announce that the Company has delivered yet another year of strong financial performance and we have also continued to lead the market in the highly competitive downstream petroleum retail industry. Notwithstanding the impact of global economic uncertainty and the entry of new competition into the Malaysian market, the Company has successfully navigated its way through the increasingly challenging market conditions. This clearly demonstrates our ability to respond effectively to the changing environment.

The Company has continued to grow from strength-to-strength in all four of its core businesses, scaling new heights and achieving major milestones.

With 2012 marking the Company's 30 years of success in Malaysia, it was also an opportune time for the Company to leverage on its strong growth momentum by spreading its wings beyond the Malaysian shores into the Philippines, Vietnam and Thailand.

In this regard, the Company acquired downstream companies from the PETRONAS Group in the Philippines, Vietnam, Thailand and Malaysia for RM205.8 million as part of our aggressive growth strategy to expand into the region. The Company acquired PETRONAS Energy Philippines Inc. (PEPI) and Duta Inc. (DUTA) in the Philippines, PETRONAS Vietnam Co. Ltd. (PVL) and Thang Long LPG Co. Ltd. (TLLCL) in Vietnam, PETRONAS International Marketing (Thailand) Co. Ltd. (PIMTCL) in Thailand, as well as PETRONAS Aviation Sdn Bhd (PAV) in Malaysia.

With the completion of the acquisitions during the year under review, the Company is in a strong position to leap forward to expand its market reach and geographically diversify its revenue and earnings base.

Robust Financial Performance

The Company's prudent financial management, supported by strong marketing and sales initiatives, enabled the Company to deliver credible results, despite the more challenging market and economic environment.

The Company's revenue for the year ended 31 December 2012 rose to RM29,515.0 million, an increase of RM864.5 million from the previous year. The Company's growth in revenue is attributed to the increase in sales volume by 1.4% during the year under review.

Despite the continuing volatility of the global economy and competitive market environment, the Company has continued to sustain its growth momentum. The increase in volume illustrates the Company's resilience against volatility in oil prices due to global political and economic uncertainty.

For the same period, Profit Before Tax (PBT) decreased by RM49.3 million to RM1,165.2 million as compared to the previous year due to lower gross profit by RM63.8 million as a result of lower product prices, coupled with the increase in operating expenditure of RM29.5 million which moved in tandem with increased volume, offset by an increase in other income by RM43.3 million.

Earnings per share decreased to 84.2 sen for the year under review as compared to 88.9 sen in the previous year.

For the year under review, shareholders' fund increased to RM4,810.0 million as compared to RM4,778.9 million recorded in the previous year. This was despite the dividend payout made during the year under review.

The Company has delivered strong shareholder value in the form of dividend yield. We believe in sustaining attractive returns to reward our loyal shareholders, and this has been demonstrated through the record dividend payout in this financial year.

For our shareholders, the Board of Directors is recommending a special dividend of 35 sen per share subject to shareholder's approval at the Company's next Annual General Meeting (AGM). This recommendation is in addition to the declaration of the interim dividend of 70 sen per share in respect to the year ended 31 December 2012 which brings the total dividend for the year under review to RM1.05 per share.

The team remains committed to continue delivering shareholder value as the Company leaps forward to conquer new grounds whilst further fortifying its position in Malaysia.

Solid Business Performance

All four of the Company's businesses delivered promising results with clear focus and results-driven strategies.

Allow me to take you through some key highlights for each of these.

The **Retail Business** has clearly etched its position as the largest petroleum retail network in Malaysia with over 1,000 PETRONAS Stations and 695 Kedai Mesra nationwide.

As an industry trendsetter, the Company has brought in unique differentiation by reimaging its PETRONAS stations with sleek design and modern functionality. During the year, the Company also unveiled the first-of-its-kind twin stations, the PETRONAS Solaris Putra and PETRONAS Solaris Serdang, signaling yet another creation from seeing things differently.

As a firm believer in forging strategic alliance for growth, the Company has also sealed partnership with Bank Simpanan Nasional (BSN) to rollout BSN Branchless Banking to more than 200 stations. It has also successfully collaborated with AirAsia on the BIG Card offer to expand the avenue for Mesra card members to enjoy greater privileges and secured non-fuel income for the next nine years through a smart partnership with e-Pay (M) Sdn. Bhd.

Through these efforts and other key customer engagement initiatives, the Retail Business has successfully posted a healthy revenue of RM12,372.5 million.

On the **Commercial Business** front, this segment through its flagship products - diesel, bio diesel (B5), aviation fuel, fuel oil and bitumen - achieved an impressive 64.5% of market share in its segment, notwithstanding an intensively aggressive and competitive environment. Moreover, the Commercial Business also secured new contracts in Malaysian airports and expanded its footprint to overseas markets such as London and Hong Kong.

The company's acquisition of PAV now offers great opportunities to not just defend the Company's domestic market leadership, but to also grow dynamically beyond the borders, across the globe.

The Commercial Business registered a revenue of RM15,049.0 million for the year under review, which showed a reduction of 3.5% against previous year, due to lower product prices.

Moving on to the **LPG Business**, this segment has grown its formidable position in this sector by continually defending its current customer base and expanding to reach out to new ones.

For the year under review, to push its market leadership position further in this segment, the Company leaped forward into urban markets, especially in the Northern region and in the Klang Valley to attract new customers into the Gas PETRONAS fold. Through these successes, the LPG Business managed to achieve a sound growth of 6.5% for its 12kg and 14kg cylinders segment.

The LPG Business was also able to increase its 50kg cylinders and bulk sales by widening its customer base to include new accounts such as Boon Siew Honda Sdn Bhd, Imerys Minerals Malaysia Sdn Bhd and Mardec Berhad.

The Company has delivered strong shareholder value in the form of dividend yield and in sustaining attractive returns to reward our loyal shareholders.

In the Company, good corporate governance goes well beyond just having the right policies and procedures in place; it continues to be embedded into the culture of the organization, at every level and across all functions.

To further differentiate its product and deliver convenience to its valued customers, the Company introduced the Gas PETRONAS Home Delivery (GPHD) marking a unique offering for the very first time in Malaysia.

The LPG Business recorded a revenue of RM1,503.4 million for the year under review and an increase in sales volume of 5.9% against previous year.

With regards to the **Lubricants Business**, it stood its ground as the second largest player in Malaysia despite of the fiercely competitive and aggressive sector segmented by a multitude of players. The Lubricant Business achieved this through its intensely focused sales and marketing activities, innovative product offerings, backed by advanced technical support and sophisticated distribution channel.

Among its significant wins, the Lubricant Business secured a five year supply contract with Perodua. The Company also collaborated with Naza KIA to develop a special Automatic Transmission Fluid (ATF), becoming the first Malaysian player to locally introduce this product in the country leveraging on its Fluid Technology Solutions™.

In addition, the Company's emphasis on product innovation ensures that the Company continues to offer customers better products, improved convenience and more value added complementary services. On 10 March 2012, the Company introduced the Durance car care product and Arexons air freshener range. These high quality products which were developed by its Italy-based sister company, PETRONAS Lubricant International, were engineered to deliver international quality standards and is made available at all our PETRONAS stations nationwide.

For the year under review, the Lubricants Business registered a revenue of RM480.0 million, which marks an improvement of 10.5% against the previous year.

Corporate Governance

Allow me to now draw your attention to what has always been an immensely important matter for the Company – good corporate governance. For us in the Company, good corporate governance goes well beyond just having the right policies and procedures in place; it continues to be embedded into the culture of the organization, at every level and across all functions.

Over time, the Company will strive to adopt best practices in corporate governance as outlined in the Malaysian Code on Corporate Governance 2012.

The Company will continue to strengthen its corporate governance through leveraging on Internal Audit Department and Board Audit Committee as well as both the Board Remuneration and Nomination Committees.

To promote and reinforce ethical standards throughout the Group, the Company has adopted the PETRONAS Code of Conduct and Business Ethics (CoBE) in April 2012 and will continuously support, promote and ensure compliance to CoBE. The CoBE will not only apply to every employee of the Company, but also to every Director (executive and non-executive). Furthermore, the Company will strive to ensure our contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of the Company comply to CoBE.

The Company also maintains timely and transparent communication through ongoing engagements with analysts and fund managers through its Quarterly Analyst Briefing sessions.

Leaping Forward

The Company has certainly concluded 2012 on a position of strength. We are confident that 2013 will be an exciting time, with the consolidation of our leadership position in Malaysia and integration of overseas business taking top priority.

Integration

The Company will embark on a comprehensive integration exercise to ensure synergistic integration of supply and distribution, and will also include people alignment, optimisation of operations, strengthening of HSE practices and adherence to governance and compliance.

In the preliminary years, the Company will focus on nurturing these acquired companies and ensuring business integration and synergy across the Company, in order to achieve the full benefits and value realisation for our shareholders in the medium to long term.

Aggressive Business Growth

For the Retail Business, the Company is focused on aggressively growing its market share and sales volume through network expansion, cutting-edge product technology and customer engagement programmes. In addition to the above, Retail Business strives to build strategic partnerships in order to continuously deliver differentiated services and better convenience to our customers.

Meanwhile, the Commercial Business segment is focused on defending its market leadership and strengthening its regional presence. Towards this end, the Company will continue to provide value enhancement by leveraging on its extensive supply, distribution and logistics system throughout the country. Through PAV, the Company is exploring possible international ventures to provide multi-location services to its customers.

For the LPG Business, the Company is expected to ramp up efforts to defend its position as Malaysia's No.1 Cooking Gas through value-driven growth in domestic and regional markets, cost optimization and brand loyalty. On the regional front, the Company will gain entry into Luzon to accelerate growth in the Philippines market via PEPI. The Company will also look into optimizing its plant cost in Vietnam via PVL to enhance its cost competitiveness.

The focus of the Lubricant Business is to aggressively grow its market by enhancing the brand equity and ensuring cost competitiveness. Regionally, the Company plans to enter into the lubricant business in Vietnam via PVL while PIMTCL and PEPI will focus on outlet expansion and strengthening the brand in Thailand and the Philippines, respectively.

Over and above this, the Company will need to continue leveraging on our Fluid Technology Solutions™ and our range of superior products to enhance our brand equity. It is important to recognize that we also need to look into offering competitive prices by improving our supply chain, to remain ahead of the race.

Operational Excellence

In the Company,we continuously ensure the Company's operational excellence via emphasis on effective maintenance and process improvements as well as sound HSE practices. For example, for our LPG terminal operations, we were able to achieve an improvement in its Overall Equipment Effectiveness (OEE) to an average of 85% from 75% in the previous year.

In addition, following the spirit of the Company's inaugural HSE Forum 2012, we will continue to strengthen the Company's HSE culture through effective leadership towards achieving full HSE Management System implementation.

At this point, I also wish to emphasize that effective 1 January 2013, the Company will enforce the Zero Tolerance (ZeTo) Rules stringently and continue to ensure conformance to HSE rules and regulations. The ZeTo Rules comprises ten mandatory safety rules to make certain that high risk works are carried out safely, and is applicable to all employees, contractors and sub-contractors.

Acknowledgements

As we march ahead to conquer new grounds, first and foremost, my heartfelt appreciation to all PETRONAS customers for your loyalty in making us the Brand of 1st Choice.

I would like to thank the Government of Malaysia and their agencies for their encouragement, cooperation and unwavering support extended to the Company.

My deepest gratitude to all our dealers, partners, shareholders and stakeholders for your continued support.

I would like to thank our Board of Directors for their vision, wisdom and guidance in ensuring the Company continues to deliver optimum value to its shareholders.

My special thanks as well to En. Amir Hamzah b Azizan for his exceptional leadership in bringing PDB to another level of accomplishment while laying strong foundations for our next phase of growth. It has been a privilege to work under his leadership and I look forward to his continued guidance in his capacity as a member of PDB's Board of Directors.

I thank all Management Committee members for their unwavering support in ensuring the Company's continuous success in reaching new heights. I would also like to thank outgoing members including Hamidah bt Alias, Ungku Haslina bt Ungku Mohamed Tahir, Nur Azmin b Abu Bakar, Mahmad Zahri b Mahzan, Ahmad Kushaini b Ramli and Mohd Azlan b Abas for their valuable contribution all through the years. Allow me to welcome our new Management Committee members Vukile Zondani and Manisah bt Shaari.We look forward to working together to achieve the Company's ambitious goals.

My heartfelt appreciation to all staff who have worked relentlessly to help the Company scale these new heights. Now, we have set our goals a notch higher and I am confident that with your unwavering dedication, focus and effort, together we will be able to steer the Company forward in the year ahead.

Overall, I am pleased that the Company has ended 2012 on a promising note with a strong momentum for 2013. I am excited by the prospects ahead and I look forward to your continuing support as the Company leaps forward to chart out its next phase of growth.

Aminul Rashid bin Mohd Zamzam
Managing Director / Chief Executive Officer
PETRONAS Dagangan Berhad

BUSINESS REVIEW

- Retail
- Commercial
- LPG
- Lubricants
- Supply & Distribution
- Regional Expansion

In a short span of 30 years, the Retail Business has grown rapidly from just a single skid tank to over a thousand stations today. It was the first in South East Asia to introduce the unleaded gasoline 'PRIMAS' in 1990 and the first to introduce the RON 95 fuel in Malaysia in 2009. In 2011, the Company introduced PETRONAS PRIMAX 95 XTRA, the first fuel in the market that combines greater performance and savings. Always at the forefront of innovation, the Company again introduced something out of the norm – the first-of-its-kind PETRONAS twin stations in 2012. The Retail Business foresight and innovative approach has enabled the Company to **FAST FORWARD** into its vision of becoming the Brand of 1st Choice.

FAST FORWARD

business review **RETAIL**

Bringing convenience and unique experience to our valued customers.

OVERVIEW

At Retail Business, nothing matters more than bringing convenience and unique experiences to our valued customers with differentiated products and services.

The promise was delivered through Retail Business immense station network of more than 1,000 PETRONAS stations and 695 Kedai Mesra nationwide, establishing the Company as the largest retail station network in Malaysia. The formidable presence enables Retail Business to reach out to the growing customer base across the country, even in remote areas.

In the year under review, Retail Business marked another milestone with the launching of the 1001st PETRONAS station at PETRONAS Station Wangsa Maju on 25 September 2012 and the unveiling of the first-of-its-kind twin stations, the PETRONAS Solaris Putra and PETRONAS Solaris Serdang on 5 December 2012.

10%

increase in revenue

FINANCIAL PERFORMANCE

Retail Business has posted a revenue of RM12,372.5 million, an increase of 10.0% over previous year's performance. The increase in revenue was mainly driven by the strong growth in Retail's volume of 10.3% in tandem with the national growth rate and boosted performance from diesel sales of more than 24.9% from the previous year.

Retail Business non-fuel income grew 14.6% from previous year, contributing almost 8.0% to the Retail Business' total margin and positioning the Kedai Mesra and other complementary business as increasingly significant contributor to the business. To further increase this revenue stream, Retail Business continues to build strategic partnerships with one aim - to provide convenience to suit various customers lifestyles.

Despite the challenging market environment and volatile crude oil prices in 2012, the Retail Business maintained a market share of 31.0% and has contributed close to 60.0% to the Company's margin and over 55.0% to the Company's net profit.

PRODUCT & SERVICES

Service Station

During the year under review, a total of 60 new stations was completed, bringing the total number of PETRONAS stations to 1,027 stations as at 31 December 2012.

Kedai Mesra

Retail Business has the largest network of convenience stores at petrol stations with 695 Kedai Mesra nationwide and they are complemented with ATMs (1,410 ATM terminals), Touch n' Go facilities (525 reload terminals) and e-Pay terminals (821 terminals).

Complementary Business

The significant network of Kedai Mesra is further complemented with various offerings available under one roof, ranging from food-to-go items and car spa services to various partner facilities that include quick-serve restaurants (QSR), banking facilities, courier services and other conveniences. To date, Retail Business has 84 QSR outlets and 30 car spa services throughout the nation.

In 2012, Retail Business achieved other milestones in outreaching the customers with the official launching of BSN Branchless Banking on 10 November 2012 at PETRONAS Station Sunway Tambun, Ipoh, Perak. Currently, a total of 200 BSN branchless terminals were deployed nationwide and the Company is targeting for all PETRONAS stations to be equipped with such services in the future.

Another significant milestone for Retail Business was the opening of PETRONAS Station Batu Feringgi on 2 March 2012, making it the first petrol station in the state of Penang to offer a quick-serve restaurant (QSR) and a drive-thru service.

Kedai Mesra Strategic Partnership

Retail Business has secured non-fuel income for the next nine years through a smart partnership with e-Pay (M) Sdn. Bhd., the leading one stop payment service provider.

Kedai Mesra is further complemented with various offerings available under one roof.

Expansion of Kad Mesra partnership will enhance the perceived value of PETRONAS Mesra Loyalty Programme.

CARDS BUSINESS

Kad Mesra Partnership

On 21 February 2012, Retail Business has embarked on strategic loyalty programme between PETRONAS Kad Mesra and BIG Card by AirAsia that aims at expanding the avenue for points' redemption, enhancing the perceived value of PETRONAS Mesra Loyalty Programme and facilitating the growth of Kad Mesra membership via BIG Card cardmembers.

Amongst the promotion programme held with AirAsia BIG Card in 2012:

- "Watch QPR vs Arsenal Live In London" (22 February – 15 March 2012)
- Acquisition programme – online sign up for BIG Card by Kad Mesra members (22 February – 30 June 2012)

Other Kad Mesra partnerships in 2012:

- Golf Leisure International (discounted GLI membership)
- Sunway Lagoon (30% discount on park entrance fees)
- Resorts World Sentosa (special discounted Universal Studio's Singapore Packages)
- Petrosains (special discounts and promotional benefits)
- PETRONAS Twin Towers Fitness Centre (RM50 waiver upon sign up)
- Dewan Filharmonik PETRONAS (10% discount on DFP tickets)

AMEX Credit Card Acceptance

Beginning 1 December 2012, AMEX credit card has been accepted at PETRONAS stations throughout Klang Valley. The same services will be rolled out to PETRONAS Stations nationwide beginning March 2013.

PETRONAS SmartPay

For PETRONAS SmartPay, Retail Business has been engaging with potential and current customers through various programmes such as product showcases, fraud mitigation sessions, festive celebrations, sporting and leisure activities throughout the year under review.

KEY INITIATIVES

New Station Design

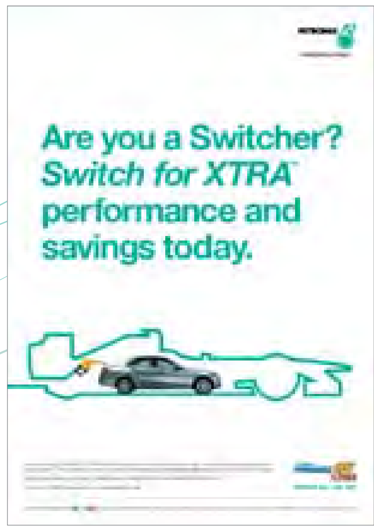
The launching of the newly designed PETRONAS Station Sri Hartamas on 16 April 2012 envisioning the Retail Business radical move to be competitive and meeting customer growing needs and changing lifestyle. The year under review, witnessed a few of PETRONAS new stations were installed with the new design. Moving forward, Retail Business shall continue to reimage the stations with the new design in stages while incorporating sustainable solutions and personalised services for the customers.

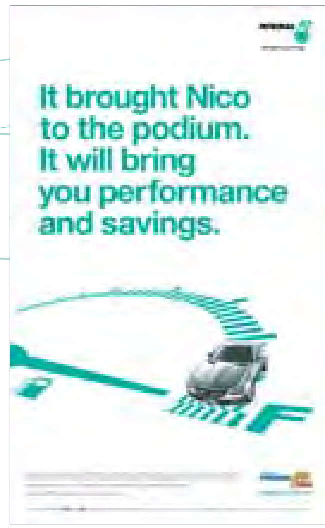
PETRONAS Twin Stations

The first-of-its-kind twin stations, the PETRONAS Solaris Putra and PETRONAS Solaris Serdang launched on 5 December 2012 signified the Company's efforts to remain the Brand of 1st Choice and the industry's trendsetter. It also marked the Company's initiative in exploring creative and efficient use of various aspects of the stations to provide differentiated experience for the customers.

The dual-frontage twin stations that are strategically located in between the PLUS and Besraya highways are equipped with "green features" namely Photovoltaic (PV) Solar panel, LED light fittings, Energy Management System (Emerson Technology) and rain water harvesting system. On top of that, the stations also offer a nitrogen tyre inflator, an environmental-friendly alternative that helps to increase fuel economy and tyre life.

The stations are also the first two petrol stations to partner with Starbucks and the first outlet to offer the Starbucks Drive-Thru service for the convenience of its customers. Other partners available at the stations are KFC, Subway, Nasi Kandar Craven, Daily Fresh, Hot & Roll and Chatime.





PETRONAS PRIMAX 95 Xtra Marketing and Promotion Initiatives

Throughout the year under review, Retail Business has embarked on various initiatives and promotions in sustaining sales and educating customers on the benefits of PETRONAS PRIMAX 95 Xtra including:

- "Make Your F1 Pitstop Here" by F1 Grid Ambassador (15 – 25 March 2012)
- F1 Facebook Contest (15 – 25 March 2012)
- PETRONAS PRIMAX 95 Xtra Fuel Up Challenge with Kad Mesra (7 – 29 April 2012)
- 30 Million Mesra Points Giveaway – in conjunction of Putra Brand Award (6 - 15 April 2012)
- Karnival Jom Heboh (Johor Bahru from 30 June – 1 July 2012, and Kuantan from 24 – 25 November 2012)
- The Star Motor Carnival (14 – 17 September 2012)
- Switch For Xtra (from 11 August – 16 December)
- Jelajah Pantai Timur @ Xtra Sokmo (8 September – 6 October 2012)
- PETRONAS Xtrack Event (Pahang – 27 October, Malacca – 3 November, Johor – 10 November , Terengganu – 17 November, Kelantan – 24 November, Perak – 1 December, Sabah – 8 December, Sarawak – 15 December, Penang – 22 December and Selangor – 29 December)

On top of PETRONAS PRIMAX 95 Xtra promotions, Retail Business also conducted other non-fuel promotions including:

- Terbaik MESRA BoBoiBoy Promotion (12 October – 13 January 2013)
- Kad Mesra and AirAsia BIG Card Promo - "Watch QPR vs Arsenal Live In London" (22 February – 15 March 2012)
- PETRONAS Maybank Card 8 X Treat Points for Weekend (10 March – 30 June 2012)
- PETRONAS CIMB Bank "350 million Mesra Point To Be Won" (10 March – 30 June 2012)
- PETRONAS Maybank Card 8 X Treat Points for Everyday (1 November – 28 February 2013)
- PETRONAS CIMB Bank 8.0% Cash Back (15 October – 31 December 2012)
- AMEX Card Cash Back Promotion (15 December – 15 February 2013)

Other Highlights

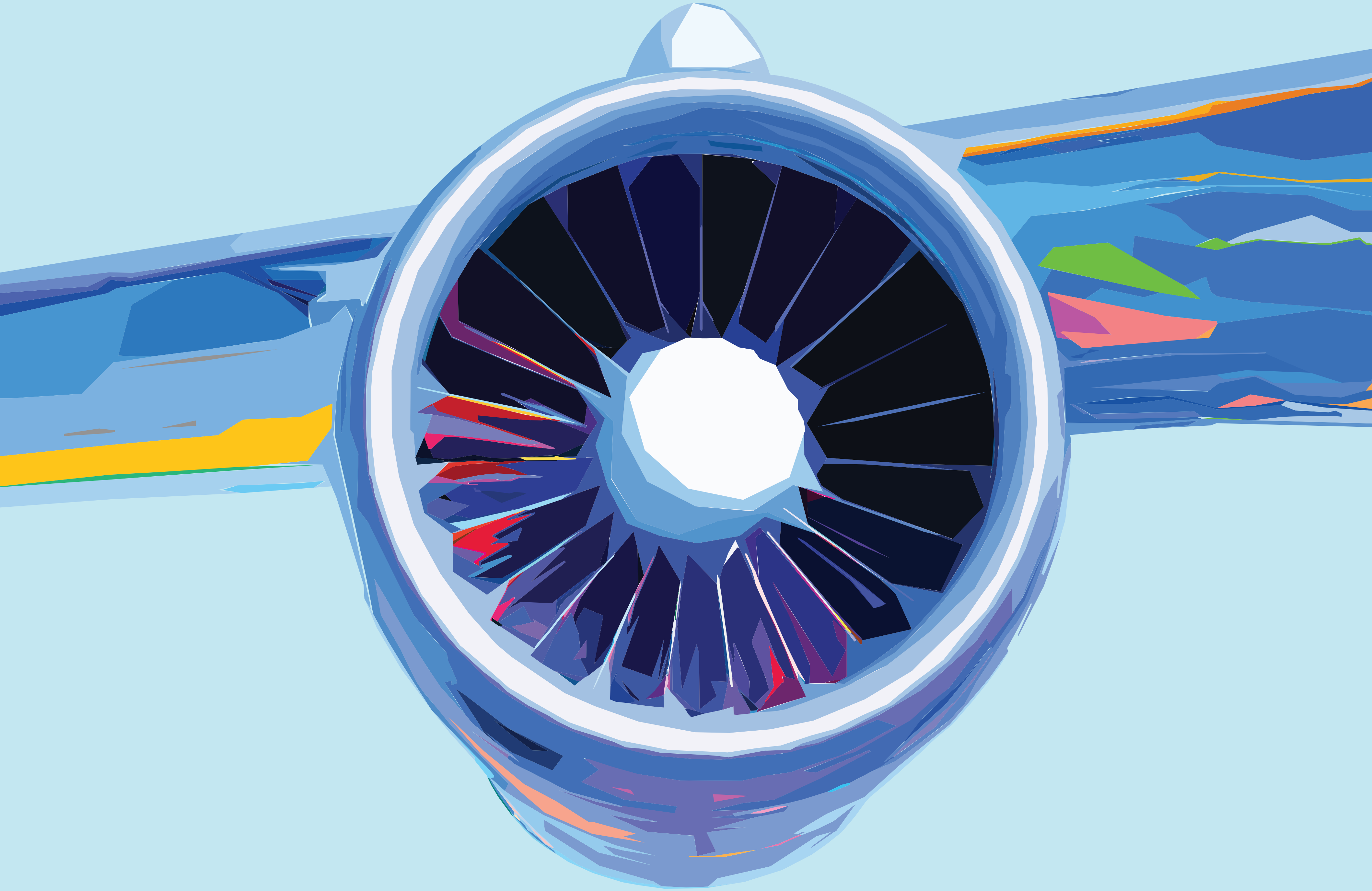
- Engagement session and study visit by Australiasian Convenience and Petrol Marketers Association (ACAPMA) held on 12 March 2012.
- Retail Business Golf Friendly with PETRONAS Station Dealers held on 21 April 2012 to foster a healthy working relationship with the dealers.
- Commemoration of ASAS 100th Graduation and PETRONAS Stations Dealers Reunion Dinner successfully conducted on 8 June 2012.
- XTRA Kemudahan Campaign, an initiative to distribute a Travel Planner leaflet with useful information on the location of 20 PETRONAS stations along the Peninsular Malaysia highways as well as other services and facilities offered at the stations (held from 13 - 18 August 2012).

MOVING FORWARD

While the market is expected to remain competitive particularly with the entrance of new players, the Retail Business shall relentlessly leverage on its extensive station network, innovative product and services, and other differentiated offerings in propelling the Company towards becoming a clear market leader in Malaysia.

The Retail Business will also continue with effective marketing and on-the-ground promotional activities to reach out, recognise and reward its customers across the country.

The first-of-its-kind twin stations, the PETRONAS Solaris Putra and PETRONAS Solaris Serdang signify the Company's effort to remain the Brand of 1st Choice.



The Commercial Business has continued to reinforce its leading position, leveraging on the Company's quality products and differentiated services that no other player can match. Over the years, the Commercial Business continues to dominate the market, securing strategic partnerships and growing its business by leaps and bounds. With the addition of PETRONAS Aviation Sdn Bhd under its wing, the Company is **LEADING THE WAY** to greater growth, in and beyond Malaysia.

LEADING THE WAY


PETRONAS

business review **COMMERCIAL**

OVERVIEW

The Commercial Business drives strategic marketing and aggressive sales of petroleum products in bulk to various industrial and commercial sectors in Malaysia. The Company boasts an extensive supply, distribution and logistics system throughout the country to ensure reliability, timeliness and quality of its products and services, both in Peninsular and East Malaysia.

In the year under review, the Company had acquired PETRONAS Aviation Sdn Bhd (PAV). This acquisition is in line with the Company's vision of Brand of 1st Choice to defend and strengthen domestic market leadership and grow internationally.

The major products of Commercial Business include Diesel, Aviation Fuel, Fuel Oil and Bitumen. These products cater to key economic sectors such as power generation, aviation, oil and gas exploration and production, construction, transportation, agriculture and fishery.

The acquisition of PETRONAS Aviation Sdn. Bhd. defends and strengthens the domestic market leadership and is in line with the Company's aviation strategy to grow internationally.

Diesel, Aviation Fuel and Fuel Oil continued to be the key products, registering about 95.0% of total Commercial Business sales.

FINANCIAL PERFORMANCE

For the year under review, the Commercial Business achieved revenue of RM15,049 million and contributed 43.0% of the Company's total volume.

Three of the major product lines namely Diesel, Aviation Fuel and Fuel Oil continued to be the key products for Commercial Business, registering about 95% of total Commercial Business sales.

It was a very challenging year to Commercial Business with a 13.0% contraction in the industry. Despite an 8.0% lower sales volume as compared to the previous corresponding year, Commercial Business managed to capture highest market share of 64.5%.

For Diesel, the Commercial Business was impacted by the removal of Nano-tag, which was used to track the subsidised diesel. Nevertheless, Commercial Business managed to recover some of the volume loss by capturing new volume and growth from new customers.

For Aviation, our customers have implemented various route rationalization and despite this, Commercial Business was able to enhance its position and expanded its footprint to international airports such as Heathrow and Hong Kong.

KEY INITIATIVES

Dealer Convention and Appreciation Night

In pursuit of customer centric excellence, we rolled out a series of direct customers and dealers engagement to further strengthen and enhance relationships as well as to show of our appreciation to customers and dealers.

Commercial Business Bags Top Supplier Title Award

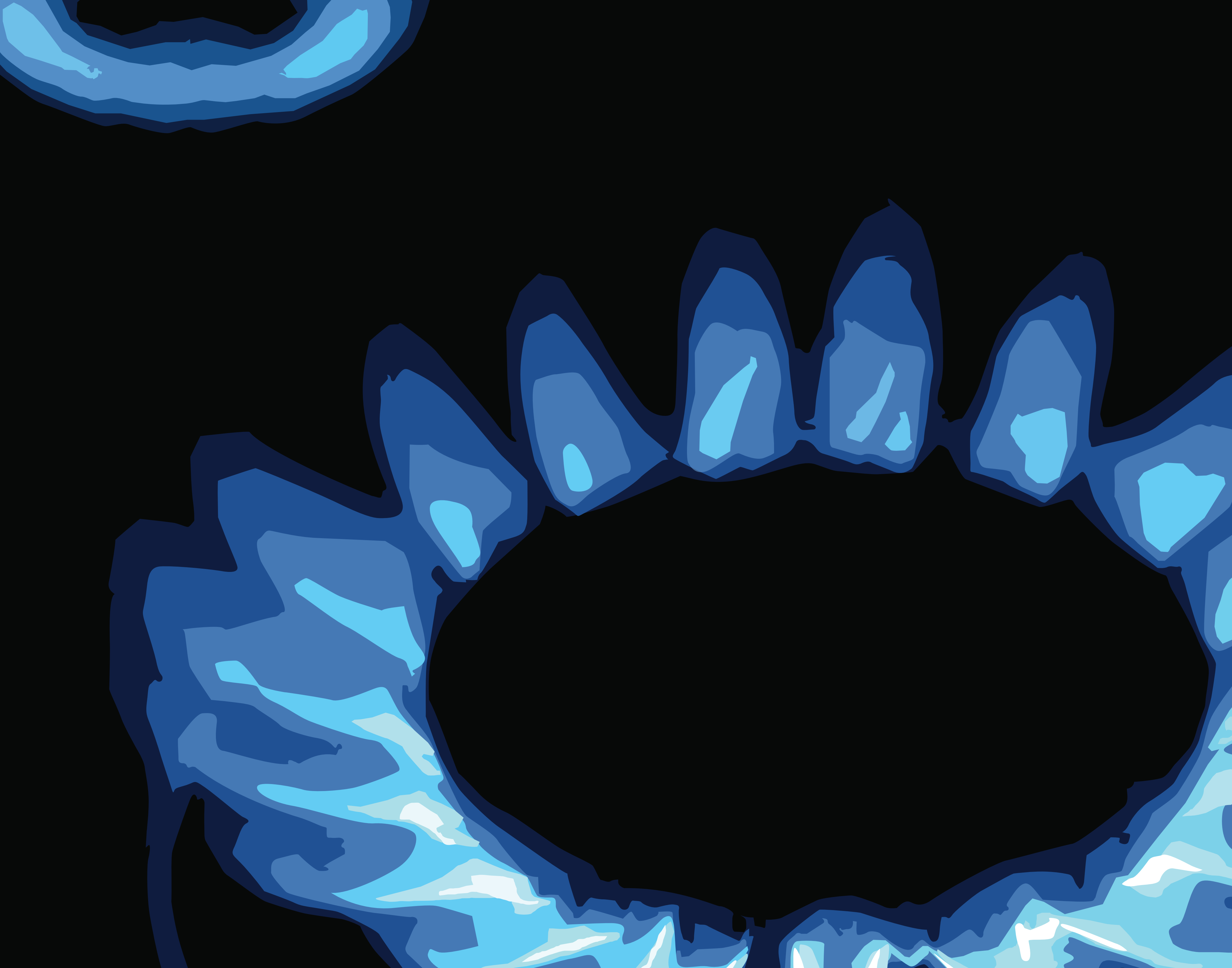
On 5 September 2012, the Commercial Business Division was honoured with the recognition by MAPA Gloves Sdn Bhd for Best Fuel Supplier category. The Commercial Business Division was recognized by MAPA for its overall competitiveness, effectiveness and efficiency especially in the areas of quality management systems, trading terms, response to queries, after sales services and compliance to MAPA's Environment Health & Safety (EHS).

This recognition is extremely satisfying, a culmination of our drive for Brand of 1st Choice.

MOVING FORWARD

The Commercial Business will relentlessly leverage on its superior logistics and leadership position to defend and strengthen its market leadership with personalised services and differentiated offerings. The Commercial Business will continuously strive to capture untapped market, grow regionally and internationally.

64.5%
Market share



The LPG Business has successfully defended its leading position as Malaysia's No.1 Cooking Gas. The Company understands that it is imperative to differentiate itself in a commodity market. Hence, the Company has focused its strategy on creating differentiated services that is unparalleled to win the hearts of its customers. The Company's understanding of customers' needs for convenience, safety and continuous supply has provided the company with a **STRONG FOUNDATION** to continue to be the Brand of 1st Choice.

STRONG FOUNDATION


GAS
PETRONAS
No.1

56.0%

Market share

business review **LPG**

OVERVIEW

The LPG Business is involved in the marketing and sales of cooking gas cylinders under the brand name of 'Gas PETRONAS'. The LPG products are available in three cylinder sizes of 12kg, 14kg and 50kg, suitable for domestic and small & medium industries (SMI) usage.

Through an aggressive growth strategy, LPG Business has grown its market share to 56.0%, successfully defending Gas PETRONAS' position as Malaysia's No.1 Cooking Gas.

To further ramp up its growth, the Company acquired PETRONAS Energy Philippines Inc. (PEPI) and PETRONAS Vietnam Co. Ltd. (PVL) as part of its strategic expansion plan to grow the LPG business beyond Malaysia.

Significant growth through aggressive market penetration particularly in the urban areas of the Klang Valley was supported by the injection of new cylinders and a stable supply of LPG products.

FINANCIAL PERFORMANCE

For the year under review, the LPG Business recorded a revenue of RM1,503.4 million, an increase of 12.4% against the previous year, in which sales volume grew by 5.9%.

The significant growth was attributed to the Company's aggressive market penetration into new markets, particularly in the urban areas within the Klang Valley. The growth was further supported by the injection of new cylinders and a stable supply of LPG products during the year under review.

Overall, net profit has increased by 3.6% against the previous year mainly contributed by increase in sales volume.

PRODUCTS

The performance breakdown for various cylinder types can be summarized as follows:

12kg and 14kg Cylinders

The domestic sector (12kg and 14kg) achieved a sales volume growth of 6.5% as compared to the previous year. The growth was attributed to the aggressive penetration into the urban markets particularly in the Northern and Central regions as well as increase in customer base. This effort was further supported by a consistent supply of cylinder stocks at all major LPG terminals and continuous injection of new cylinders in all regions to ensure availability at all times.

50kg Cylinders and Bulk Sales

Sales volume for this segment has increased by 0.8% as compared to the previous year. This was mainly attributed to the increase in LPG consumption and a wider customer base including new accounts such as Boon Siew Honda Sdn Bhd, Imerys Minerals Malaysia Sdn Bhd, Mardec Bhd, YHI Advanti Melaka and City One Shopping Mall, Kuching.

KEY INITIATIVES

DIFFERENTIATED SERVICES

Gas PETRONAS Home Delivery Service (GPHD)

On 2 April 2012, the Company launched the Gas PETRONAS Home Delivery (GPHD) service, a unique and convenient way of ordering cooking gas via a nationwide hotline number, 1-300-888-GAS(427). This new service was part of the Company's continuous investment in providing its customers with convenience and differentiated services.

In addition to convenience, the delivery personnel also conducts free safety checks at customers' home. Through GPHD, customers can also earn Mesra points as a value-added service.

Areas of coverage include major cities in four key regions:

- Northern Region: Kangar, Alor Setar, Kulim, Georgetown, Bayan Lepas and Ipoh.
- Eastern Region: Kota Bharu, Kuala Terengganu, Dungun and Kuantan.
- Southern Region: Seremban, Senawang, Melaka and Johor Bahru.
- Central Region: Kuala Lumpur, Putrajaya and main cities in Selangor.

Through Gas PETRONAS Home Delivery, customers can also earn Mesra points as a value-added service in addition to free safety checks.

FUELING THE GROWTH OF THE NATION'S CULINARY INDUSTRY

Title Sponsor for "Chef Selebriti Berita Harian & Gas PETRONAS 2"

Between October and December 2012, the LPG Business tied-up with Berita Harian as the title sponsor of the second 'Pencarian Chef Selebriti Berita Harian & Gas PETRONAS 2'. The initiative was part of the Company's commitment in reaching out to the community in support of the development of Malaysia's culinary industry.

The semi final was held on 1 December 2012 at AEON, Bukit Tinggi, Klang whereas the final was held at e-Curve, Damansara on 15 December 2012.

Sponsorship for Bubur Lambuk Cooking Events

Gas PETRONAS continued its sponsorship of cooking gas cylinders for the various 'bubur lambuk' cooking events throughout the country during the month of Ramadhan. Among the prominent events include Bubur Lambuk Agung by Masjid Jamek Kampong Baru and Bubur Lambuk 1 Malaysia organised by NSTP Editorial Department Welfare, Sports and Recreational Club.

The LPG Business is focused on further fortifying its stronghold as Malaysia's No.1 Cooking Gas by driving higher sales growth in addition to delivering convenience and differentiated services to its valued customers.

Other Cooking Competitions

To further reach out to the community and fuel Malaysia's culinary industry, Gas PETRONAS also supported various cooking competitions during the period under review. The key initiatives included:

- Pertandingan Memasak Rewang Rakyat Belia 4B on 9 June 2012 at i-City, Shah Alam. The event was officiated by Yang Amat Berhormat Datuk Seri Najib Tun Razak, the Prime Minister of Malaysia.
- Cooking competition in conjunction with Langkawi International Fishing Tournament on 30 June 2012 at Awana Porto Malai, Langkawi. The event was graced by DYMM Yang di-Pertuan Agong Tuanku Abdul Halim Mu'adzam Shah.

HEALTH, SAFETY AND ENVIRONMENT (HSE) EFFORTS

New Premises for Channel Members

During the year under review, the LPG Business launched new premises for its Channel Members in line with PDB's stringent HSE standards. The new premises are:

- Chong Trading, Kota Kinabalu on 27 February 2012.
- RG Keppel X Enterprise, Kampar on 21 March 2012.
- Kerian Cemerlang Trading, Kuala Kurau on 21 March 2012.
- OCC Enterprise, Kepong on 16 November 2012.
- H&H Angkut Enterprise, Setapak on 16 November 2012.
- NKS Subang S/B, Seksyen U6, Pekan Subang on 16 November 2012.
- Serdang Maju Trading, Bandar Baharu on 24 November 2012.
- Miega Agency, Kulim on 24 December 2012.

Fire Drill Exercise

As part of the Company's commitment to prepare its Channel Members to manage crisis situations effectively, a Fire Drill Exercise was conducted at the premise of Rompin Enterprise in Seremban on 24 May 2012. The exercise saw the involvement of various local authorities including Polis Di-Raja Malaysia (PDRM), Jabatan Bomba dan Penyelamat, Hospital Seremban, Jabatan Pertahanan Awam and RELA. The Ministry of Domestic Trade, Co-Operatives and Consumerism as well as the Department of Occupational Safety and Health were also present during the exercise to lend their support.

LPG Pallet Safe Handling Programme

To highlight the importance of road safety compliance and pallet handling, an awareness programme was organised on 2 December 2012 at the Company's LPG Terminal in Melaka. More than 150 LPG pallet lorry drivers along with Premier Dealers from Central and Southern regions participated in the training.

Table Top Exercises

During the year under review, a total of six exercises were conducted nationwide to prepare and assess the readiness of Emergency Response Team (ERT) in managing crisis involving the LPG operations.

As part of the preparedness rollout, an accident was simulated at the following locations:

- Northern Region: Jalan Kamunting Lama, Taiping on 5 September 2012.
- Eastern Region: Machang on 12 September 2012.
- Central Region: Ampang on 13 September 2012.
- Sarawak: Kuching on 26 September 2012.
- Sabah: Tawau on 27 September 2012.
- Southern Region: Muar on 11 October 2012.

The above activities will continue to be an important agenda in the LPG Business' HSE calendar of events in the upcoming years.

ENHANCED SUPPLY AND DISTRIBUTION CHAIN

Logistics

On 10 April 2012, the LPG Business launched its second B-Double LPG Trailer. The 25-metre long trailer operates up to three trips per day with a storage capacity of 1,155 cylinders per trip. This has translated to a 65% increase in efficiency as compared to the regular LPG trailer with a storage capacity of 700 cylinders per trip. The new trailer serves Pusaka Gas Sdn Bhd in transporting cylinders from LPG Terminal in Melaka to the Klang Valley.

OTHER STAKEHOLDERS ENGAGEMENT

Regulatory and Safety Knowledge Sharing with Channel Members

A series of engagement sessions was held in collaboration with the Ministry Of Domestic Trade, Co-Operatives and Consumerism (MDTCC) to share knowledge on regulatory and safety aspects of LPG with its Channel Members. The nationwide programme commenced on 27 March 2012 at Prai, Pulau Pinang and ended on 12 July 2012 in Kuching, Sarawak.

Among the topics covered were Product Knowledge, LPG Safe Handling, Safety and Customer Services. In addition, MDTCC, Department of Occupational Safety and Health along with the Jabatan Bomba dan Penyelamat shared information on LPG licensing and safety.

MOVING FORWARD

The LPG Business is focused on further fortifying its stronghold as Malaysia's No.1 Cooking Gas. It will drive higher sales growth by delivering convenience and differentiated services to its valued customers.

In a fiercely competitive market space, the Lubricants Business has emerged as the second largest player in Malaysia. Its key strength lies in its Fluid Technology Solution™ (FTS), which was developed from its partnerships with the best in motorsports – the Formula One™ team. Leveraging on the innovative FTS, the Company is able to deliver a wide range of world-class products that are proven to excel even under extreme driving conditions. Over the years, the Company's partnerships and innovation have continued to provide the Company the ability to deliver a total **360° SOLUTION.**

360° SOLUTION


SYNTIUM

10.5% increase in revenue

business review
LUBRICANTS

The revenue increase was largely contributed by higher selling price and better portfolio management.

OVERVIEW

The Lubricants Business achieved commendable performance in an always challenging environment and maintained its overall position as the second largest player in Malaysia. Lubricants Business is on track to achieve market leadership through aggressive sales and marketing activities, innovative product offerings, technical support and sophisticated distribution channel.

FINANCIAL PERFORMANCE

The Lubricants Business recorded revenue of RM 480 million, which marks an increase of 10.5% against the previous year's performance. The revenue increase was largely contributed by higher selling price and better portfolio management.

Further to this, the Lubricants Business braved intense price competition within the Lubricants market and continued to strengthen its performance via its world-class innovative solutions and improved profile management. The Lubricants Business achieved 6.0% higher overall margin per litre against target as a result of its aggressive growth plans and robust sales and marketing activities.

Supporting sales in retail stations, the Lubricants Business introduced car care and car fragrance products in line with the spirit of going“All The Way”.

Passenger Vehicle Lubricants

Passenger Vehicle Lubricants achieved a 15.0% growth in revenue mainly contributed by OEM segment such as Perodua and Proton whose volume grew by 18.0%. In the High Street segment, volume recorded a growth of 9.0% against previous year.

Motorcycle Lubricants

Motorcycle Lubricants introduced the Sprinta 4T and 2T mono grade range. The range completes the full offering of motorcycle lubricants in the market and makes PETRONAS Motorcycle Lubricants the most comprehensive range against all major competitors. The Sprinta 4T and 2T caters for older motorcycles and caters to customers who require performance with competitive pricing.

Commercial Vehicle Lubricants

Commercial Vehicle Lubricants achieved a 12.0% growth in revenue contributed by increase in sales through commercial customers in the timber, fleet and agriculture sector. A major highlight for the year was the securing of the Konsortium Logistic Berhad (KLB) account for their Mercedes Benz Prime Mover to use PETRONAS Urania.

Industrial & Marine Lubricants

Industrial and Marine Lubricants registered a 5.0% growth contributed by increase in volume from Marine lubricants and hydraulic range. For Marine sector, the Lubricants Business has managed to secure key shipping and upstream supply vessel accounts such as Trans Resources, Sirius Marine and Fast Meridian. As for Hydraulic range, the Lubricants Business remained competitive in the high street segment and defended its position amidst the intense competition.

KEY INITIATIVES

OEMs, Corporate Customers & Product Offerings

The Company secured and strengthened its hold in the OEM segment by securing a 5 year supply contract with Perodua resulting in an additional growth of 28% against the previous year. The Company also collaborated with Naza KIA to develop a special Automatic Transmission Fluid (ATF), the PETRONAS TUTELA ATF XP-4 to cater to low viscosity automatic transmission or 6 speed transmission gear box. PETRONAS is the first Malaysian player to locally introduce this product in Malaysia using the Company’s cutting edge technological expertise.

In the commercial truck segment, the Lubricants Business in collaboration with Commercial Business secured a 5 year supply contract with a major fleet operator "Konsortium Logistic Berhad" (KLB). KLB will be using our PETRONAS Urania for all their Mercedes Benz prime mover fleet and this is a testimony of their trust in our products in Malaysia.

Supporting sales in retail stations, the Lubricants Business introduced the car care and car fragrance products, PETRONAS Durance and Arexons. In line with the spirit of going "All The Way", the PETRONAS Durance and Arexons, completes the Company's offering of protecting not only the engine of your car but also the interior and exterior of your car.


SYNTIUM
5000

In 2012, the Lubricants Business executed various initiatives, activities, and promotions to increase brand awareness. Some of these initiatives include:

i. **Retail Station Programmme**

Lubricants Business in collaboration with Retail Business executed various programs to increase sales and awareness at PETRONAS stations. These programmes include the Mesra Card Discount promotions, localised consumer promotion, Project White Glove (Promoting PETRONAS Durance & Arexons) and product demonstration at selected PETRONAS stations.

ii. **Syntium Youth Activation Campaign**

As part of its commitment to nurture and develop the Malaysian talent pool in the automobile industry, the Lubricants Business launched its PETRONAS Syntium Youth Activation Campaign, a three-month programme encompassing the "Best Performing Engine Challenge" and "Tech Talks". The initiative is driven in collaboration with Cycle & Carriage Bintang Berhad, the largest dealer of Mercedes Benz vehicles in Malaysia and participating automotive colleges and universities nationwide.

iii. **Nationwide Syntium Consumer Promotion**

The Lubricants Business continued to organise its annual Syntium Consumer Promotion to reward its loyal customer. This promotion was aligned in conjunction with PETRONAS Lubricants International 100 Years celebration. To add uniqueness to the promotion, it was the first time Lubricants Business promotion was done with an in box promotion together with the lubricant products.

iv. **Out of Home Advertising**

To increase brand awareness, the Lubricants Business embarked on an aggressive Out-of-Home (OOH) advertisements through creative application of pillar wraps and toll boom arm gates promoting Syntium and Syntium Moto range. These OOH advertisements were strategically located throughout Klang Valley and highly populated areas.

MOVING FORWARD

While the market is expected to remain competitive particularly with the entry of new players, the Lubricants Business will continue to implement strategic growth plans to establish market leadership in Malaysia.

The Lubricants Business is committed to aggressively grow its market share in all segments including high street, corporate and OEM whilst increasing its value added services.

The Lubricants Business is committed to aggressively grow its market share and increase its value added services.

SUPPLY & DISTRIBUTION

OVERVIEW

The Supply and Distribution Division, through its robust supply and logistic network, ensures that PDB has uninterrupted end-to-end supply chain from product sourcing right up to delivery of the Company's products to customers and dealers.

The Division's strategies are driven by its four core values namely Stakeholder Value, Customer Satisfaction, Operational Excellence and Organizational Effectiveness.

Value Creation

The Division is committed to create value for its customers and business partners by improving the efficiency of product sourcing and primary distribution to ensure better control and undisrupted supply. The Division also focuses on optimizing its terminal inventory to continuously provide a competitive advantage. During the year under review, the Division has re-structured its partnership with PETRONAS Trading Corporation Sdn Bhd (PETCO) on vessel operation and chartered a win-win deal for both companies.

Customer Satisfaction

The Division focuses on enhancing customer satisfaction through the delivery of quality products and differentiated services in a timely and cost effective manner. In doing so, it will continue to invest in new and advanced equipment to ensure that they meet current specifications to deliver the Company's brand promise. Ongoing efforts will be given to ensure enforcement and adherence to the standard operating procedures.

Operational Excellence

The Division is committed to deliver operational excellence through asset integrity as well as operational and Health, Safety & Environment (HSE) governance. Towards this end, it will continue to champion regular HSE campaigns to instill a safety culture among its people and strengthen the compliance of the Company's Zero Tolerance (ZeTo) rules. The Division has also established an online portal iHSE, to constantly monitor employees' performance and adherence towards HSE. To further ensure operational excellence, the Division will also accelerate the Process Safety Management implementation to increase efficiency as well as aligning its operations infrastructure with the Company's business requirements.

Organisational Effectiveness

To fully support the Company's business growth, the Division will continuously invest in the development of technical capabilities and customer-centric mindset among its employees.

PROJECTS

KLIA2 Fuel Hydrant Project

During the year under review, the Division has embarked on the KLIA2 Fuel Hydrant Project. The project is targeted to be completed by March 2013, in time for the unveiling of the new Low Cost Carrier Terminal airport.

High Speed LPG Carousel

The Division has completed the installation of Malaysia's very first high speed LPG Carousel (Flexspeed) at the Melaka LPG Terminal in December 2012. Once operational in the first quarter of 2013, the carousel is capable of bottling LPG cylinders at a rate of 3600 cylinders/hour as compared to current rate at 1200 cylinders/hour.

Automatic Refueling Monitoring System

In June 2012, the Division has embarked on a major enhancement of its Automatic Refueling Monitoring System (ARMS) at KLIA, resulting in greater efficiency of operations. The project, which is targeted to be completed in the first quarter of 2013, will allow real time monitoring of the vehicle's position through GPS (Global Positioning System).

MOVING FORWARD

The Supply and Distribution Division will focus on asset integrity and reliability, operational control and HSE assurance to continue supporting PDB's aggressive expansion plans in 2013.

3YE
1268

PDB'S REGIONAL EXPANSION

The Company continuously pushes for growth and market leadership as part of its overall strategy to create shareholder value. Whilst the Malaysian economy remains strong and will continue to grow in the years ahead, the Company is fast approaching the optimum market share for its businesses in the domestic downstream petroleum products and services sector.

In this regard, the Company recognises that it needs to expand beyond Malaysia to diversify its revenue and earnings base to sustain the Company's aggressive growth strategy.

The Company invested a total of RM205.8 million to acquire companies in the Philippines, Vietnam and Thailand to kick start its strategic initiative to expand overseas and ride on the growth momentum of the ASEAN region.

The growth potential of these markets is promising. The demand for petroleum products and services remains robust on the back of strong economic and population growth. The outlook of the Company's foray into the three new markets is positive as it will be able to leverage on PETRONAS' strong brand and reputation. The experience, scale and technical expertise of the Company in the downstream business puts it in a solid position to successfully penetrate into these new markets.

The Company is well aware that there will be challenges in the road ahead, particularly in the early years. Nevertheless, the Company is committed to nurture and strengthen the acquired companies in this initial phase post acquisition by executing enterprise-wide integration and operation improvement exercises. On top of it, the Company will undertake targeted investments to propel the future growth of these new companies.

MALAYSIA

PETRONAS AVIATION SDN BHD

The Company successfully acquired aviation fuel retailer and marketer, PETRONAS Aviation Sdn Bhd (PAV) on 5 September 2012.

The acquisition is to enhance the Company's technical capabilities and further strengthen its global aviation foothold. With PAV in its fold, the Company is set to solidify its position in the aviation fuel business as it will provide the Company the opportunity to participate in multi-locality deals and expand its aviation fuel business globally.

THAILAND

PETRONAS INTERNATIONAL MARKETING (THAILAND) CO. LTD

The Company completed the acquisition of PETRONAS International Marketing (Thailand) Co. Ltd. (PIMTCL) on 8 November 2012.

PIMTCL is involved in the wholesale buying, selling, storing, distribution and marketing of Lubricant products. PIMTCL's Head Office is in Bangkok while its lubricant warehouse is in Nonthaburi. PIMTCL is poised to be a significant lubricant player in Thailand.

VIETNAM

PETRONAS (VIETNAM) CO. LTD AND THANG LONG LPG CO LTD

The Company completed the acquisition of PETRONAS (Vietnam) Co. Ltd (PVL) and Thang Long LPG Co Ltd (TLLCL) on 31 December 2012.

PVL is involved in the wholesale buying, selling, storing, distribution and marketing of Liquefied Petroleum Gas (LPG). PVL has storage, bottling facilities and terminals in Go Dao (South Vietnam) and Hai Phong (North Vietnam). Hai Phong assets are housed under TLLCL. Moving forward, the key focus is to expand its existing LPG market share in Vietnam.

THE PHILIPPINES

PETRONAS ENERGY PHILIPPINES INC AND DUTA INC

The Company completed the acquisition of PETRONAS Energy Philippines Inc.(PEPI) and Duta Inc (Duta) on 19 October 2012.

PEPI is involved in the wholesale buying, selling, storing, distribution and marketing of various petroleum products including Liquefied Petroleum Gas (LPG) and Lubricants. Duta Inc. is an asset holding company housing all PEPI land assets in Philippines.

PEPI has LPG storage, bottling facilities and terminals located in Iligan, Danao, Davao and Ilio Ilio. Currently, PEPI is the second largest player in the Visayas and Mindanao (VisMin) area and the focus ahead is to fortify its position in VisMin and begin growing its presence in the Luzon area.

PDB IN THE NEWS

Kempen Petronas Coffee Break kembali lagi!

PDB sasar pendapatan RM20 juta melalui perkhidmatan e-pay

PETRONAS Dagangan perkenal penghantaran gas ke rumah

RM2.40

62幸運兒贏取iPhone 4S

马石油为专车提供完整护理

PDB yakin lepasi sasaran pendapatan

PETRONAS DAGANGAN BERHAD UNVEILS DURANCE

Petronas dagangan sedia spa di lebih banyak stesen minyak

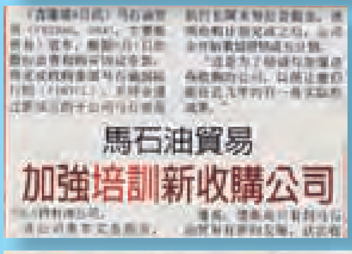
Tambah 20 stesen

Perodua ties up with PDB

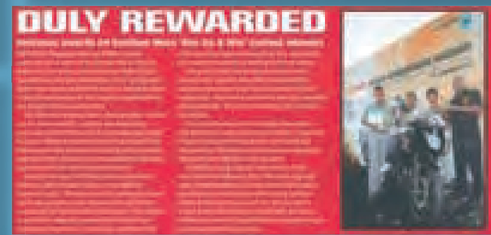

國油貿易與合發吉星合作
引擎性能挑戰賽發掘人才


PETRONAS tambah stesen minyak
67 lokasi strategik dikenal pasti untuk beri keselesaan kepada pelanggan


Fokus perniagaan baru
Petronas Dagangan mahu terokai RMKe-10, ETP


馬石油貿易
加強培訓新收購公司


PDB peruntuk RM200 juta


DULY REWARDED


Fueling Ramadan celebrations


國油貿易全國派粥


Pendapatan Petronas Dagangan RM6.85 bilion


4大關鍵高效節能特點
國油首創"雙油站"

（吉隆坡讯）为了巩固市场领导者的地位及为顾客提供与众不同的体验，国油贸易今为坐落在南北大道、新街场大道及加影交接处的Solaris Putra及Solaris Serdang油站，推行全马首 … 用油站各个方面做出不同的尝试，例如结合高效节能方案和其他客户导向特点，使国油更具辨识力及提升顾客的环保意识。"

"双油站"备有大马首家有为顾客提供免下车服务


Fuelled up for banking


國油貿易積極開發產品
瞄準全國第一潤滑油品牌


PetDag in RM200m capex plan

CALENDAR OF EVENTS

A

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5 January 2012

CIMB Asean Series 2012: Malaysia Corporate Day
The Company participated in the CIMB Asean Series 2012 at Mandarin Oriental, Kuala Lumpur to update institutional investors on the economic development of the Malaysian Oil & Gas sector. During the event, the Company shared its growth potential, recent developments and achievements with leaders from within the industry, financial institutions, investors, fund managers and analysts.

16 January 2012 A

PDB Unveils Mobile Application during Launch of Coffee Break Campaign
The Company unveiled the PETRONAS PitStop application for iPhone users in its effort to make customers' journey on the road easier during the Launch of Coffee Break Campaign 2012. The mobile application, which is downloadable free of charge, enables users to monitor fuelling expenses, receive updates on ongoing promotions and connect to PDB's Mesralink customer service.

January to December 2012

Cooking Competitions with Gas PETRONAS
As Malaysia's No.1 Cooking Gas, Gas PETRONAS engages its stakeholders by sharing its expertise and innovation to support the development of Malaysia's culinary industry. During the year under review, the Company sponsored various cooking competitions to cultivate young talents and improve the standards of the industry. The competitions included the 5th Penang Chefs Challenge 2012, Launch of 1Malaysia Community Programme 2012 in Pahang and the Langkawi International Fishing Tournament 2012.

24 February, 16 August and 29 November 2012

Quarterly Financial Results Announcement and Analyst Briefings
The analyst briefings were conducted on a quarterly basis right after the Company's financial results announcement. During the briefing, the Management team shared the Company's financial and business performance as well as the Company's key achievements with investors, fund managers and analysts.

28 February 2012 B

PETRONAS XTRAVAGANZA 'Spend and Win' Awards 62 iPhone 4S
The Company organised the PETRONAS XTRAVAGANZA 'Spend and Win iPhone 4S Daily' Contest as part of its efforts to reward and recognize its loyal customers. During the two-month contest, customers who spent RM50 with their MasterCard at any participating PETRONAS stations nationwide, stood a chance to win an iPhone 4S on a daily basis. The contest drew a total of 219,805 entries from across Malaysia. A total of 62 lucky winners walked away with new iPhones.

2 March 2012

967th PETRONAS Station Batu Feringgi
The Company launched its 967th PETRONAS Station at Batu Feringgi, making it the first in the state of Penang to offer a quick-serve restaurant (QSR) and drive-thru service. Apart from dining, customers are able to shop and run errands with the provision of Kedai Mesra and Maybank currency exchange facility at the station.

8 March 2012

PDB Ties Up with PERODUA
The Company successfully signed a RM225 million deal to supply the former with lubricant oil over the next five years. The new contract dubbed the Perodua Genuine Oil agreement will see Perodua using PETRONAS' SL/SM grade oil at all its service outlets nationwide.

10 March 2012 C

PDB Unveils High Quality Car Care Products
As part of its efforts to continuously deliver innovative products to its customers, the Company launched its range of high quality car care products, PETRONAS Durance and the car air freshener series, Arexons. Both innovative products were developed by its Italy-based sister company, PETRONAS Lubricants International (PLI).

22 March 2012

PDB Clinched Five-Year Contract with Konsortium Logistik Berhad (KLB)
The Company signed a five-year contract with Malaysia's premier logistics service provider, Konsortium Logistik Berhad (KLB) as its exclusive supplier of PETRONAS synthetic grade engine oil valued at RM15 million.

29 March 2012

'Meet & Greet' Session with Formula One™ Stars Michael Schumacher and Nico Rosberg
Through the PETRONAS Mesra F1 Online Contest, organised exclusively for PETRONAS Mesra Card holders, 50 winners were awarded two concert passes to the Twin Towers @live 2012 and PETRONAS Motorsport merchandise each. Out of the 50 winners, ten lucky card members also won a lifetime experience to meet and greet Formula One™ stars Michael Schumacher and Nico Rosberg at the PETRONAS Malaysia Grand Prix 2012. Apart from meeting the racing champs, each of the main winners also won an acrylic sketch of the F1 car signed by the stars worth RM1,200 each.

2 April 2012 D

Gas PETRONAS Home Delivery
The Company introduced the Gas PETRONAS Home Delivery (GPHD), a unique and convenient way of ordering cooking gas via a nationwide hotline number, 1-300-888-GAS (427). This unique delivery system which transforms how cooking gas cylinder is ordered and delivered, also offers value-added services including free safety checks and Mesra Card reward points. With the phased rollout of GPHD, customers across Malaysia can place orders for both the 12kg and 14kg Liquefied Petroleum Gas (LPG) cylinder variants via a single hotline number.

16 April 2012

Reimaged PETRONAS Stations
As part of the Company's commitment to continually upgrade its facilities to set industry standards, the Company introduced the first reimaged PETRONAS station at its existing premises at Sri Hartamas, unveiling a dynamic combination of sleek design and modern functionality. Apart from the design aspect, the reimaged station also incorporated energy saving and safety enhancing concepts such as the usage of LED lights, which provide brighter and longer lasting options.

4 June, 16 August and 29 November 2012 E

Town Halls

The Company's Town Halls were conducted on a quarterly basis where the Management team shared the Company's quarterly financial and HSE performances as well as the Company's direction moving forward with its employees.

24 June 2012

Xtra Attack @ North 2 Region - Supercars and Superbikes Convoys

25 supercars and 60 superbikes including Ferraris, Lamborghinis, Porsches, Maseratis and Nissan Skyline R35s embarked on a convoy to showcase the high-powered PETRONAS PRIMAX 97 fuel. The convoy kick-started from PETRONAS Station Behrang in the south before making a stop at PETRONAS Station Simpang Pulai, where 30 orphans from Yayasan Amanah An-Nur Maisarah were treated to a joy ride in the magnificent supercars around Ipoh.

25 June 2012

30th Annual General Meeting

The Company held its 30th Annual General Meeting at the Mandarin Oriental, Kuala Lumpur, attended by 482 shareholders and proxies. The AGM was chaired by the Chairman of PDB's Board, Datuk Wan Zulkiflee Wan Ariffin.

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29 June 2012

Commercial Dealer Convention & Appreciation Night

The Commercial Dealer Convention and Appreciation Night 2012 was successfully organised at Awana Genting Highlands Golf & Country Resort in appreciation of its dealers' continuous support. The event was attended by approximately 90 dealers.

2 July 2012 F

Renewal of Trading Terms with e-Pay

The Company secured non-fuel income for the next nine years through a smart partnership with e-Pay (M) Sdn. Bhd. This followed the Company's previous ten years of strategic partnership with e-Pay.

7 September 2012 G

Hari Raya Bersama PDB

In conjunction with the blessed month of Syawal, the Company organised the "Hari Raya Bersama PDB" exclusively for its external stakeholders who have been supportive of the company. The event was held in Mandarin Oriental, Kuala Lumpur.

9 September 2012 H

Celebrating PDB's 30th Anniversary and Hari Raya Aidilfitri

The Company jointly celebrated its 30th Anniversary and Hari Raya Aidilfitri at One World Hotel, Petaling Jaya. The joyous occasion was hosted by the Company's Senior Management and attended by over 1,500 guests, comprising PDB's staff and their families.

19 September 2012

Youth Activation Campaign to Cultivate Innovation

As part of its commitment to nurture and develop the Malaysian talent pool in the automobile industry, the Company launched the PETRONAS Syntium Youth Activation Campaign, a three-month programme encompassing the "Best Performing Engine Challenge" and "Tech Talks".

The inaugural Youth Activation Campaign was part of the Company's contribution to developing talent in the automobile industry. The initiative was driven in collaboration with Cycle & Carriage Bintang Berhad, the largest dealer of Mercedes Benz vehicles in Malaysia, including the participation of automotive colleges and universities nationwide.

25 September 2012 I

Official Opening of 1001st PETRONAS station

The Company achieved another landmark with the unveiling of its 1,001st PETRONAS station at Wangsa Maju, cementing the Company's position as the largest petroleum retail network in Malaysia. Mercedes AMG PETRONAS Formula One™ team driver Nico Rosberg made a special pit stop to hype and join the pre-launch of the official opening of the station.

21 October 2012 J

Switch for XTRA Race Appreciation Party

The Switch for XTRA Race Appreciation Party was held to thank the participants and fans for their support following the success of the first-of-its-kind virtual race in Malaysia. The Switch for XTRA Race is a social media campaign where local celebrities Awal Ashaari, Scha Al-Yahya, Faizal FBI and Hanis Zalikha were pitted against each other in a fan-fuelled online race.

6 November 2012 K

PETRONAS Introduces Innovative Transmission Fluid

As part of the Company's commitment to anticipate and meet the demands of the evolving automotive industry, the Company has successfully launched the PETRONAS Tutela Transmission ATF-XP4. It was specifically developed in collaboration with one of PDB's long-standing Original Equipment Manufacturer (OEM) partners, which is Malaysia's leading automotive distributor, Naza Kia Malaysia Sdn Bhd.

10 November 2012

BSN Agent Banking with PETRONAS

In its commitment to provide more convenience and differentiated services to the community and its customers, the Company introduced the 'BSN Agent Banking with PETRONAS' pioneered through a strategic partnership with Bank Simpanan Nasional (BSN). This convenience is made available at 200 PETRONAS stations located in rural areas across the country.

24 November 2012

FMD Road Tanker Driving Skills Competition (FMDrive 2012)

The Company's Fleet Management Department (FMD) has successfully organised the inaugural FMD Road Tanker Driving Skills Competition which took place at the new Shaziman Transport Sdn Bhd parking base in Durian Tunggal, Melaka.

The event was aimed at promoting safety culture amongst the Company's Rakan Khidmat Penghantar (RKP) or Road Tanker Drivers and Aspiring Professional Haulers (APH) and to provide the drivers with a chance to test their road tanker driving skills as well as providing friendly competition amongst the APH.

5 December 2012 L

Launch of PETRONAS Twin Stations

In keeping with the Company's spirit of Reimagining Energy, PDB launched the first-of-its-kind twin stations, PETRONAS Solaris Serdang and PETRONAS Solaris Putra. The dual-frontage stations incorporate customer-centric features and energy-efficient solutions, including a solar photovoltaic panel, LED lights and rain water harvesting system.

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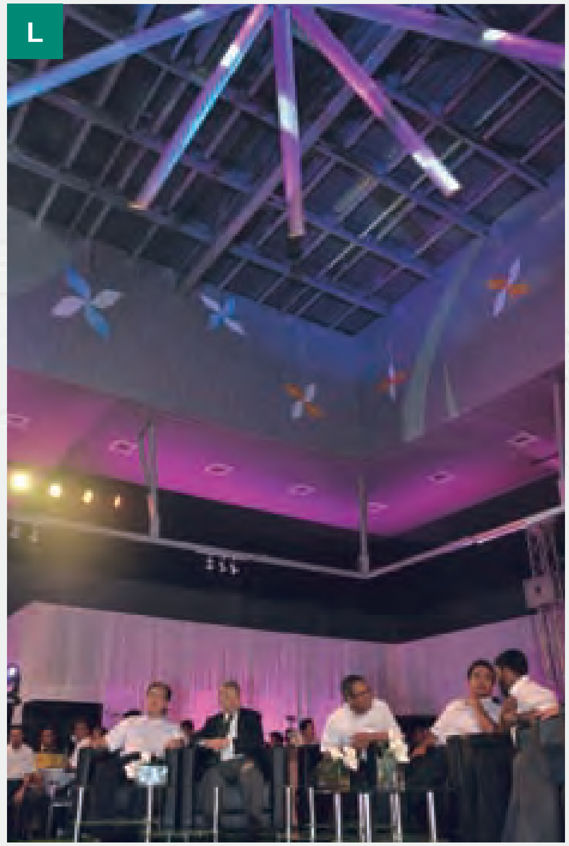
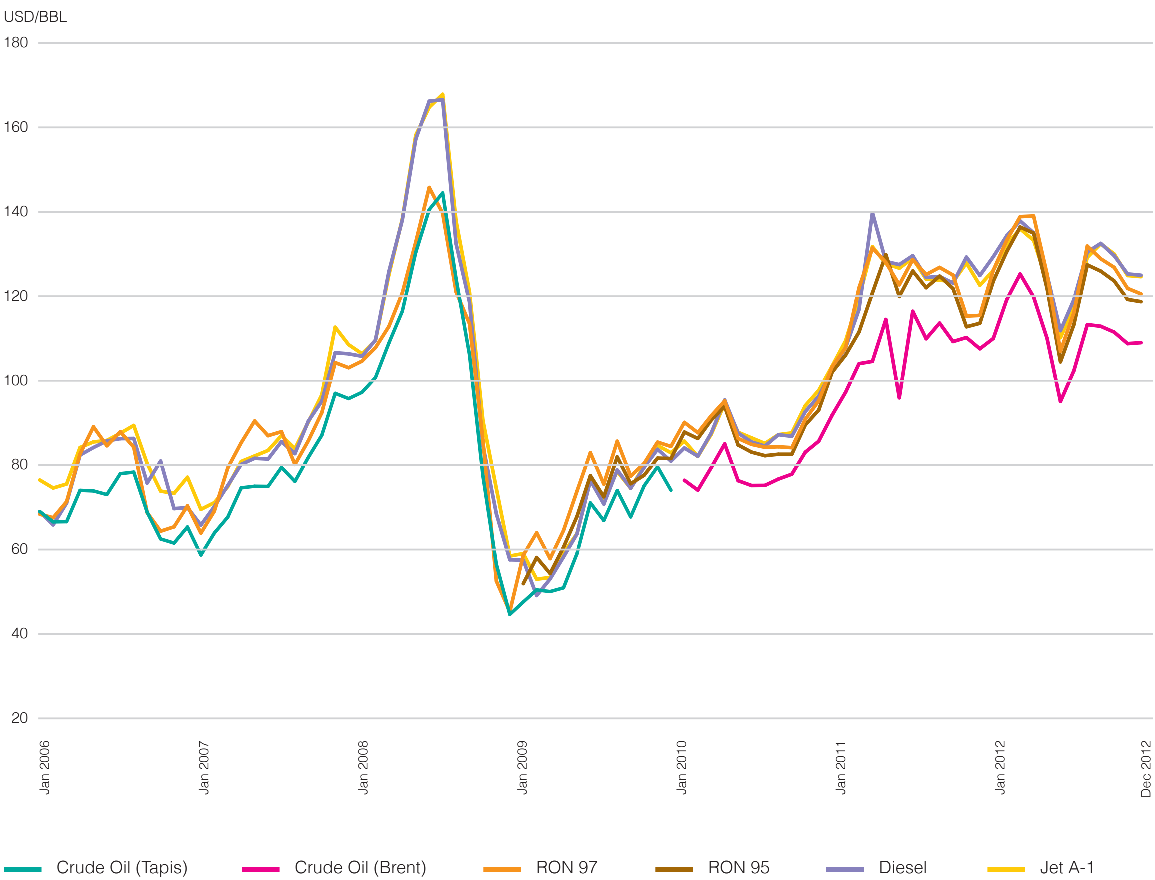


CRUDE OIL & PETROLEUM PRODUCT PRICE TRENDS



Note: Average monthly prices are based on Mean of Platts Singapore (MOPS)

During the year under review, crude oil and petroleum products prices continued to fluctuate. Brent crude oil price for 2012 averaged at USD111.62/bbl.

In the first quarter of 2012, prices of crude oil and petroleum products rose following concerns on the possible disruption of international supply. Due to the continued global economic slowdown, the following quarter registered weaker demand in oil, which resulted in a downward price trend. By end of June 2012, average prices decreased by almost 30% from its peak in March.

In the third quarter of 2012, prices showed an upward trend particularly in July and August, boosted by positive economic activities which led to a stronger demand for oil. Prices fluctuated in the fourth quarter for the year under review.

The fluctuations in prices of crude oil were also reflected in the prices of petroleum products.

Average price for RON 97 ULG and RON 95 ULG in 2012 were USD126.49/bbl and USD123.52/bbl respectively, while diesel 0.05% Sulfur and Jet A1 closed at an average of USD128.15/bbl and USD126.85/bbl, respectively.

ECONOMIC OUTLOOK

The year 2012 saw the advanced economies, particularly in the Eurozone, continuing to struggle following the lingering debt crisis. The world economy recorded a growth rate of 3.2% in 2012, vastly aided by easing commodity prices and tight monetary control by central banks. In 2013, the global growth is expected to ring in at 3.5%, staying close to the growth of the previous year.

Meanwhile, the Asian economy led by China and India remained upbeat despite the hurdles that the global uncertainty threw in its path. Overall, the ASEAN - 5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam) registered an economic growth of 5.7% in 2012 and is expected to moderate to 5.5%, backed by continued strong growth in domestic consumer demand and investment.

Malaysia's economy expanded by 5.6% in 2012, resulted from persistent strengthening of the private sector and a resilient domestic demand. In addition to the push given by the Economic Transformation Programme (ETP), the robust domestic demand has managed to insulate Malaysia from external headwinds to encourage private investment growth.

Despite the downward trend of export-oriented industries as a result of global economic slowdown, Malaysia's domestic demand will likely stay resilient amidst rising contributions from private investment and domestic consumption, supported by services and construction sectors. Furthermore, the commitment by the Government to further enhance the roll-out and implementation of projects under the ETP and 10th Malaysia Plan are expected to further contribute positively to the economy.

For 2013, the sustained expansion in domestic activity, supported by private sector expansion is expected to continue to drive growth on the Malaysian economy.

Against this backdrop, the Company is committed to ramp up its business and strengthen its position as the Brand of 1st Choice both in the Malaysian and regional market.

GROUP FINANCIAL OVERVIEW

PETRONAS Dagangan Berhad ("PDB"), as a marketer and retailer of petroleum products serving household, industrial and commercial sectors, is committed to earn the trust of our customers by providing quality products and superior services, while consistently fostering a culture within the Company that values our customers.

This discussion is intended to provide the reader with information that will assist in understanding the Company's audited financial statements where certain performance metrics that management uses to assess the Company's performance are also highlighted.

For comparability purposes, an analysis is conducted based on financial results of twelve months period ended 31 December 2012 against corresponding period in the preceding year.

OPERATING SEGMENTS

The Company's operations consist of three (3) operating segments: (1) Retail Segment; (2) Commercial Segment; and (3) Other Segment.

RETAIL SEGMENT

Retail segment involves all sales through retail channel which includes products under the regulated market such as Mogas, Diesel and LPG for household. For financial year ended 2012, the Company had continued to maintain a high profit margin in the Retail segment, mainly coming from sales of subsidised petroleum products, as there was no change to the petroleum pricing subsidy structure in Malaysia.

Retail Segment	FY2012 (RM'000)	FY2011 (RM'000)
Revenue	13,494,247	12,307,704

Consolidated revenue for the Retail segment had increased by 9.6% or RM1,186.5 million which was contributed by a higher average throughput per station and the additional number of stations constructed during the financial year under review as compared to preceding year.

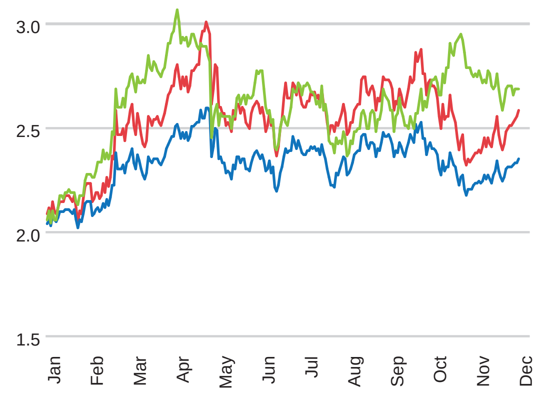
COMMERCIAL SEGMENT

Commercial segment involves all sales of petroleum product through the commercial channel. The Company operates in a highly competitive commercial industry and faces strong sales competition from other oil companies and commercial players. The Company, along with other competitors in the market are influenced by a number of factors, which include petroleum price ("MOPS") movement, number and location of distribution outlets, general economic condition and market competitive pressure.

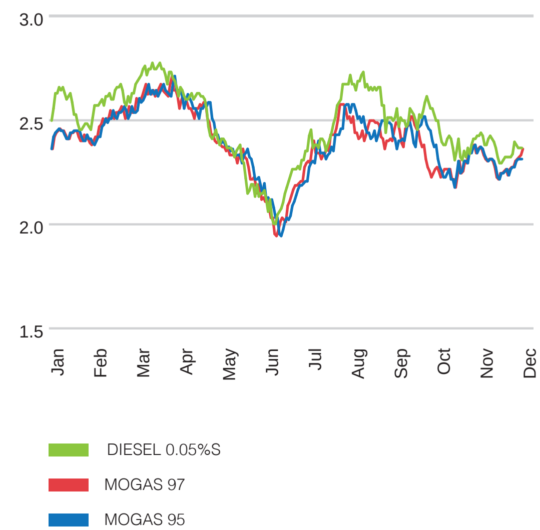
Commercial Segment	FY2012 (RM'000)	FY2011 (RM'000)
Revenue	16,019,794	16,446,332

Consolidated revenue for Commercial segment had decreased by 2.6% or RM426.5 million which was mainly due to lower sales volume, coupled with the volatility in MOPS. Throughout the financial year, the MOPS for PDB's main products ranged from RM1.93 to RM2.67 per litre, as compared to the corresponding period in the preceding year, when MOPS ranged between RM1.99 to RM2.74 per litre.

MOPS for JAN - DEC 2011



MOPS for JAN - DEC 2012



OPERATING EXPENDITURES

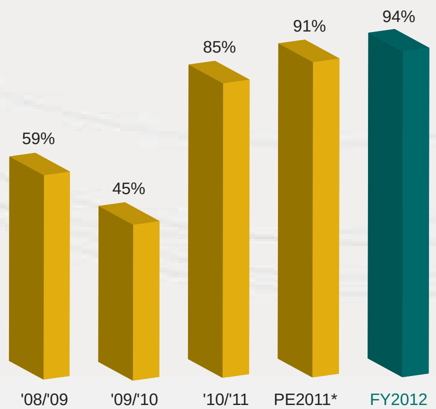
We believe that comparing the growth of the Company's operating expenditures to the growth in gross profit provides a meaningful measure as they indicate how effective costs are managed.

For the financial year ended 31 December 2012, the Company's operating expenditures had increased by 2.4% in line with the increase in sales volume. Increase in the operating expenditures was mainly contributed by the higher transportation costs incurred during the financial year under review as a result of increase in volume for the Retail segment. However, gross profit had decreased by 2.8%, mainly due to the volatile movement in MOPS compared to the preceding year, particularly during the second and fourth quarter of the year 2012, where there had been a drop in MOPS prices, which caused a downward pressure on product margins..

OTHER INCOME

There was an increase in other income by 31.0% in the financial year under review compared to corresponding year, mainly due to the increase in Mesra income, which was in line with the additional 77 Mesra Stores opened during the year. Furthermore, there was an increase in the average interest rate during the financial year under review, which contributed to an increase in interest income from placement of surplus cash during the year in fixed deposits.

Summary of Net Dividend Payout



*9 months

DIVIDEND

The Company believes that dividend payment is essential as an effective way to return value to its shareholders. For financial year ended 31 December 2012, we have declared a total interim dividend of 70.0 sen per ordinary share. In addition, in view of the year's strong financial performance, the Board has also proposed a special dividend of 35 sen per ordinary share less tax, subject to the approval of shareholders in the forthcoming Annual General Meeting.

As a result, the dividend for the financial year ended 31 December 2012 will total to RM1.05 per ordinary share, which after deducting 25% tax, represents a net dividend payout ratio of 94.0% as compared to 91.2% in the previous financial year.

TOTAL ASSETS

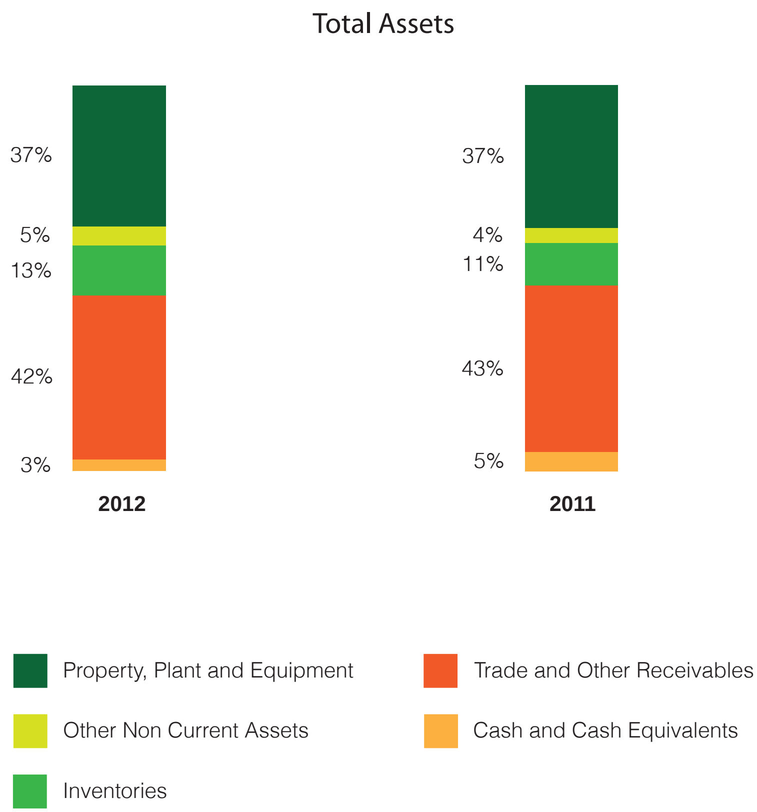
As a result of the completed acquisitions of the new subsidiaries during the financial year under review, the Company's total assets stood at RM9,923.7 million as at the end of the financial year, an increase of 1.2% from previous year's asset balance of RM9,801.2 million.

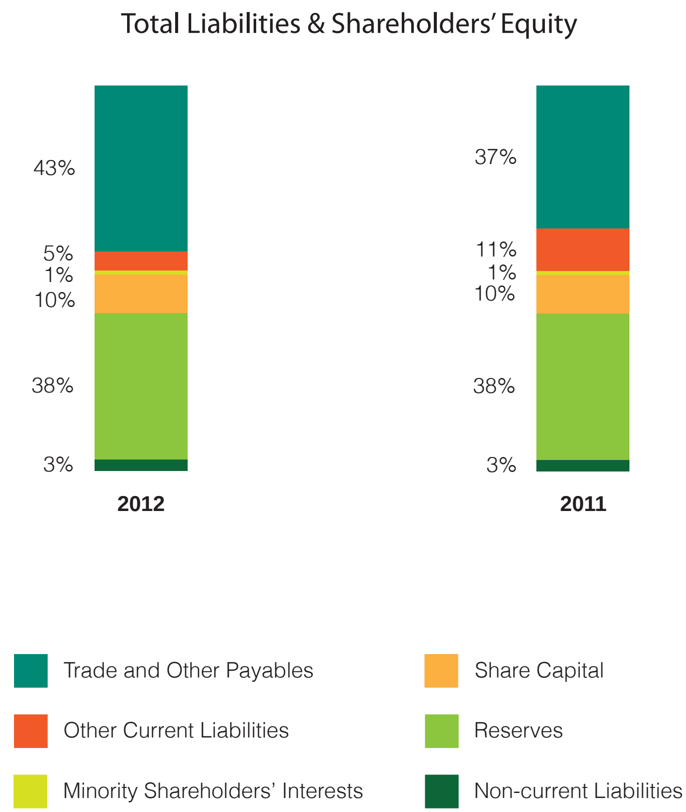
Cash and cash equivalent remained strong at RM251.3 million at the end of the financial year, despite the cash outflows required during the year under review for the acquisition of the subsidiaries, repayment of the Company's revolving credit facility and payment of dividends amounting to RM763.7 million to shareholders during the period.

TOTAL LIABILITIES

Total liabilities increased by 1.8% from RM4,989.2 million to RM5,078.4 million by the end of the financial year under review. The increase was mainly due to the increase in trade and other payables by 19.5%, offset by the lower balance of revolving credit facility by 67.5%.

SIMPLIFIED GROUP FINANCIAL POSITION

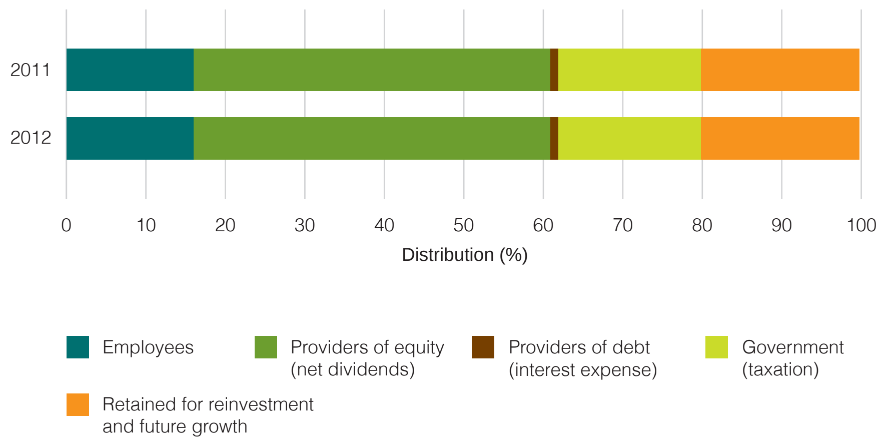




VALUE ADDED STATEMENT FY2012

Value added is defined as the value created by the activities of a business and its employees and in the case of PDB is determined as revenue less the cost of goods and services. The value added statement reports on the calculation of value added and its distribution among the stakeholders in the Group. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the Group for the replacement of assets, development of operations and future growth.

Value Distribution



	Group	
	2012 RM'000	**2011* RM'000**
Revenue	29,514,963	22,267,793
Less: Purchase of goods and services	(27,939,694)	(21,023,407)
Value added	1,575,269	1,244,386
Other income	183,177	105,265
Financing costs	(10,634)	(8,085)
Share of net profit of associates	1,640	625
Value Created	**1,749,452**	**1,342,191**

Distributed to:	**%**	**RM'000**	**%**	**RM'000**
Employees	16	280,032	16	213,857
Providers of equity (net dividends)	45	786,545	45	603,421
Providers of debt (interest expense)	1	8,623	1	6,117
Government (taxation)	18	321,903	18	239,625
Retained for reinvestment and future growth				
– Depreciation and amortisation	17	293,615	16	221,324
– Unappropriated profits	3	58,734	4	57,847
Value Distribution		**1,749,452**		**1,342,191**

* Based on 9 months period

CORPORATE RESPONSIBILITY

- Sustainability Report
- Corporate Governance Statement
- Statement on Risk Management and Internal Control
- Board Audit Committee's Report
- Board Audit Committee's Terms of Reference
- Statement of Directors' Responsibility

SUSTAINABILITY REPORT

The PETRONAS Group has been strengthening the sustainability governance of its businesses and safety aspects of its operations since the launch of the Group's Corporate Sustainability Framework in 2005. The PETRONAS sustainability strategy focuses on excellence in operations including in Health, Safety and Environment (HSE) and societal stewardship in a phased manner.

In line with the Group's sustainability agenda, PDB has put in place a strategy to address the sustainability aspects of the Company.

The Company is committed to place the sustainability agenda at the core of its business practices to build trust and long term value for stakeholders. The Company is guided by the seven key result areas of the PETRONAS Corporate Sustainability Framework namely:

- Shareholder Value
- Product Stewardship
- Societal Needs
- Health, Safety and Environment
- Natural Resource Use
- Climate Change
- Biodiversity

Moreover, the Company recognises that the sustainability agenda truly encapsulates the PETRONAS Group's spirit of Reimagining Energy. The key driver of a great company is not just short term financial performance. Instead, it is about leaping forward to create long term value through sustainable business leadership, continual operational excellence and most importantly, proactive stakeholder engagements.

The Company is well aware that it must address the sustainability agenda in a holistic, yet practical and workable framework. For this, the Company has clearly outlined its initiatives to integrate sustainability practices in all aspects of its business.

THE MARKETPLACE

To continue winning in the marketplace and reaffirm PETRONAS as the Brand of 1st Choice, the Company focuses on delivering only world-class petroleum products and services. In this regard, the Company recognises the need to continuously invest in innovation as part of its sustainable business growth strategy.

Fundamental to this is the Company's commitment to become the industry's trendsetter by including sustainable practices in its product and service offerings. The Company believes that this commitment is what drives the business to grow sustainably and create long term value to its stakeholders.

In line with its promise to go "All the Way" in delivering top quality products and differentiated services, the Company has exceeded industry standards on many instances, paving the way for other industry players to emulate.

Shareholder Value

Shareholder value creation remains a core priority for the Company as a reputable public listed company. The Company is committed to continuously deliver good dividend pay-outs and shareholder returns, which is critical in safeguarding the interests of its long-term investors as well as to build the Company into becoming a truly sustainable organisation.

For the year under review, the dividend payout increased to 94.0%, while its share price continues to rise to RM23.50 as at 31 December 2012 from RM17.80 as at 30 December 2011.

The Company is committed to place the sustainability agenda at the core of the Company's business practices to build trust and long term value for stakeholders.

The sustainability agenda at the workplace is driven by the Company's commitment to talent development and Health, Safety and Environment practices. These are the core drivers in ensuring that the business remains sustainable.

Product Stewardship

The Company is committed to continuous innovation to sustain its business and leading position as the Brand of 1st Choice. Its belief in *Seeing Things Differently* paved the way for the Company to introduce many "firsts" in the market. These products and services have continued to "wow" customers and sustained its growth momentum throughout the year under review.

PETRONAS PRIMAX 95 XTRA, the flagship fuel which is inspired by Formula One ™ technology, continues to lead the market as the only fuel that provides greater power with savings. Combining that with PETRONAS SYNTIUM and its entire suite of products and services, the Company is able to deliver the Fluid Technology Solutions™ to road users.

The Fluid Technology Solutions™ delivers value to customers through the synergy in the design, development and delivery of top-tier fuels, lubricants, functional fluids and car care for best performance from the inside out.

The Company also launched the PETRONAS Durance and Arexons range of products on 10 March 2012 as part of its efforts to continuously deliver innovative products to customers. The high quality car care products were launched along with the car air freshener series that were developed by its Italy-based sister company, PETRONAS Lubricants International.

On top of that, throughout the year under review, the Company reimaged and transformed selected PETRONAS stations in phases to remain at the forefront of the petroleum retail sector. The new reimaged stations feature LED lights, which is energy efficient and improves the safety aspects of the station. Customers also continue to enjoy the one-stop centre convenience where they can fuel up, dine, bank and run their errands, all under one roof.

In addition, as an active community partner, the Company realises that many conveniences made available to customers at major urban centres are not easily accessible to communities living in rural areas across the country.

To serve the needs of the community better, the Company, in partnership with Bank Simpanan Nasional (BSN), introduced the "BSN Agent Banking with PETRONAS" on 10 November 2012. With this service made available at 200 PETRONAS stations located in rural areas across Malaysia, local communities can enjoy hassle free banking facilities including making deposits, withdrawals, utility bills payments, purchase of Premium Savings Certificate (eSSP) and cashless payments to purchase goods from Kedai Mesra by using BSN ATM cards.

On the LPG front, the Company continues to lead the industry by introducing the Gas PETRONAS Home Delivery (GPHD) on 2 April 2012, a unique and convenient way of ordering cooking gas via a nationwide hotline number 1-300-888-GAS (427). In addition to the convenience it provides, this new service is also a testimony of the Company's commitment to push the safety awareness message amongst consumers as GPHD offers free safety checks to customers. Specially trained personnel are deployed to check the gas cylinder's compact valve, hose, regulator and connector to ensure they are secured and in good working condition.

THE WORKPLACE

For an organisation to be truly sustainable, it must create a workplace that is conducive and progressive, enabling its people to innovate and grow with the organisation. The sustainability agenda at the workplace is driven by the Company's commitment to talent development and Health, Safety and Environment practices. These are the core drivers in ensuring that the business remains sustainable.

Leadership & Capability Development

Since its inception, the Company has been committed to grow the business, side-by-side, with its people. The Company is guided by the PETRONAS Learning and Capability Development Framework, investing in building talent right from pre-employment to employment as part of the PETRONAS Group's holistic approach to learning and capability development. In 2012, the Company invested a total of RM9 million towards these efforts.

"Nurturing the Seeds"

To build a sustainable supply of good talent, the Company is well aware that it needs to invest in the talent pool right from the seeding stage. In this regard, the Company has established two key programmes to drive its talent management initiatives for the younger generations namely the Management Trainee Programme and the Graduate Employability Enhancement Scheme (GEES) in collaboration with Sponsorship & Talent Sourcing, PETRONAS.

Management Trainee Programme

The Company established the Management Trainee Programme which focuses on its sales and supply divisions to nurture and develop fresh graduates with the ability to assume the role of a junior executive over a period of between 12 to 24 months.

The programme is designed to provide structured developmental interventions, focusing on experiential learning, exposing the junior executives to essential knowledge such as understanding the terminals and functions of various operations. In addition, for the Supply & Distribution Management Trainee Programme, the young graduates are coached to acquire and apply key skills and knowledge for them to assume the role of terminal superintendents. To ensure the success of this programme, the Company continuously invests in building the capability of the organisation's experienced trainers and subject matter experts.

Graduate Employability Enhancement Scheme (GEES)

In line with Skim Latihan 1Malaysia, GEES was launched by PETRONAS Group to enhance the employability and marketability of Malaysian graduates. The target participants of this scheme are graduates who have been unemployed for a period of between 6 and 12 months since graduation.

"Growing Our Timber"

Growing internal capabilities is equally a priority in the Company's talent management strategy. The Company works hand-in-hand and leverages upon PETRONAS Group's holistic talent management programmes which are developed specifically for PETRONAS employees groupwide.

Towards this end, the Company has established an organisational capability programme that caters towards developing internal skill sets of Marketing & Trading and Terminal Operations. The Company has also implemented fit-for-purpose capability frameworks for its Retail Business and Supply and Distributions Divisions and rolled out company-wide baseline assessments to measure the capabilities of the team members. These assessments enable the Company to develop interventions to help address identified gaps within the organisation.

"Building Tomorrow's Leaders"

In line with the Company's push to grow its internal talent, the Company continues to invest in numerous leadership development programmes for its people. Some key highlights include:

Cross-Posting Programme

In the beginning of 2012, the Company posted two of its home-grown talents to ENGEN, a retail leader in South Africa, under the Cross Posting Programme for a period of two to three years. The objective of the exercise was to enable the Company to leverage on ENGEN's marketing expertise, knowledge on retail networks and commercial supply arrangements for the entire downstream value chain.

The programme was a milestone for the Company as it is a step forward in terms of talent development that is more "outward" in nature, looking beyond the region and crossing continents to adapt and adopt best practices for the Company's business. This is in line with the Company's growing aspiration to lead not just in Malaysia but beyond the shores of the country.

Leadership and Management Programmes

The PETRONAS Leadership Centre in collaboration with global renowned universities, among others, Duke Corporate Education, University of Melbourne and French Institute of Petroleum has developed several leadership programmes to cultivate and groom the Company's potential leaders. These programmes cater to selected groups of Senior General Managers, General Managers and Managers of the Company, to ensure ongoing pipeline of leaders are available to succeed critical positions within the Company.

PETRONAS Leadership Competency

In addition, the Company has also adopted PETRONAS Leadership Competencies which are focused on four components:

- Inspire Followers
- Behave As Owners
- Outperform
- Develop Self and Others

The Leadership Competencies are also enhanced with the spirit of Reimagining Energy and are modelled for all levels of the leadership journey within the PETRONAS Group.

Integrity, Openness and Accountability at the Workplace

In line with the Group's aspiration and the Company's commitment to become a truly sustainable and socially responsible company, it has adopted two key policies to complement the PETRONAS Code of Conduct and Business Ethics (CoBE) during the year under review.

The two policies are the **Whistleblowing Policy** and **No Gift Policy**. These policies will further enhance the standards of integrity, openness and accountability at the workplace, a fundamental principle in building a sustainable organisation.

Health, Safety and Environment at the Workplace

HSE at the workplace has continued to be given top priority and support in the year under review. In this regard, the Company strives to achieve zero harm to people, asset and environment in its operations.

HSE Performance

During the year under review, the Company continued to achieve good HSE performance at the workplace. The Company successfully maintained zero fatality despite the increase in risk exposure with more activities. Loss Time Injury Frequency (LTIF)

In line with the Company's push to grow its internal talent, the Company continues to invest in numerous leadership development programmes for its people.

Injury Frequency (LTIF) was also reduced to 0.21 as compared to 0.54 in 2011 while Total Recordable Case Frequency (TRCF) decreased to 0.73 as compared to 1.25 in the previous year.

Considering that culture plays an important role, the Company implemented the Behavior Observation System to engage with its "Rakan Khidmat Penghantar" and ensure they understand their roles in preventing accidents. As a result, the Company has achieved 20% reduction of reportable transport incidents this year as compared to 2011.

HSE Management System

The newly revised the Company HSE Management System (HSEMS) has been established in accordance with the statutory requirements. The HSEMS incorporated ISO 9000 and ISO 14001 elements, and is in line with the PETRONAS Technical Standards and HSE Mandatory Control Framework as well as other relevant applicable international standards. HSEMS provides the framework and roadmap for the Company to systematically improve its HSE Performance.

In ensuring the effective implementation of the revised HSEMS, the HSE Department of the Company has conducted several engagement sessions for the Company management, employees and contractors all over Malaysia from July to October 2012.

Risk Assessments

Risk assessments were conducted in the areas of Health, Safety and Environment to evaluate the risks concerning the Company's employees, contractors, surrounding community and environment as well as to address the identified hazards.

During the year under review, the Company achieved 100% target completion of planned risk assessment on Health, Safety and Environment at the Company site operations in Malaysia.

The Company implemented the Strengthening of ZeTo Rules Compliance which outlines a clear process flow and responsibility, disciplinary action procedures and consequence management.

KEY INITIATIVES

PDB HSE Forum

The Company successfully conducted its inaugural HSE Forum themed 'Strengthening HSE Culture Through Effective Leadership' as part of its commitment to achieve full HSEMS implementation. The forum gathered a total of 189 participants from among key stakeholders including employees, contractors, dealers and service providers throughout the Company's operations in Malaysia. The two-day forum deliberated on adopting and implementing elements of good HSE performance namely leadership, culture and behaviour as well as system and tools.

At the forum, the Company also presented 18 awards in recognition of good HSE performance and management.

Health Talk

On top of that, the Company continues to promote a healthy workforce as part of the Company's strategy to improve and enhance their productivity levels. During the year under review, the Company carried out activities such as Health Talks and Consultation by Health Care professionals, Health Screening and promotion of selected healthcare products.

Strengthening ZeTo Rules Compliance

During the year under review, the Company continued to implement its Zero Tolerance (ZeTo) Rules which were first introduced in 2010. ZeTo Rules, which are applicable to all employees, contractors and sub-contractors comprise ten mandatory safety rules to ensure high risk works are carried out safely.

In November 2012, the Company implemented the Strengthening of ZeTo Rules Compliance which outlined a clear process flow and responsibility, disciplinary action procedures and consequence management. Briefing sessions were conducted at various locations including at Headquarters and Regional Offices.

Process Safety Management

The Company has also embarked on programmes looking into Process Safety Management to manage hazards associated with processes at the facilities. During the year under review, both the Retail Business and LPG Business Divisions conducted Situational Assessments at PETRONAS stations and LPG Bulk customers' sites to assess HSE gaps.

Transportation Safety

The Company developed the new Fleet Management Department Management System and revised its Road Tanker Operations Guideline to improve road tanker operational safety. Training sessions were successfully conducted for all haulers.

Aviation Fuel Terminal Emergency Response Plan (ERP)

The Company has reviewed nine Aviation Fuel Terminals Emergency Response Plans in compliance with the Company's Crisis and Disaster Management Plan requirements.

The Plan is intended to serve as a guide to emergency responders and to ensure an immediate and appropriate response in the event of emergencies related to Aviation operations.

THE COMMUNITY

Societal Needs

The Company does business with so many road users on a daily basis, making it even more important for the Company to champion the road safety agenda as part of its community outreach programme.

For the year under review, the Company continued with its PETRONAS Coffee Break Campaign, which has been running for the 13th consecutive year. During the Campaign, the Company offered practical road safety tips and complimentary snacks and beverages at PETRONAS stations located along the highways and major trunk roads across Malaysia.

The Company also fuelled 50 St John Ambulance Malaysia's vehicles for their 24-hour highway emergency service during the festive seasons – an initiative that has already been on-going for the last 18 years. The Company also partnered with Perusahaan Otomobil Nasional Sdn Bhd (PROTON) and Perusahaan Otomobil Kedua Sdn Bhd (PERODUA) to provide free vehicle inspections at selected PETRONAS stations.

The Campaign successfully reached out to more than one million motorists this year and was organised during major festivals such as Hari Raya and Chinese New Year.

To reach out to the community and add cheer during the festive season, the Company continues to sponsor Gas PETRONAS cylinders, aprons and chef hats to 20 Bubur Lambuk cooking events during the month of Ramadhan. These events are part of the Company's decade long tradition of celebrating the holy month with the local communities.

During the year under review, the Company was also selected by the Department of Occupational Safety and Health (DOSH) to develop an OSH program for Sekolah Menengah Kebangsaan (SMK) Padang Tembak through the Mentor-Mentee Program – Occupational Safety and Health in School Program. In addition, the Company has also conducted a Hazard Identification Risk Assessment and Risk Control Workshop for the school teachers. The Company also donated herbs and aquatic plants to the school to assist them in the development of an Etno-Botanic Farm.

The Company has also initiated the "Let's Work with Animals" at Zoo Negara project where 33 volunteers from the Company actively participated in the programme as part of its natural habitat appreciation.

ENVIRONMENT

Twin Stations

The Company took the Reimagining Energy spirit right down to the station level to incorporate environment and social considerations in its business operations. The Company is cognizant of the fact that it needs to be sensitive towards the environment and the demands of its customers and the people.

In this regard, the Company launched the "first-of-its-kind" twin stations during the year under review to showcase sustainable solutions and customer-centric features as part of its strategy to explore new solutions and drive execution in a socially responsible manner.

The PETRONAS Solaris Putra and PETRONAS Solaris Serdang feature four key energy efficient solutions including the installation of the Photovoltaic (solar) panel. The facility has the capability to generate approximately 200 kilowatt of electricity per hour which is equivalent to the energy to power up to 90 households a year. It is estimated that this can reduce greenhouse emissions by approximately 138 tons of carbon dioxide per year.

The PETRONAS twin stations, which were launched on 5 December 2012, are set to serve as a model for the development of future stations that will clearly differentiate PETRONAS from the other industry players.

Apart from these key features, the twin stations have also adopted energy-saving concepts by using efficient Energy Management System and LED lighting that provide better illumination at night while reducing electricity consumption. The stations are also installed with a rain harvesting system as part of the Company's water conservation efforts.

Air Emission Study

The Company continues to focus on environmental management in its projects and operations in compliance with the PETRONAS Mandatory Control Framework requirement on Air Emission Management. In response to this, the Company has embarked on a pilot project in a terminal to quantify and track the air emissions for Green House Gas (GHG) and non GHG (SO_x, NO_x and VOCs). The Air Emission Study from this pilot project will serve as a baseline for data compilation of GHG and non-GHG gases from the Company's operations.

Oil Spill Response

The Company has also conducted an Oil Spill Response Capability Assessment (OSRCA) at all the PDB Fuel Terminals which are equipped with oil spill response equipment. The Assessment is in compliance with the PETRONAS Oil Spill Contingency Planning Standards and the Garis Panduan Penyediaan Rancangan Kontingensi Tumpahan Minyak Peringkat Pertama of the Department of Environment, Malaysia.

MOVING FORWARD

As a responsible corporation, the Company recognises that it is imperative to incorporate sustainability practices into its operations. It is committed to pursuing the sustainability agenda, focusing on the Seven Result Areas of the PETRONAS Corporate Sustainability Framework.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of PETRONAS Dagangan Berhad ("the Company") acknowledges that Corporate Governance is a form of self-regulation which is aimed at maximizing shareholders' value.

The Board strives to achieve the best practices in Corporate Governance as propounded by the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") in carrying out its duties and responsibilities.

EFFECTIVE BOARD OF DIRECTORS

The Company has adopted a number of measures to ensure effectiveness of the Board in discharging its duties and responsibilities.

Composition of Board

The Board comprises members with relevant expertise and experiences drawn from business, financial, technical and public service backgrounds. The wide spectrum of skills and experiences has given them an edge and an added strength in terms of leadership and management, thus ensuring that the Company and its subsidiaries ("the Group") are steered and guided by an accountable and competent Board.

The Board comprises nine (9) members, one (1) of whom holds an Executive Office, having a dual role as Managing Director as well as Chief Executive Officer. There are four (4) members who are independent and non-executive and four (4) other non-independent and non-executive members (including the Chairman).

As at the date of this report, the percentage of the Board composition is as follows:

Executive Director (also the Managing Director/ Chief Executive Officer)	1/9 (11.11%)
Independent Non-Executive Directors	4/9 (44.44%)
Non-Independent Non-Executive Directors (including Chairman)	4/9 (44.44%)

The current composition of the Board is in compliance with Paragraph 15.02 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements") as more than a third of its members are Independent Directors.

The Directors bring to the Board a diversity of knowledge, experience, qualifications and skills in the key areas affecting the business of the Group. The profile of each Director is presented in this Annual Report from pages 22 to 27.

The Board is of the opinion that its current composition and size constitute an effective Board to the Company.

Roles and Responsibilities of the Board

The Board practises a clear demarcation of responsibilities whilst maintaining the balance of power and authority. The positions of the Chairman and the Managing Director/Chief Executive Officer are individually held by two (2) persons.

In discharging its fiduciary and leadership functions, the roles and responsibilities of the Board are, inter alia, as follows:

- to discuss and critically examine strategies proposed by the Management taking into account the long-term interest of the shareholders as well as other stakeholders;
- to contribute to the formulation of policies and decision making through the Board's accumulated expertise and experience;
- to identify principal risks and ensure that these risks are managed in a proper and effective manner;
- to review the integrity and capability of the Group's internal control systems as well as its management information system;
- to oversee and critically review the proper management of the Group's business;
- to review the Company's plans and budget including cash flow forecast for the forthcoming year and financial projections;
- to ensure there is an appropriate succession plan for the Directors and Management; and
- to ensure that the Company has in place, a policy to enable effective communication with its shareholders and other stakeholders.

The roles and responsibilities of the Directors are documented in the Board Charter which sets out the principles and guidelines that are to be applied by the Board and the Board Committees, as well as identifying their functions in the Company and/or Group. This Board Charter shall be periodically reviewed, as and when necessary.

The Board further acknowledges its role in establishing a corporate culture comprising ethical conduct within the Group. The Board is guided by the PETRONAS Code of Conduct and Business Ethics which sets out the standards of behaviour and ethical conduct of the Company.

The Chairman is primarily responsible for the effective conduct and workings of the Board. The Chairman leads the Board in the oversight of Management and in setting strategic business plans, goals and key policies for the Group to ensure sustainability and optimisation of long term returns.

The Chairman of the Company is currently a Non-Independent Non-Executive Director. This is premised on the Company's synergetic business and operational integration with the PETRONAS Group of Companies. The Company may consider revising the composition of the Board to comprise a majority of Independent Directors when suitable talent is available and when the time is appropriate.

The Managing Director/Chief Executive Officer is responsible for the day-to-day running of the business, implementation of Board's policies, decision making on operational matters, corporate objectives such as the performance targets and the long term goals of the business set by the Board. In managing the business affairs, he is assisted by the Management Committee, which meets at least once a month, and as and when necessary.

The Non-Executive Directors have the necessary calibre to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the shareholders and other stakeholders. They contribute to the formulation of policies and decision making through their expertise and experience and are independent of the Management, thereby helping to ensure that no individual or group dominates the Board's decision making process.

The presence of the Independent Non-Executive Directors is essential as it provides unbiased and independent views, advice and judgement as well as to safeguard the interests of other parties such as the minority shareholders and the community. The concept of independence adopted by the Board is in accordance with the definition in Paragraph 1.01 of the Main Listing Requirements.

YBhg. Dato' Dr. R. Thillainathan has been identified and appointed as the Senior Independent Non-Executive Director on 25 June 2012, to whom any concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

The Board has, via the Nomination Committee, implemented a managed Board succession planning approach aimed at encouraging a dynamic and diverse composition of the Board over a period of time to minimise interruptions to the Group's operations and corporate objectives whilst effecting changes recommended by the MCCG 2012. The current Independent Directors are recognised for their knowledge, skills, expertise, calibre, probity and integrity.

All the Independent Directors have demonstrated to the Board that they have exercised unbiased and independent judgement, safeguarding the interest of the Group and the minority shareholders.

Notwithstanding that YBhg. Dato' Dr. R. Thillainathan and YBhg. Dato' Kamaruddin bin Mohd Jamal each having served the Company as Independent Non-Executive Director for more than nine (9) years:

- they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Listing Requirements;
- they have ensured effective check and balance in the proceedings of the Board and the Board Committees;
- they have actively participated in the Board's deliberations, provided objectivity in decision making and independent opinion to the Board;
- they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company; and
- they have exercised due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

Based on the above, the Board is satisfied with YBhg. Dato' Dr. R. Thillainathan and YBhg. Dato' Kamaruddin bin Mohd Jamal as Independent Non-Executive Directors of the Company.

In accordance with the Main Listing Requirements, each member of the Board holds not more than five (5) directorships in public listed companies. Prior to acceptance of any other appointment for directorships in other public listed companies, the Directors are required to first notify the Chairman to ensure that such appointments would not unduly affect their time commitments and responsibilities to the Board.

Re-Appointment and Re-election

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment to hold office until the next AGM.

The Company's Articles of Association further provides that at least one-third (1/3) of the Directors are subject to retirement by rotation at each AGM but shall be eligible for re-election in line with the Main Listing Requirements. Directors who are appointed by the Board during the financial year before the AGM are subject to election by the shareholders at the first opportunity after their appointments.

Supply of Information to the Board

The Board members are supplied with required and timely information which allows them to discharge their responsibilities effectively and efficiently. Prior to each Board meeting, every Director is given an agenda and a set of Board papers to be deliberated.

Information provided to the Board goes beyond the quantitative performance data as it includes qualitative information for the Directors to obtain a holistic view on the issues deliberated. All Directors are entitled to call for additional clarification and information to be furnished to them for the purpose of assisting them in their decision making. In addition, in arriving at any decision recommended by the Management, a thorough deliberation and discussion by the Board is a prerequisite.

The Board is also regularly updated by the Company Secretaries on new statutory and regulatory requirements concerning their duties and responsibilities as and when necessary. All Directors have access to consultation with the Management, advice and services of the Company Secretaries and where independent professional advice is required, external independent experts are engaged at the Group's expense to facilitate their decision making.

Board Meetings

The Board meets at least quarterly with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled in advance to facilitate the Directors to plan ahead and fit the Board meetings into their respective schedules.

The Board has a formal schedule of matters reserved at Board meetings which includes corporate plans, annual budgets, operational and financial performance reviews, major investments and financial decisions, Management performance assessment, changes to the Management and control structure within the Group, including key policies and procedures and delegated authority limits. The respective Board Committee's reports are also presented and discussed at Board meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Company Secretaries.

During the financial year under review, the Board met four (4) times. The attendance of the Board members were as follows:

No.	Name of Board Members	Total Meetings Attended by Board Members
1	Datuk Wan Zulkiflee bin Wan Ariffin	3 / 4
2	Aminul Rashid bin Mohd Zamzam (appointed as Managing Director/Chief Executive Officer on 1 September 2012)	1/ 1
3	Amir Hamzah bin Azizan (resigned as Managing Director/Chief Executive Officer on 1 September 2012 and redesignated as Non-Independent Non-Executive Director on 1 September 2012)	4 / 4
4	Dato' Dr. R. Thillainathan	4 / 4
5	Dato' Kamaruddin bin Mohd Jamal	4 / 4
6	Dato Mohammad Medan bin Abdullah	4 / 4
7	Vimala V R Menon	4 / 4
8	Nuraini binti Ismail	4 / 4
9	Lim Beng Choon (appointed on 13 August 2012)	2 / 2
10	Dato' Chew Kong Seng (retired on 25 June 2012)	2 / 2

Directors' Training

In compliance with the Main Listing Requirements, all members of the Board have attended the required mandatory accreditation training programme.

Further, as an integral part of orientation and education programme for new Directors, the Management provides them with a comprehensive understanding of the operations of the Group through briefings on its history, financial control systems and site visits.

In compliance with the Main Listing Requirements, the Directors are mindful that they shall receive appropriate training which may be required from time to time to keep them abreast on the current developments of the industry as well as new statutory and regulatory requirements.

During the financial year, the members of the Board have attended relevant training programmes in the areas of leadership, corporate governance, finance and competitive strategies to enhance their ability in discharging their duties and responsibilities more effectively.

Particulars of training programmes attended by the Directors as at 31 December 2012 were as follows:

Corporate Governance	• Malaysian Forum on Business Sustainability • PETRONAS Board Audit Committee Forum • Board Development Programmes, Update on Directors' Duties and Obligations • The Key Components of Establishing and Maintaining World-Class Audit Committee Reporting Capabilities • What Keeps Audit Committee Up At Night? • Competition Law, How It May Impact the Way We do Business • Corporate Responsibility Conference 2012
Oil and Gas Business	• 17th Asia Oil and Gas Conference ("AOGC") 2012 • World Gas Conference 2012 • Petroleum Geoscience Conference & Exhibition 2012 • Asia Petrochemical Industry Conference 2012
Economics, Finance, Capital Market and Exchange	• Briefing on Goods and Services Tax • Invest Malaysia Conference • RAM Annual Bond Market Conference 'Making the Asian Bond Market a Reality'

Directors' Fees

With the exception of the Managing Director/Chief Executive Officer, all Non-Executive Directors are paid Directors' fees which are subsequently approved by the shareholders at the AGM based on the recommendations of the Board. For the financial year in review, the breakdown of fees received by each Director is as listed below:

Details of Directors' Fees

Name of Directors	Directors Fees (RM)	Board Meeting Attendance Fees (RM)	BAC Meeting Attendance Fees (RM)	Nomination Committee Meeting Attendance Fees (RM)	Remuneration Committee Meeting Attendance Fees (RM)	Independent Directors Working Group Meeting (RM)	Annual General Meeting Attendance Fees (RM)	Others** (RM)	Total (RM)
Datuk Wan Zulkiflee bin Wan Ariffin	108,000	8,000	Nil	Nil	Nil	Nil	4,000	Nil	120,000*
Aminul Rashid bin Mohd Zamzam (appointed as Managing Director/Chief Executive Officer on 1 September 2012)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Amir Hamzah bin Azizan (resigned as Managing Director/Chief Executive Officer and redesignated as Non-Independent Non-Executive Director on 1 September 2012)	72,000	9,000	2,000	Nil	Nil	Nil	3,000	Nil	86,000*
Dato' Dr. R. Thillainathan	72,000	13,000	8,000	15,000	4,000	8,000	3,000	6,000	129,000
Dato' Kamaruddin bin Mohd Jamal	72,000	12,000	8,000	10,000	6,000	6,000	3,000	6,000	123,000
Dato Mohammad Medan bin Abdullah	72,000	12,000	Nil	10,000	Nil	Nil	3,000	Nil	97,000
Vimala V R Menon	72,000	12,000	10,000	Nil	Nil	6,000	3,000	6,000	109,000
Nuraini binti Ismail	72,000	9,000	Nil	Nil	4,000	Nil	3,000	Nil	88,000*
Lim Beng Choon (appointed on 13 August 2012)	27,484	6,000	2,000	Nil	Nil	Nil	Nil	Nil	35,484
Dato' Chew Kong Seng (retired on 25 June 2012)	35,000	6,000	6,000	Nil	Nil	8,000	3,000	3,000	61,000
TOTAL	**602,484**	**87,000**	**36,000**	**35,000**	**14,000**	**28,000**	**25,000**	**21,000**	**848,848**

* Fees paid and payable to PETRONAS in respect of Directors who are PETRONAS appointees and holding positions of Vice President and above.

** benefits in kind includes petrol/fleet card

The Managing Director/Chief Executive Officer, an employee of PETRONAS, is seconded to the Company to undertake all responsibilities of an Executive Director who is also the Managing Director/Chief Executive Officer. In consideration for the above service, the Company is required to pay a management fee to cover all payroll related costs and benefits ordinarily incurred by him in the course of his employment. During the financial year, the Company paid RM540,306.00 as management fee.

Pursuant to Article 84 of the Company's Articles of Association, the Company also reimburses reasonable expenses incurred by Directors, where relevant, in the course of carrying out their duties as Directors.

In addition to the Managing Director/Chief Executive Officer, other Management staff and executives have also been seconded from PETRONAS. Their training and succession planning are aligned to the PETRONAS' Human Resources Division. The Board ensures that only appropriate personnel with the relevant skills and experience are appointed to Management positions of the Company.

Shareholders and Investors

The Board values its dialogue with both institutional shareholders and private investors and recognises that timely and equal dissemination of relevant information be provided to them.

The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders.

Other mediums of communication between the Company and shareholders and/or investors are detailed out in the Investor Relations Report in this Annual Report from pages 128 to 129.

Disclosures

The Board is fully committed to providing and presenting a true and fair view of the financial performances and future prospects in the industry. This is provided through the quarterly, half yearly and annual financial statements as well as the Annual Report.

The Board also recognises the need to fully disclose to shareholders all major developments in relation to the Group on a timely basis. In addition to the mandatory disclosure requirements by Bursa Malaysia as well as other corporate disclosures, the Company also maintains a website - www.mymesra.com.my - for access by the public and shareholders.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it must also be wary of the legal and regulatory framework governing the release of material and price-sensitive information. All corporate disclosures take into account the prevailing legislative restrictions and requirements as well as the investors need for timely release of price-sensitive information such as financial performance results and statements, material acquisitions, significant corporate proposals as well as other significant corporate events. In all circumstances, the Group is cautious not to provide undisclosed material information about the Group and continually stresses the importance of timely and equal dissemination of information to shareholders and stakeholders.

An internal Corporate Disclosure Guide has been established to facilitate disclosure of information vide Bursa Malaysia. The Corporate Disclosure Guide is based on the requirements set out in the Main Listing Requirements.

COMMITTEES

In ensuring its effectiveness and realising its responsibilities to its stakeholders generally and specifically to its shareholders, the Board has formed Committees to efficiently discharge its duties and responsibilities.

Each Committee operates under its respective terms of reference. These Committees have the authority to examine on particular issues and report to the Board their recommendations on the issues. The ultimate responsibility for the final decision made lies with the Board.

Board Audit Committee

The Board Audit Committee ("BAC") is formed to operate within the clearly defined terms of reference as stated in pages 124 to 125 of the Annual Report. The BAC comprises four (4) Independent Non-Executive members and one (1) Non-Independent Non-Executive member.

This composition of the BAC will ensure the balance of roles and responsibilities within the BAC in overseeing the financial efficiency and effectiveness of the Company within the current financial year. The Chairman of the BAC reports the outcome of its meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

Further, in accordance with prescribed best practices of Corporate Governance, the BAC hereby presents its report in pages 122 to 123 of the Annual Report to the shareholders.

Nomination and Remuneration Committees

Pursuant to a Board resolution passed on 16 February 2011, the Nomination Committee and the Remuneration Committee were formed.

Nomination Committee

The Nomination Committee comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The current Chairman of the Nomination Committee is the Senior Independent Non-Executive Director.

The Nomination Committee is primarily responsible to propose, consider and recommend to the Board, candidates for directorships to be filled in the Board and Committees of the Board.

The Nomination Committee, in recommending candidates for appointment to the Board, assesses the candidates' experience, background and skills required by the Board. The Company believes that individuals with diverse background on the Board of Directors could improve board functioning and the decision making process. Harnessing strength from a variety of backgrounds, experiences and perspectives allows the Board to bring diverse perspectives in its deliberations. Ultimately, board diversity is about providing complementary views that lead to better board decisions. Appointments to the Board shall be based particularly on merits and capabilities with focus on the breadth of experience and views each Director brings to the Board.

The Nomination Committee is also responsible to assess the performance and effectiveness of the Board as a whole, Board Committees, as well as each individual Director, on an annual basis. Specific assessment of independence of Independent Directors will be included in the annual performance assessment. Each Independent Non-Executive Director is obligated, nevertheless, to ensure his or her independence is in accordance with the Main Listing Requirements.

For the year under review, the Nomination Committee convened five (5) meetings and the attendance of the members for the meetings are stated below:

No.	Name of Nomination Committee Members	Total Meetings Attended
1	Dato' Dr. R. Thillainathan (Chairman)	5 / 5
2	Dato' Kamaruddin bin Mohd Jamal	5 / 5
3	Dato Mohammad Medan bin Abdullah	5 / 5

Remuneration Committee

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Remuneration Committee is primarily responsible to propose, consider and recommend to the Board the remuneration and talent management strategy for the Management as well as the remuneration of the Directors. The remuneration of the Directors is competitive and attractive as it has been benchmarked against the industry.

For the year under review, the Remuneration Committee convened two (2) meetings and the attendance of the members for the meetings are stated below:

No.	Name of Remuneration Committee Members	Total Meetings Attended
1	Dato' Kamaruddin bin Mohd Jamal (Chairman)	2 / 2
2	Dato' Dr. R. Thillainathan	2 / 2
3	Nuraini binti Ismail	2 / 2

ACCOUNTABILITY AND AUDIT

1. **Financial Reporting**

   The Board aims to present a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the annual financial statements, quarterly and half-yearly announcement of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the BAC to oversee the Group's financial reporting processes and the quality of its financial reporting.

   The financial statements of the Group have been prepared in accordance with the Financial Reporting Standards, generally accepted accounting principles and the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Main Listing Requirements.

   The Statement of Directors' Responsibility is enclosed in page 126 of the Annual Report.

2. **Risk Management and Internal Control**

   The Board acknowledges its overall responsibility for continuous maintenance of a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. This principle is further elaborated under Statement on Risk Management and Internal Control by the Directors in pages 118 to 121 of the Annual Report.

3. **Relationship with the External Auditors**

   The external auditors from Messrs. KPMG Desa Megat & Co. have continued to report to shareholders of the Company on their opinion which are included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The auditors are also under the obligation to highlight to the BAC and the Board on matters that require their attention.

   The Company continuously reviews and monitors the suitability and independence of external auditors. As part of the annual audit exercise, the Company also obtains assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

   The BAC met the external auditors twice without the presence of the Management to review the scope and adequacy of the Company's audit process, the annual financial statements and their audit findings.

A summary of the activities of the BAC during the year, including the evaluation of independent audit process, are set out in the BAC Report on pages 122 to 123 of the Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 21 February 2013.

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Aminul Rashid bin Mohd Zamzam
Managing Director/Chief Executive Officer

ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Audit Fees**
   The amount of non-audit fees paid and payable to external auditors by the Company for the financial year ended 31 December 2012 was RM 151,000.00. (RM 28,000.00 for financial period ended 31 December 2011).

2. **Sanctions**
   During the financial year, there were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies.

3. **Material Contracts**
   There was no material contract entered into or subsisting between the Company and its Directors or substantial shareholders during the financial year except as disclosed in the audited accounts.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements"), under paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company's internal control in their Annual Report.

The Board of Directors ("Board") continues with its commitment to maintain sound systems of risk management and internal control throughout PETRONAS Dagangan Berhad and its subsidiaries ("Group") and in compliance with the Main Listing Requirements and the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"), the Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover, inter alia, risk management and financial, organisational, operational, project and compliance controls. The Board reaffirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of its corporate objectives. This process has been in place throughout the financial year under review and has been reviewed by the Board to accord with the Internal Control Guidelines.

MANAGEMENT ROLE

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. Quarterly, the Managing Director/Chief Executive Officer and the Chief Financial Officer have provided the Board with assurance that the Group risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a strong control structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Managing Director/ Chief Executive Officer leads the presentation of board papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, upon recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis.

- An organisational structure with formally defined lines of responsibility and delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

- A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval.

- The Group performs annual budgeting and forecasting exercise including development of business strategies for the next five years, and the establishment of key performance indicators against which units within the Group can be evaluated. Variances against budget are analysed and reported internally on a monthly basis in the Company's Management Committee ("Management") meetings. On a quarterly basis, the variances are reported to the Board. The Group's strategic direction is also reviewed annually through a rigorous assessment process taking into account changes in market conditions and significant business risks.

- The Accounting Procedure Manuals define the policies and procedures for day-to-day operations and act as guidelines as to the proper measures to be undertaken in a given set of circumstances.

- The implementation of PETRONAS Code of Conduct and Business Ethics which sets out standards of behavior and ethical conduct within the Group and with external parties aimed at maintaining confidence and reliance on the Group's operations.

RISK MANAGEMENT

PDB has established sound risk management practices to safeguard PDB's business interest from risk events that may impede achievement of business strategy, enable value creation and growth through identification of opportunities and provide assurance to the Group's various stakeholders.

PDB has adopted the PETRONAS Risk Management Framework and Guidelines which outlines the risk policy, risk governance and structure, risk measurement and risk operations and systems for the Group. PDB has also implemented the Enterprise Risk Management ("ERM") processes to identify, assess, monitor, report and mitigate risks impacting PDB's business and supporting activities.

The main component of the Group's risk governance and structure consists of the Board, the Board Audit Committee ("BAC") and the Management. The structure allows for strategic risk conversations to take place between the Board, the BAC and the Management on a periodical basis. The summary of the accountabilities for the Board, the BAC and the Management under the risk governance structure are as follows:

a. Board of Directors
- Overall risk oversight responsibility for PDB.
- Ensures that the principal risks are identified, and appropriate as well as robust systems are implemented to manage these risks.
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. Board Audit Committee
- Reviews and endorses policies and frameworks and other key components of risk management for implementation within the Group.
- Reviews and endorses corporate risk profile for the Group, and the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

c. Management Committee
- Oversees the effective implementation of risk policy and guidelines, ERM and institutionalisation of risk management culture within the organisation.
- Reviews and monitors periodically the status of PDB's principal risks and their mitigation actions and update the BAC and the Board accordingly.
- Deliberates and recommends corporate-level risk decision making issues prior to endorsement and approval by the BAC and the Board.

Additionally, there are also other risk committees such as Health, Safety and Environment ("HSE") Committee, Credit Control Committee and Tender Committee which support the Management in specific risk framework and guideline implementation. In addition, the Risk and Credit Management Department, Finance Division also assists the Management to develop and execute risk policies and guidelines, drive the implementation of ERM and other risk management initiatives and build risk management and capabilities across the Group. In supporting the risk governance structure and also effective implementation of risk management, the Group has also established appropriate risk operations mechanism covering the areas of systems, processes, reporting of risks, knowledge management and assurance activities.

During the year, the Group has identified eight principal risks which are critical to the success of the business. The likelihood and impact of the risks have been assessed and evaluated against the Group's risk appetite and tolerance level and appropriate mitigation action have been identified for the risks. Arising from the acquisition of foreign subsidiaries during the year, the Group will broaden the coverage of identification of principal risks to include the newly acquired subsidiaries in the following year.

Risk Type	Description	Key Risk Mitigation
Contractor	Non-performance of PDB's contractors impacting PDB's ability to deliver timely and quality products and services that enhances customer experience.	PDB adopts PETRONAS Group tender and contract policy and processes to ensure effective contracting strategies being adopted and reliable and trustworthy contractors are appointed. The process entails contractor risk assessment being conducted and contractor's performance being evaluated post-completion by a Committee.
Supply	Disruption in the product supply chain resulting in major interruption to the business and also untimely and poor quality product delivered to customers.	PDB implements industry practices in managing its product supply chain to ensure the timeliness and quality of product supply and establishes a Business Continuity Plan to address any product supply disruption situation.
Credit	Default payment by major customers impacting the Group's bottom line, affect its working capital management and loss of value to stakeholders.	PDB adopts rigorous credit management process to mitigate risk exposures from its customers. The risks are monitored and reported to the business and management via the monthly regional / business/ Company level credit control meetings. The credit management performance is also reported on a quarterly basis to the BAC.
Price	Inability to secure competitive product cost and competitors' cost advantage threatening the Group's market leadership.	PDB leverages on its good business relationship with credible suppliers to ensure competitive and stable product supply, optimum product mix to cushion the impact of global commodity prices and cost leadership by optimising the use of its facilities and distribution networks.
Health, Safety & Environment	Loss of lives, injuries, asset and environmental damage leading to operational disruption and reputational damages.	PDB adopts the PETRONAS HSE management system which propagates zero tolerance towards HSE risks. The HSE awareness programmes, regular staff engagements and continuous HSE training have resulted in higher awareness and better preparation and conditioning to avoid HSE incidences. The HSE performance of the Group is also reported on regular basis to the Management and the Board and communicated to staff during staff engagement sessions.
Finance	Disruption of the Group's cash flow due to liquidity, interest rate, counter party and foreign exchange risk which may affect the Group's operations and profitability.	PDB manages its finance risk exposure by adopting the PETRONAS Corporate Financial Policy. PDB has also developed guidelines for liquidity management, foreign exchange management and banking to manage the risk.
Political, Economic and Regulatory	Adverse political, economic and regulatory conditions impacting the Group's business prospects, strategies and financial performance.	PDB performs close monitoring of events and news concerning political, economic and regulatory changes and also the necessary assessment, if required. PDB also conducts regular engagement with government authorities and trade associations in order to strengthen relationship.
Project Risk	Escalation of cost, untimely completion of projects and sub-par quality of work perform by project contractor resulting in reputational damages and disruption of business operations.	PDB carries out Project Risk Assessment, Project Independent Reviews and Project Lessons Learnt for all of its major and critical projects. The Project Risk Management Framework and Guidelines have also been enhanced to incorporate Project Risk Management modules in line with the PETRONAS Project Management System.

Risk awareness sessions have been conducted for the Group's senior and middle Management and key employees within the business lines as part of the ongoing initiative to sustain risk awareness and risk management capabilities.

In essence, Risk Management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

INTERNAL AUDIT FUNCTION

Internal audits were undertaken to provide independent assessments on the Group's internal control systems in the assessment of potential risks exposures in key business processes and in controlling the proper conduct of business within the Group. The BAC has full and direct access to internal auditors and the BAC receives reports on all internal audits performed.

During the financial year, the internal audit function was carried out by PDB Internal Audit Department ("IAD"), which was established on 1 April 2011 with a direct reporting line to the BAC. A key objective of IAD is to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group.

IAD maintained its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the BAC and with continuous training of its staffs. IAD has put in relevant procedures to ensure that the staffs are competent and adequately equipped in carrying out their duties and responsibilities. IAD's practices and conduct are governed by its Internal Audit Charter.

IAD reviews the internal controls in selected key activities of the Group's businesses in accordance with the risk-based internal audit plan which was presented to the BAC for approval. IAD continues to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of internal control systems. Significant findings and recommendations for improvement are highlighted to Management and the BAC, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.

BOARD AUDIT COMMITTEE'S REPORT

The Board Audit Committee ("BAC") is pleased to present the BAC's Report for the financial year ended 31 December 2012 as follows:

MEMBERSHIP

Pursuant to a Board resolution passed on 3 March 1994, the BAC was formed. Currently, the BAC comprises five (5) Directors, namely:

1) Vimala V R Menon (Chairman)
   (Independent Non-Executive Director)
2) Dato' Dr. R. Thillainathan
   (Independent Non-Executive Director)
3) Dato' Kamaruddin bin Mohd Jamal
   (Independent Non-Executive Director)
4) Lim Beng Choon
   (Independent Non-Executive Director)
5) Amir Hamzah bin Azizan
   (Non-Independent Non-Executive Director)

The BAC is governed by the Terms of Reference as stipulated in pages 124 to 125 of the Annual Report. All the requirements under the Terms of Reference were fully complied with and the BAC did not see any matter in breach of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements") that warrants reporting to Bursa Malaysia.

SUMMARY OF ACTIVITIES OF THE BAC

During the financial year, the BAC in discharging its duties and functions as an independent entity within the Company, had held four (4) quarterly meetings. By invitation, the Managing Director/Chief Executive Officer, the Company Secretaries, the Chief Financial Officer, the external and internal auditors were also present during deliberations which require their inputs and advice.

ATTENDANCE RECORD OF BAC MEMBERS

The attendance of the BAC members at the BAC meetings were as follows:

No.	Name of BAC Members	Total Meetings Attended by BAC Member
1	Vimala V R Menon (Appointed as Chairman on 25 June 2012)	4/4
2	Dato' Dr. R. Thillainathan	4/4
3	Dato' Kamaruddin bin Mohd Jamal	4/4
4	Lim Beng Choon (Appointed on 13 August 2012)	1/1
5	Amir Hamzah bin Azizan (Appointed on 1 September 2012)	1/1
6	Dato' Chew Kong Seng (Retired on 25 June 2012)	2/2

The following activities were carried out by the BAC during the financial year ended 31 December 2012:

1) met the external auditors without the presence of Management to discuss on any matters deemed relevant in discharging the Board's duties and functions;
2) reviewed the external auditors' scope of work and audit plans for the financial year. Prior to the audit, representatives from the external auditors, presented their audit strategy and plan;
3) reviewed with the external auditors the results of the audit and the audit report;
4) made consideration and recommendation to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 18 to the financial statements;
5) reviewed the independence and objectivity of the external auditors and the services provided;
6) reviewed the internal audit reports, which highlighted the audit issues, recommendations and the Management's response. Discussed with the Management on actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports;
7) reviewed the audited financial statements of the Group prior to submission to the Board for their consideration

and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards;

8) reviewed the Company's compliance in particular the quarterly and year end financial statements with the Main Listing Requirements, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;

9) reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussion were conducted with the Chief Financial Officer;

10) reviewed the related party transactions entered into by the Company; and

11) reviewed the extent of the Company's observance with the recommendations set out under the Malaysian Code on Corporate Governance 2012 for the purpose of preparing the Corporate Governance Statement and Statement on Risk Management and Internal Control pursuant to the Main Listing Requirements.

INTERNAL AUDIT

The internal audit function of the Group is carried out by the Internal Audit Department (IAD) of the Company.

They maintained at all times their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the BAC.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control systems in the assessment of potential risk exposures over key business processes within the Group. The BAC has full and direct access to Internal Auditors and received reports on all internal audit engagements performed.

During the financial year, the Internal Auditors had carried out audits according to the risk-based internal audit plan which had been approved by the BAC. The internal audit provides assurance that adequate and effective internal controls are in place and relevant policies, procedures and guidelines and applicable laws and regulations are adhered to.

The BAC reviews the audit reports and directs the Management for the necessary corrective actions and process improvements. The Management is responsible for ensuring that the recommendations are implemented accordingly.

The total costs incurred for the internal audit function of the Company and the Group for the financial year was RM 2,189,000.00.

Vimala V R Menon
Chairman
Board Audit Committee

From Left:

Dato' Kamaruddin bin Mohd Jamal
(Independent Non-Executive Director)

Lim Beng Choon
(Independent Non-Executive Director)

Vimala V R Menon (Chairman)
(Independent Non-Executive Director)

Dato' Dr. R. Thillainathan
(Independent Non-Executive Director)

Amir Hamzah bin Azizan
(Non-Independent Non-Executive Director)

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

CONSTITUTION

The Audit Committee was created by the Board pursuant to its resolution on 3 March 1994.

MEMBERSHIP

- The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members. All the Audit Committee members must be non-executive directors with majority of them being independent directors. Independent Directors shall be one who fulfills the requirement as provided in the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements").

- All the Audit Committee members must be financially literate with at least one (1) member of the Audit Committee :

  (i) must be a member of the Malaysian Institute of Accountants; or

  (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and :

    (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or

    (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.

  (iii) fulfills such other requirements as prescribed or approved by the Bursa Malaysia.

- The members of the Audit Committee shall elect a Chairman from amongst them who shall be an Independent Director.

- If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

- No alternate director can be appointed as a member of the Audit Committee.

MEETING

- A quorum shall be two (2) members, both being Independent Directors and one of whom shall be the Chairman of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees whenever deemed necessary. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.

- The Company Secretary or in his/her absence, his/her deputy shall be the Secretary of the Audit Committee. Minutes of the meetings shall be duly entered in the books provided therefor.

- Meetings shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider it necessary. The Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the Directors or shareholders.

AUTHORITY

- The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

- The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

DUTIES AND FUNCTIONS

- The duties and functions of the Audit Committee shall be :

  a) to consider the suitability and independence of external auditors for their appointment, the audit fee, and any questions of resignation or dismissal of the external auditors before making recommendation to the Board;

  b) to discuss with the external auditors before the audit commences the nature and scope of the audit, and ensure coordination where more than one (1) audit firm is involved;

  c) to review with the Management and the external auditors the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:

     - any change in accounting policies and practices;
     - significant and unusual events;
     - major judgmental areas;
     - significant adjustments resulting from the audit;
     - the going concern assumption;
     - compliance with accounting standards; and
     - compliance with stock exchange and legal requirements.

  d) to arrange for periodic reports from the Management, the external auditors, and the internal auditors to assess the impact of significant regulatory changes, and accounting or reporting developments proposed by accounting and other bodies, or any significant matters that may have a bearing on the annual examination;

  e) to discuss problems and reservations arising from the internal or external interim and final audits, and matters the external or internal auditors may wish to discuss (in the absence of the Management where necessary);

  f) to review the internal audit programme, consider the major findings of internal audits and Management's response, and ensure coordination between the internal and external auditors;

  g) to review the adequacy of the competency of the internal audit function;

  h) to review the performance of the Head of Internal Audit for the Management's endorsement;

  i) to approve the appointment or termination of the Head of Internal Audit;

  j) to review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises questions of the Management's integrity;

  k) to keep under review the effectiveness of internal control systems, and the internal and/ or external auditors' evaluation of these systems and in particular, review the external auditor's Management Letter and Management's Response;

  l) to review the audit reports;

  m) to review the risk management framework, processes and responsibilities and assess whether they provide reasonable assurance that risks are managed within tolerable ranges;

  n) to direct and where appropriate supervise any special project or investigation considered necessary;

  o) to prepare periodic report to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities; and

  p) to consider other topics, as defined.

REPORTING PROCEDURES

- The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements, as set out on pages 138 to 198 of the Group, are properly drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the results of its operations and cash flows for the financial year ended on that date.

The Directors consider that in preparing the financial statements:-

- the Group has used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are also responsible for ensuring that the accounting and other records and registers required by the Companies Act, 1965 to be kept by the Group have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

INVESTORS' OVERVIEW

- Investor Relations Report
- Share Performance
- Analysis of Shareholdings
- Financial Calendar

INVESTOR RELATIONS REPORT

OVERVIEW

As a reputable public listed company, the Company focused on value creation for shareholders. The Company firmly believes that it must deliver good shareholder returns as part of its commitment as a responsible and leading corporation in Malaysia.

In this regard, Investor Relations forms a key initiative for the Company to ensure that shareholders and investors are engaged regularly on the Company's business and strategic direction.

The Company adheres to the highest standards of transparency and corporate governance through various efforts including maintaining active dialogues with shareholders and investors through a planned communication and engagement programme.

An Investor Relations Unit was set up in 2011 to proactively disseminate relevant and timely information to the investment community. These ongoing efforts are to ensure that investors and shareholders are kept abreast with the Company's strategies, performance updates and key business activities.

During the year under review, the investor relations platform came into full effect, enabling the Company to communicate and engage with investors and shareholders in a systematic approach.

The Investor Relations Unit within the Strategic Planning Department was also placed under the Finance Division to further streamline the information flow and transparency of the Company's financial status.

In addition, an Investor Relations Policy and Guideline was fully adopted to ensure that the Company adheres to best practices of the capital market. For example, in line with the policy, the Company's Investor Relations initiatives are led personally by the Managing Director/Chief Executive Officer and the Chief Financial Officer. They are supported by the Head of Strategic Planning Department, the Finance Division as well as other senior management team members.

The involvement and ownership of all Investor Relations initiatives by top leadership ensures that quality information is disclosed to investors and shareholders in a fair and timely manner. This is also imperative in building a stronger and longer term relationship with investors and shareholders.

QUARTERLY FINANCIAL RESULTS ANNOUNCEMENT AND BRIEFING

The Company conducts briefing sessions to analysts and fund managers on a quarterly basis. This is followed by the release of its quarterly earnings to Bursa Malaysia and the media.

During the financial year under review, the quarterly briefings and market disclosures were made on:

- 24 February 2012
- 4 June 2012
- 16 August 2012
- 29 November 2012

These sessions were chaired by the Managing Director/Chief Executive Officer supported by the Chief Financial Officer and the Senior Manager of Strategic Planning Department. These face-to-face sessions with analysts and fund managers are aimed at providing an avenue for a clear understanding of the financial and operational performance of the Company.

ENGAGING INVESTORS

One-on-one Meetings, Conference Calls and Investor Conferences

The Managing Director/Chief Executive Officer, Chief Financial Officer and the Investor Relations team are actively involved in Investor Relations activities throughout the year via regular meetings, conference calls, media engagements and other corporate events held in Malaysia for fund managers, analysts and investors.

Amongst the key activities participated during the year under review include the CIMB ASEAN Series 2012 – Malaysia Corporate Day. The event was held on 5 January 2012 at the Mandarin Oriental Hotel, Kuala Lumpur.

To reach out to a wider investor audience, the Company also participated in the Thailand-Malaysia dbAccess Corporate Day which was organised by Deutsche Bank in London on 31 May - 1 June.

The Managing Director/Chief Executive Officer also regularly meets the media including key business media and newswires to share the Company's growth plans and business direction. This in turn enables the investing community and the members of the public to understand the Company's business initiatives better.

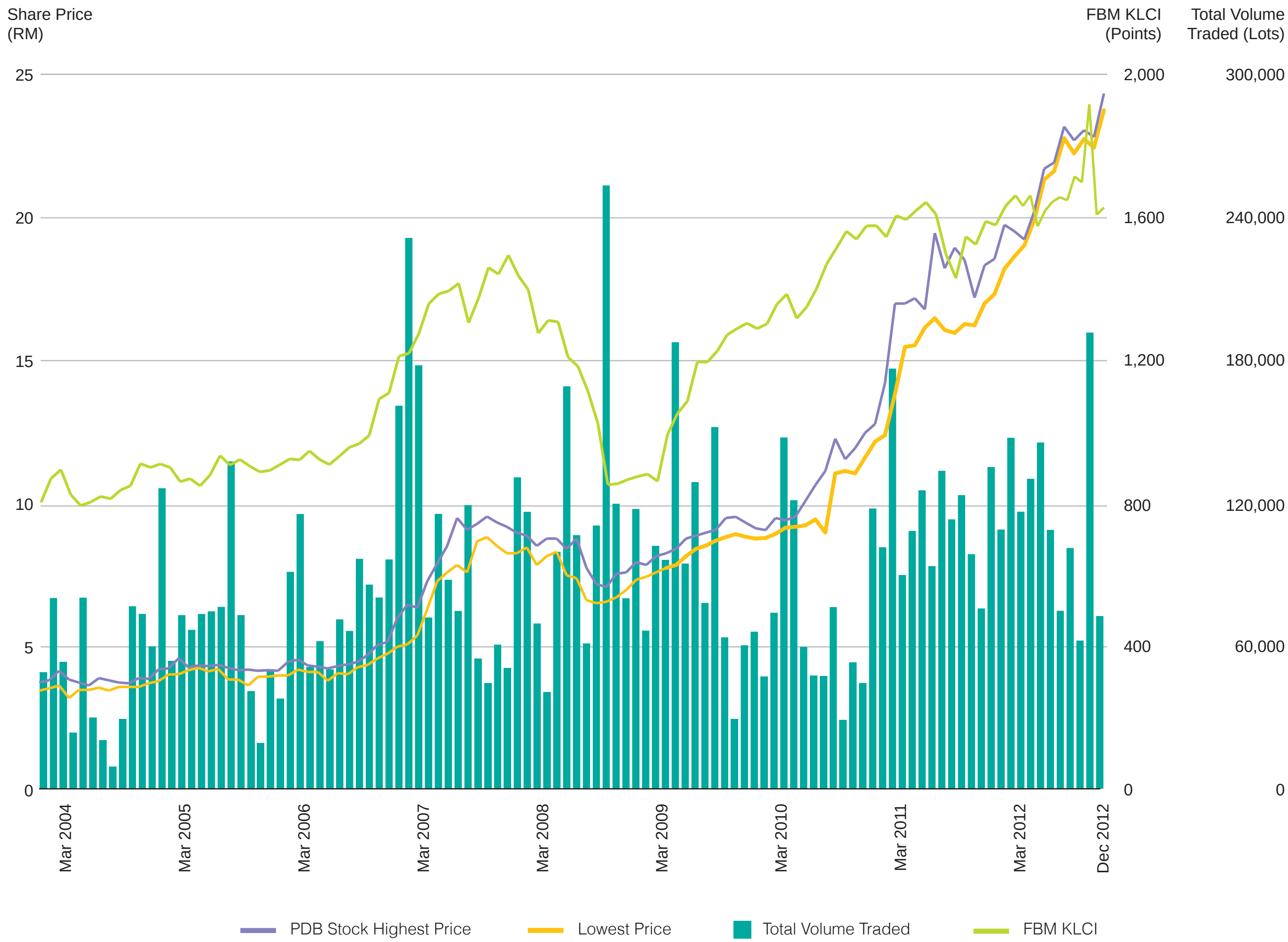
INVESTOR RELATIONS PORTAL

The Company is well aware that it is important to create more channels to engage investors and shareholders as part of its strategy to enhance accessibility to the Company's financial and business information.

In this regard, the Company maintains an Investor Relations portal on the Company's Corporate Website at www.mymesra.com.my.

The Investor Relations portal was upgraded in 2012 to provide an enhanced user interface. The portal acts as a source of information to investors, shareholders and the general public with regard to the Company's financial facts and figures including the Company's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Malaysia.

SHARE PERFORMANCE



ANALYSIS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2013

Financial Year End : 31 December 2012
Class of Shares : Ordinary Shares of RM1.00 Each
Voting Rights : One Vote Per Ordinary Share (On A Poll)

Analysis of Shareholdings as at 28 February 2013

Size of Holdings	No. of Holders	% of Total Shareholders	No. of Shares	% of Total Shares
Less than 100	100	1.36	957	0.00
100 - 1,000	1,442	19.56	1,102,160	0.11
1,001 - 10,000	5,090	69.05	13,753,129	1.38
10,001 - 100,000	530	7.19	17,962,920	1.81
100,001 to less than 5% of issued shares	207	2.81	200,080,034	20.14
5% and above of issued shares	2	0.03	760,554,800	76.56
Total	**7,371**	**100.00**	**993,454,000**	**100.00**

Classification of Shareholders as at 28 February 2013

Category	No. of Holders		No. of Shares		% of Total Shareholding	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
• Individual	6,065	72	19,936,910	414,422	2.01	0.04
• Corporate Body						
a. Banks/Finance Companies	68	0	100,507,600	0	10.12	0.00
b. Investment Trusts/ Foundation/Charities	2	0	3,400	0	0	0.00
c. Other types of companies	211	6	6,684,600	945,000	0.67	0.10
• Government Agencies/Institutions	8	0	10,138,400	0	1.02	0.00
• Nominees	602	337	800,561,253	54,262,415	80.58	5.46
Total	**6,956**	**415**	**937,832,163**	**55,621,837**	**94.40**	**5.60**

List of Thirty Largest Shareholders

Registered as at 28 February 2013

	Name	No. of Shares	% of Total Shares
1.	Cartaban Nominees (Tempatan) Sdn Bhd (Petroliam Nasional Berhad (Strategic Inv))	694,004,000	69.86
2.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	66,550,800	6.70
3.	Amanahraya Trustees Berhad (Skim Amanah Saham Bumiputera)	21,074,500	2.12
4.	Amanahraya Trustees Berhad (Amanah Saham Wawasan 2020)	15,802,000	1.59
5.	Amanahraya Trustees Berhad (Amanah Saham Malaysia)	12,200,900	1.23
6.	Kumpulan Wang Persaraan (Diperbadankan)	11,370,400	1.14
7.	Malaysia Nominees (Tempatan) Sendirian Berhad (Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,100,200	0.92
8.	Amanahraya Trustees Berhad (Amanah Saham Didik)	7,650,000	0.77
9.	Cartaban Nominees (Asing) Sdn Bhd (Exempt AN for State Street Bank & Trust Company (West CLT OD67))	7,183,701	0.72
10.	Amanahraya Trustees Berhad (Public Islamic Dividend Fund)	6,057,100	0.61
11.	HSBC Nominees (Asing) Sdn Bhd (BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund)	5,863,000	0.59
12.	Permodalan Nasional Berhad	3,433,900	0.35
13.	AMSEC Nominees (Tempatan) Sdn Bhd (Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI))	3,369,900	0.34
14.	Amanahraya Trustees Berhad (AS 1Malaysia)	3,277,000	0.33

List of Thirty Largest Shareholders (cont'd)

Registered as at 28 February 2013

	Name	No. of Shares	% of Total Shares
15.	Amanahraya Trustees Berhad (Public Islamic Equity Fund)	3,056,100	0.31
16.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.))	2,543,652	0.26
17.	Amanahraya Trustees Berhad (Public Islamic Select Enterprises Fund)	2,537,500	0.26
18.	Pertubuhan Keselamatan Sosial	2,478,700	0.25
19.	HSBC Nominees (Asing) Sdn Bhd (BNY Brussels for City of New York Group Trust)	2,409,000	0.24
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (icapital.biz Berhad)	2,400,000	0.24
21.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (CIMB Prin))	2,365,300	0.24
22.	HSBC Nominees (Asing) Sdn Bhd (TNTC for Fidelity Series Emerging Markets Fund (Fid Inv TST))	2,167,200	0.22
23.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend))	2,016,600	0.20
24.	Foh Chong & Sons Sdn Bhd	2,014,000	0.20
25.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (NOMURA))	2,005,000	0.20
26.	Setiausaha Kerajaan Pulau Pinang	2,000,000	0.20
27.	State Secretary Kedah Incorporated	2,000,000	0.20
28.	State Financial Secretary Sarawak	2,000,000	0.20
29.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.))	1,821,900	0.18
30.	Employees Provident Fund Board	1,500,000	0.15

List of Substantial Shareholders

as at 28 February 2013

		Direct		Indirect	
		No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
1.	Cartaban Nominees (Tempatan) Sdn Bhd (Petroliam Nasional Berhad) (Strategic Inv & Petronas for Petroleum Research Fund)	694,204,900	69.88	200,900*	0.02
2.	Employees Provident Fund Board	74,439,800	7.49	–	–

* Deemed interest in 200,900 shares of PETRONAS for Petroleum Research Fund held through Cartaban Nominees (Tempatan) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

List of Directors' Shareholdings

as at 28 February 2013

	Name	No. of Shares in PETRONAS Dagangan Berhad	% of Shareholding
1.	Amir Hamzah bin Azizan	15,000	0.00
2.	Dato' Dr. R. Thillainathan*	10,000	0.00

* Deemed interest by virtue of his spouse's shareholdings pursuant to Section 134(12)(c) of the Companies Act, 1965.

	Name	No. of Shares in PETRONAS Gas Berhad	% of Shareholding
1.	Nuraini binti Ismail	5,000	0.00
2.	Aminul Rashid bin Mohd Zamzam	2,000	0.00

List of Directors' Shareholdings (cont'd)

as at 28 February 2013

	Name	No. of Shares in PETRONAS Chemicals Group Berhad	% of Shareholding
1.	Datuk Wan Zulkiflee bin Wan Ariffin	20,000	0.00
2.	Amir Hamzah bin Azizan	30,000	0.00
3.	Dato' Dr. R. Thillainathan*	17,000	0.00
4.	Dato Mohammad Medan bin Abdullah	6,000	0.00
5.	Vimala V R Menon	20,000	0.00
6.	Nuraini binti Ismail	10,000	0.00
7.	Aminul Rashid bin Mohd Zamzam	6,000	0.00

* Deemed interest by virtue of his spouse's shareholdings pursuant to Section 134(12)(c) of the Companies Act, 1965.

	Name	No. of Shares in MISC Berhad	% of Shareholding
1.	Amir Hamzah bin Azizan	1,000	0.00

	Name	No. of Shares in KLCC Property Holding Berhad	% of Shareholding
1.	Amir Hamzah bin Azizan	52,000	0.00
2.	Lim Beng Choon	11,000	0.00

	Name	No. of Shares in Malaysia Marine and Heavy Engineering Holding Berhad	% of Shareholding
1.	Datuk Wan Zulkiflee bin Wan Ariffin	10,000	0.00
2.	Amir Hamzah bin Azizan**	14,000	0.00

**Inclusive of deemed interest by virtue of his spouse's shareholdings of 1,000 units pursuant to Section 134(12)(c) of the Companies Act, 1965.

FINANCIAL CALENDAR

24 February 2012	Announcement of the audited consolidated results for the financial period ended 31 December 2011
27 March 2012	Date of payment of the interim dividend for the financial period ended 31 December 2011
21 May 2012	Announcement of the audited consolidated results for the 1st quarter ended 31 March 2012
26 June 2012	Date of payment of the interim dividend for the 1st quarter ended 31 March 2012
27 July 2012	Date of payment of the special dividend for the financial period ended 31 December 2011
16 August 2012	Announcement of the audited consolidated results for the 2nd quarter ended 30 June 2012
27 September 2012	Date of payment of the interim dividend for the 2nd quarter ended 30 June 2012
29 November 2012	Announcement of the audited consolidated results for the 3rd quarter ended 30 September 2012
27 December 2012	Date of payment of the interim dividend for the 3rd quarter ended 30 September 2012
21 February 2013	Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2012
2 April 2013	Date of Notice of 31st Annual General Meeting and date of issuance of 2012 Annual Report
9 April 2013	Date of payment of the interim dividend for the 4th quarter ended 31 December 2012
24 April 2013	31st Annual General Meeting
27 May 2013	Date of payment of the special dividend for the financial year ended 31 December 2012

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the financial year remained unchanged as domestic marketing of petroleum products.

The principal activities of the subsidiaries, jointly controlled entities and associates are stated in Note 31, Note 32 and Note 33 to the financial statements respectively.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	843,268	832,061
Attributable to:		
Shareholders of the Company	836,843	832,061
Non-controlling interests	6,425	–
	843,268	832,061

DIVIDENDS

The dividends paid by the Company since the end of the previous financial period are as follows:

In respect of the financial period ended 31 December 2011:

i) Third interim dividend of 15 sen per ordinary share less 25% tax amounting to RM111,763,575.00 on 27 March 2012; and

ii) Special dividend of 35 sen per ordinary share less 25% tax amounting to RM260,781,675.00 on 27 July 2012.

In respect of the financial year ended 31 December 2012:

i) a first interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 on 26 June 2012; and

ii) a second interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 on 27 September 2012; and

iii) a third interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 on 27 December 2012.

The Directors had on 21 February 2013 declared a fourth interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 in respect of the financial period ended 31 December 2012.

In addition, the Directors propose a special dividend of 35 sen per ordinary share less 25% tax amounting to RM260,781,675 in respect of the financial year ended 31 December 2012.

The financial statements for the current financial year do not reflect these propose fourth interim dividend and special dividend. Such dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves and provisions during the financial year other than as disclosed in the financial statements.

DIRECTORS OF THE COMPANY

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

Datuk Wan Zulkiflee bin Wan Ariffin – Chairman
Amir Hamzah bin Azizan – resigned as Managing Director / CEO and redesignated as Director on 1 September 2012
Aminul Rashid bin Mohd Zamzam – appointed as Managing Director / CEO on 1 September 2012
Dato' Dr. R. Thillainathan
Dato' Chew Kong Seng - retired on 25 June 2012
Dato' Kamaruddin bin Mohd Jamal
Dato Mohammad Medan bin Abdullah
Vimala V R Menon
Nuraini binti Ismail
Lim Beng Choon – appointed on 13 August 2012

Datuk Wan Zulkiflee bin Wan Ariffin and Dato Mohammad Medan bin Abdullah, the Directors retiring pursuant to Article 93 of the Company's Articles of Association and being eligible, offer themselves to be re-elected as Directors of the Company.

Lim Beng Choon and Aminul Rashid bin Mohd Zamzam were appointed as Directors on 13 August 2012 and 1 September 2012 respectively and these Directors retiring pursuant to Article 96 of the Company's Articles of Association and being eligible, offer themselves to be elected as Directors of the Company.

Dato' Kamaruddin bin Mohd Jamal, the Director retiring pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting, offers himself to be re-elected as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.*

* Subsequent to 21 February 2013 Dato' Kamaruddin bin Mohd Jamal had indicated to the company that he would not seek for re-appointment at this 31st Annual General Meeting.

DIRECTORS' INTERESTS

The Directors in office at the end of the financial year who have interests and deemed interests in the shares of the Company and of its related corporations (including the interests of the spouse or children of the Director who themselves are not Director of the Company pursuant to Section 134(12)(c) of the Companies Act, 1965) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Shares in the Company			
Name	**Balance at 1.1.2012**	**Bought**	**Sold**	**Balance at 31.12.2012**
Amir Hamzah bin Azizan	15,000	–	–	**15,000**
Dato' Dr. R. Thillainathan*	10,000	–	–	**10,000**

* Deemed interest by virtue of his spouse's shareholdings pursuant to Section 134(12)(c) of the Companies Act, 1965.

	Number of Shares in PETRONAS Chemicals Group Berhad			
Name	**Balance at 1.1.2012**	**Bought**	**Sold**	**Balance at 31.12.2012**
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	–	–	**20,000**
Amir Hamzah bin Azizan	30,000	–	–	**30,000**
Aminul Rashid bin Mohd Zamzam	6,000	–	–	**6,000**
Dato' Dr. R. Thillainathan*	17,000	–	–	**17,000**
Dato Mohammad Medan bin Abdullah	6,000	–	–	**6,000**
Vimala V R Menon	20,000	–	–	**20,000**
Nuraini binti Ismail	10,000	–	–	**10,000**

* Deemed interest by virtue of his immediate family member's shareholdings pursuant to Section 134(12)(c) of the Companies Act, 1965.

DIRECTORS' INTERESTS (CONTINUED)

Name	Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad			
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	–	–	**10,000**
Amir Hamzah bin Azizan*	14,000	–	–	**14,000**

* Inclusive of deemed interest by virtue of his spouse's shareholdings of 1,000 units pursuant to Section 134(12)(c) of the Companies Act, 1965.

Name	Number of Shares in KLCC Property Holdings Berhad			
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
Amir Hamzah bin Azizan	52,000	–	–	**52,000**
Lim Beng Choon	34,200	–	13,000	**21,200**

Name	Number of Shares in PETRONAS Gas Berhad			
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
Aminul Rashid bin Mohd Zamzam	2,000	–	–	**2,000**
Nuraini binti Ismail	5,000	–	–	**5,000**

Name	Number of Shares in MISC Berhad			
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
Amir Hamzah bin Azizan	1,000	–	–	**1,000**

None of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or of related companies/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

There were no changes in the issued and paid up capital of the Company 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.

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to realise, in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

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 Group and 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 Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 Group and of the Company misleading.

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

i) any charge on the assets of the Group or 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 Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs. KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

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

DATUK WAN ZULKIFLEE BIN WAN ARIFFIN

AMINUL RASHID BIN MOHD ZAMZAM

Kuala Lumpur,
Date: 21 February 2013

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 143 to 198 (up to Note 36) are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2012 and their financial performance and cash flows for the year ended on that date.

In the opinion of the Directors, the information set out in Note 37 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

DATUK WAN ZULKIFLEE BIN WAN ARIFFIN

AMINUL RASHID BIN MOHD ZAMZAM

Kuala Lumpur,
Date: 21 February 2013

STATUTORY DECLARATION

I, **ROZAINI BIN MOHD SANI**, the officer primarily responsible for the financial management of **PETRONAS Dagangan Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 143 to 198, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named
ROZAINI BIN MOHD SANI at KUALA LUMPUR
in WILAYAH PERSEKUTUAN on 21 February 2013.

BEFORE ME:

Commissioner of Oaths

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
ASSETS				
Property, plant and equipment	3	**3,765,700**	3,616,210	3,583,364
Prepaid lease payments	7	**433,739**	404,178	364,886
Investment in jointly controlled entities	5	**4,350**	–	–
Investment in associates	6	**8,302**	9,396	8,770
Deferred tax assets	15	**702**	–	–
TOTAL NON-CURRENT ASSETS		**4,212,793**	4,029,784	3,957,020
Inventories	8	**1,278,681**	1,063,767	832,600
Trade and other receivables	9	**4,180,954**	4,237,445	2,668,903
Cash and cash equivalents	10	**251,300**	470,183	1,026,209
TOTAL CURRENT ASSETS		**5,710,935**	5,771,395	4,527,712
TOTAL ASSETS		**9,923,728**	9,801,179	8,484,732
EQUITY				
Share capital	11	**993,454**	993,454	993,454
Reserves	12	**3,816,538**	3,785,446	3,801,494
Total equity attributable to shareholders of the Company		**4,809,992**	4,778,900	4,794,948
Non-controlling interests	13	**35,289**	33,064	35,646
TOTAL EQUITY		**4,845,281**	4,811,964	4,830,594

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
LIABILITIES				
Borrowings	14	**139,047**	73,411	16,232
Deferred tax liabilities	15	**140,017**	160,332	162,833
Other long term liabilities and provisions	16	**19,796**	20,346	19,564
TOTAL NON-CURRENT LIABILITIES		**298,860**	254,089	198,629
Borrowings	14	**324,656**	1,000,000	–
Trade and other payables	17	**4,301,028**	3,600,461	3,351,073
Taxation		**153,903**	134,665	104,436
TOTAL CURRENT LIABILITIES		**4,779,587**	4,735,126	3,455,509
TOTAL LIABILITIES		**5,078,447**	4,989,215	3,654,138
TOTAL EQUITY AND LIABILITIES		**9,923,728**	9,801,179	8,484,732

The notes on pages 151 to 198 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Revenue			
– sales of petroleum products		**29,498,882**	22,256,727
– rendering of services		**16,081**	11,066
		29,514,963	22,267,793
Cost of revenue			
– cost of petroleum products		**(27,283,711)**	(20,570,311)
– cost of services		**(13,877)**	(9,012)
		(27,297,588)	(20,579,323)
Gross profit		**2,217,375**	1,688,470
Selling and distribution expenses		**(291,800)**	(214,591)
Administration expenses		**(934,587)**	(672,759)
Other income		**183,177**	105,265
Operating profit	18	**1,174,165**	906,385
Financing costs	19	**(10,634)**	(8,085)
Share of profit after tax of equity accounted associates and jointly controlled entities		**1,640**	625
Profit before taxation		**1,165,171**	898,925
Tax expense	20	**(321,903)**	(239,625)
PROFIT FOR THE YEAR/PERIOD		**843,268**	659,300

	Note	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movements from exchange differences		**2,020**	–
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**2,020**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**845,288**	659,300
Profit attributable to:			
Shareholders of the Company		**836,843**	654,533
Non-controlling interests		**6,425**	4,767
PROFIT FOR THE YEAR/PERIOD		**843,268**	659,300
Total comprehensive income attributable to:			
Shareholders of the Company		**2,020**	–
Non-controlling interests		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**845,288**	659,300
Earnings per ordinary share – Basic	23	**84.2 sen**	65.9 sen

The notes on pages 151 to 198 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	← Attributable to shareholders of the Company →						
		← Non-distributable →			Distributable			
	Note	Share capital RM'000	Capital reserves RM'000	Foreign currency translation reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2011		993,454	–	–	3,801,494	4,794,948	35,646	4,830,594
Total comprehensive income for the period		–	–	–	654,533	654,533	4,767	659,300
Dividends paid		–	–	–	(670,581)	(670,581)	(7,349)	(677,930)
At 31 December 2011/1 January 2012		**993,454**	**–**	**–**	**3,785,446**	**4,778,900**	**33,064**	**4,811,964**
Total comprehensive income for the year		**–**	**–**	**2,020**	**836,843**	**838,863**	**6,425**	**845,288**
Reserves arising from business combination of entities under common control		**–**	**(44,053)**	**–**	**–**	**(44,053)**	**–**	**(44,053)**
Dividends paid	21	**–**	**–**	**–**	**(763,718)**	**(763,718)**	**(4,200)**	**(767,918)**
At 31 December 2012		**993,454**	**(44,053)**	**2,020**	**3,858,571**	**4,809,992**	**35,289**	**4,845,281**
		Note 11	← Note 12 →					Note 13

The notes on pages 151 to 198 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**29,345,558**	22,229,449
Cash paid to suppliers and employees	**(27,154,166)**	(22,657,268)
Payment of interest for revolving credit	**(10,473)**	(4,253)
	2,180,919	(432,072)
Taxation paid	**(322,974)**	(211,896)
Net cash generated from/(used in) operating activities	**1,857,945**	(643,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of an associate	**(1,429)**	–
Business combination of entities under common control, net of cash acquired (Note 24)	**(165,099)**	–
Interest income from fund and other investments	**22,174**	9,965
Purchase of property, plant and equipment	**(488,298)**	(238,899)
Prepayment of leases	**(66,947)**	(61,811)
Proceeds from disposal of property, plant and equipment	**2,891**	143
Net cash used in investing activities	**(696,708)**	(290,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of Islamic financing facility	**48,589**	57,179
Net of (repayment)/drawdown of revolving credit	**(685,106)**	1,000,000
Drawdown of term loan	**26,809**	–
Payment of profit margin for Islamic financing facility	**(2,494)**	(705)
Payment of dividends to shareholders	**(763,718)**	(670,581)
Payment of dividends to non-controlling interests of a subsidiary	**(4,200)**	(7,349)
Net cash (used in)/generated from financing activities	**(1,380,120)**	378,544

	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(218,883)**	(556,026)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	**470,183**	1,026,209
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD (Note 10)	**251,300**	470,183

The notes on pages 151 to 198 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
ASSETS				
Property, plant and equipment	3	**3,452,952**	3,439,129	3,456,347
Prepaid lease payments	7	**433,739**	404,178	364,886
Investment in subsidiaries	4	**223,998**	19,590	19,590
Investment in jointly controlled entities	5	**25**	–	–
Investment in associates	6	**7,229**	5,825	5,825
TOTAL NON-CURRENT ASSETS		**4,117,943**	3,868,722	3,846,648
Inventories	8	**1,233,495**	1,058,052	824,362
Trade and other receivables	9	**4,076,357**	4,229,117	2,672,543
Cash and cash equivalents	10	**158,479**	441,071	992,863
TOTAL CURRENT ASSETS		**5,468,331**	5,728,240	4,489,768
TOTAL ASSETS		**9,586,274**	9,596,962	8,336,416
EQUITY				
Share capital	11	**993,454**	993,454	993,454
Reserves	12	**3,810,772**	3,715,509	3,733,069
TOTAL EQUITY		**4,804,226**	4,708,963	4,726,523

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
LIABILITIES				
Deferred tax liabilities	15	**127,848**	146,367	147,459
Other long term liabilities and provisions	16	**19,372**	20,346	19,564
TOTAL NON-CURRENT LIABILITIES		**147,220**	166,713	167,023
Borrowings	14	**300,000**	1,000,000	–
Trade and other payables	17	**4,182,890**	3,592,318	3,341,538
Taxation		**151,938**	128,968	101,332
TOTAL CURRENT LIABILITIES		**4,634,828**	4,721,286	3,442,870
TOTAL LIABILITIES		**4,782,048**	4,887,999	3,609,893
TOTAL EQUITY AND LIABILITIES		**9,586,274**	9,596,962	8,336,416

The notes on pages 151 to 198 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Revenue		**29,389,128**	22,241,950
Cost of revenue		**(27,227,392)**	(20,592,617)
Gross profit		**2,161,736**	1,649,333
Selling and distribution expenses		**(286,967)**	(213,293)
Administration expenses		**(905,180)**	(659,287)
Other income		**187,717**	117,961
Operating profit	18	**1,157,306**	894,714
Financing costs	19	**(10,611)**	(8,085)
Profit before taxation		**1,146,695**	886,629
Tax expense	20	**(314,634)**	(233,608)
PROFIT FOR THE YEAR/PERIOD		**832,061**	653,021
Attributable to:			
Shareholders of the Company		**832,061**	653,021
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**832,061**	653,021

The notes on pages 151 to 198 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Share capital RM'000	Capital reserves RM'000	Retained profit RM'000	Total equity RM'000
		Attributable to shareholders of the Company			
		Non-distributable		*Distributable*	
At 1 April 2011		993,454	–	3,733,069	4,726,523
Total comprehensive income for the period		–	–	653,021	653,021
Dividends paid	21	–	–	(670,581)	(670,581)
At 31 December 2011/1 January 2012		**993,454**	**–**	**3,715,509**	**4,708,963**
Total comprehensive income for the year		**–**	**–**	**832,061**	**832,061**
Reserves arising from business combination of entities under common control		**–**	**26,920**	**–**	**26,920**
Dividends paid	21	**–**	**–**	**(763,718)**	**(763,718)**
At 31 December 2012		**993,454**	**26,920**	**3,783,852**	**4,804,226**
		Note 11	← Note 12 →		

The notes on pages 151 to 198 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**29,336,477**	22,214,743
Cash paid to suppliers and employees	**(27,261,319)**	(22,677,276)
Payment of interest for revolving credit	**(10,473)**	(4,253)
	2,064,685	(466,786)
Taxation paid	**(310,182)**	(207,062)
Net cash generated from/(used in) operating activities	**1,754,503**	(673,848)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in an associate	**(1,429)**	–
Investment in subsidiaries (Note 24)	**(204,408)**	–
Interest income from deposits with licensed financial institutions	**21,095**	9,839
Purchase of property, plant and equipment	**(332,740)**	(169,545)
Prepayment of leases	**(66,586)**	(61,450)
Proceeds from disposal of property, plant and equipment	**2,891**	143
Receipt of dividends from a subsidiary	**7,800**	13,650
Net cash used in investing activities	**(573,377)**	(207,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	**(763,718)**	(670,581)
Net of (repayment)/drawdown of revolving credit	**(700,000)**	1,000,000
Net cash (used in)/generated from financing activities	**(1,463,718)**	329,419
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(282,592)**	(551,792)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	**441,071**	992,863
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD (Note 10)	**158,479**	441,071

The notes on pages 151 to 198 are an integral part of these financial statements.

1. BASIS OF PREPARATION

1.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). The transition to MFRSs has no financial impact to the financial statements of the Group and of the Company.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The Malaysian Accounting Standards Board ("MASB") has issued other new and revised MFRSs, amendments and IC interpretations (collectively referred to as "pronouncement") which are not yet effective and therefore, have not been implemented by the Group and the Company in these financial statements as set out in note 35. New pronouncements that are not relevant to the operation of the Group and of the Company are set out in note 36.

The financial statements were approved and authorised for issue by the Board of Directors on 21 February 2013.

1. BASIS OF PREPARATION (CONTINUED)

1.2 Comparative Figures

The Group and the Company have changed its financial year end from 31 March to 31 December effective from the previous reporting period. Consequently, the current financial statements are for a period of 12 months from 1 January 2012 to 31 December 2012. The comparatives figures are for the previous 9 months period from 1 April 2011 to 31 December 2011.

1.3 Basis of Measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis except that, as disclosed note 2 below, certain items are measured at fair value.

1.4 Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

1.5 Use of Estimates and Judgements

The preparation of financial statements requires management to make judgments, 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 estimate is revised and in any future periods affected.

1. BASIS OF PREPARATION (CONTINUED)

1.5 Use of Estimates and Judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

(i) Note 2.4 and Note 3 : Property, Plant and Equipment;
(ii) Note 2.5 : Leased Assets;
(iii) Note 2.11 and Note 16 : Other Long Term Liabilities and Provisions; and
(iv) Note 2.18 and Note 17 : PETRONAS Mesra Loyalty Programme.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 April 2011 (the transition date to MFRS framework), unless otherwise stated.

2.1 Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Consolidation (continued)

Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

Acquisitions on or after 30 September 2009

For acquisition on or after 30 September 2009, the Group measures goodwill as the excess of the aggregate of consideration transferred, amount recognised for any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed. When the excess is negative, the difference is recognised immediately in the profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Consolidation (continued)

Acquisitions before 30 September 2009

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the designated date of 30 September 2009. Goodwill arising from acquisitions before 30 September 2009 has been carried forward from the previous FRS framework as at the date of transition.

Non-controlling interests

Non-controlling interests at the reporting date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Consolidation (continued)

Loss of control

When control of a subsidiary is lost, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The consolidated financial statements include the Group's share of post-acquisition profits or losses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Associates (continued)

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transaction are also eliminated partially, unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transactions costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Jointly Controlled Entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in note 2.2.

2.4 Property, Plant and Equipment

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, Plant and Equipment (continued)

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation for property, plant and equipment other than freehold land and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Buildings are depreciated over 20 - 30 years or over the remaining land lease year, whichever is shorter.

Leases or leasehold land under finance lease are depreciated over the lease term and its useful life whichever is shorter. The leasehold land are categorised into long lease and short lease. Long lease is defined as a lease with an unexpired lease year of fifty years or more. Short lease is defined as a lease with an unexpired lease year of less than fifty years.

The estimated useful lives of the other property, plant and equipment are as follows:

• Plant, machinery, tankage and pipeline	5 - 30 years
• Office equipment, furniture and fittings	3 - 10 years
• Motor vehicles	4 - 15 years
• Computer hardware and software	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, Plant and Equipment (continued)

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

The depreciable amount is determined after deducting residual value. The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.5 Leased Assets

(i) Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as finance lease liabilities.

(ii) Prepaid Lease Payments

Leases of a leasehold land which in substance is a finance lease is classified to property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leased Assets (continued)

(ii) Prepaid Lease Payments (continued)

The remaining leases of leasehold land which is not in substance a finance lease, together with prepaid rental for service station sites and depots are recognised as prepaid lease payments.

The payment made on entering into or acquiring such leasehold land and prepaid rental arrangement is amortised over the lease term in accordance with the pattern of benefits provided.

Prepaid lease payments are recognised as an expense in the profit or loss on a straight-line basis over the term of the lease or the year of the agreements.

2.6 Investments

Long term investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment loss, if any, in the Company's financial statements.

2.7 Financial Instruments

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

(i) Financial Assets

Initial Recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for sale financial assets, as appropriate. The Group and the Company determine the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial asset not at fair value through profit or loss, any directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Instruments (continued)

(i) Financial Assets(continued)

Initial Recognition (continued)

Purchases or sales that require delivery of financial assets within a timeframe established by regulation or convention in the marketplace (regular way purchase) are recognised on the trade date i.e the date that the Group and the Company commit to purchase or sell the financial asset.

Subsequent Measurement

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable receipts that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortised cost, using the effective interest rate method less impairment losses.

Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company, including separated embedded derivatives, unless they are designated as effective hedging instruments.

Financial asset at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.7 (iv).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Instruments (continued)

(i) Financial Assets(continued)

Subsequent Measurement (continued)

Financial assets at fair value through profit or loss (continued)

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as stated in Note 2.8.

(ii) Financial Liabilities

Initial Recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or loans and borrowings as appropriate. The Group and the Company determine the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction cost.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent Measurement

Loans and Borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective profit/interest rate method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Instruments (continued)

(ii) Financial Liabilities (continued)

Subsequent Measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

This category includes derivative financial instruments entered into by the Group and the Company that do not meet the hedge accounting criteria. Financial liabilities at fair value through profit or loss are carried on the statement of financial position at fair value with gains or losses recognised in the profit or loss.

(iii) Offsetting of Financial Instruments

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 offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses.

(v) Amortised Cost of Financial Instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Instruments (continued)

(vi) Derecognition of Financial Instruments

Financial Assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

Financial Liabilities

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

2.8 Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(i) Financial Assets (continued)

Loans and Receivables

For loans and receivables carried at amortised cost, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

(ii) Non-financial Assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries, associates and jointly controlled entities), are reviewed at each reporting date to determine whether there is any indication of impairment. The carrying amounts of certain classes of assets are reviewed whenever events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(ii) Non-financial Assets (continued)

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing the value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in a subsequent year. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(ii) Non-financial Assets (continued)

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the profit or loss, a reversal of that impairment loss is also recognised in the profit or loss.

2.9 Cash and Cash Equivalents

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

2.10 Inventories

Inventories of petroleum products and non-tradeable spare parts are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges necessary to bring the inventories to their present locations and condition and is determined on the weighted average basis.

The cost of spare parts is the invoiced value from suppliers.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group or the Company have 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Provisions (continued)

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 16.

2.12 Employee Benefits

(i) Short Term Benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the profit or loss as incurred.

(iii) Defined Benefit Plans

Certain foreign subsidiaries make contributions to separate retirement benefit plans which are funded defined benefit plans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Employee Benefits (continued)

(iii) Defined Benefit Plans (continued)

Contributions to the retirement benefit plans are based on eligible employees' monthly emoluments less statutory contribution, to finance the retirement benefits payable to eligible employees.

The assets of the plans are held separately from the entity. The 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 return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the statement of financial position date on high quality corporate bonds or government bonds. The calculation is performed by an independent actuary using the Projected Unit Credit Method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss.

In calculating the obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Employee Benefits (continued)

(iii) Defined Benefit Plans (continued)

Where the calculation results in a benefit, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

As the eligible members of the Fund are mainly contracted to the entity, any shortfall of the Fund will be borne by the entity. The entity has agreed with the Trustees of the Fund to undertake such liability in respect of future contributions to the Fund which may be adjusted by the Trustees to recover such shortfall.

Actuarial valuations of the Funds are conducted by independent actuaries at regular intervals. Actuarial valuations are performed annually with the most recent valuations being 31 December 2012.

2.13 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current Tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation (continued)

(ii) Deferred Tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from initial recognition of goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the assets is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period statutory tax rates at the statement of financial position date.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation (continued)

(ii) Deferred Tax (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 Foreign Currency Transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in equity.

Exchange differences arising on the settlement of monetary items or on translation of monetary items at the reporting date are recognised in the profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss is recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Foreign Currency Transactions (continued)

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia are translated into Ringgit Malaysia at the exchange rates approximating those ruling at reporting date. The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are recognised in the consolidated profit or loss.

2.15 Borrowing Costs

Borrowing costs shall be recognised as an expense in the year in which they are incurred except borrowing costs incurred on projects-in-progress which are directly attributable to the acquisition, construction or production of the assets which necessarily takes a substantial year of time to be prepared for its intended use, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of qualifying asset commences when expenditures for the assets is being incurred, borrowing cost 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 ceases when all activities necessary to prepare the qualifying asset for its intended use are completed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowing Costs (continued)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings will be capitalised.

2.16 Revenue

Revenue from sale of petroleum products is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the year.

2.17 Financing Costs

Finance costs comprise interest payable on borrowings and profit share margin on Islamic Financing Facilities and unwinding of discount for provision of dismantling, removal and restoration costs.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting standard stated in Note 2.15. The financing costs on borrowings are recognised using the effective profit/interest rate method as stated in Note 2.7 (ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 PETRONAS Mesra Loyalty Programme

PETRONAS Mesra Loyalty Programme is an in-house loyalty programme where members are awarded with PETRONAS Mesra points at the point of sale made at PETRONAS Stations and Kedai Mesra. The monetary value attributed to the awarded points is treated as deferred revenue and only recognised as revenue in the profit or loss on redemption, cancellation and expiration of the points. Currently, members can redeem the awarded points for purchase of fuel at PETRONAS Stations or items at Kedai Mesra and PETRONAS Card Centre.

On an annual basis, fair value of the deferred revenue will be estimated by reference to the monetary value attributable to the awarded points and points redemption profile. This accounting treatment is in line with IC Interpretation 13, *Customer Loyalty Programmes*.

2.19 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.20 Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	At 1.1.2012 RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2012 RM'000
At cost						
Freehold land	967,420	21	11	(13,759)	67,394	1,021,087
Leasehold land						
– Long lease	523,524	312	8,088	(3,555)	10,176	538,545
– Short lease	12,262	–	–	–	–	12,262
Buildings	1,865,430	37	1,151	(5,509)	76,219	1,937,328
Plant, machinery, tankage and pipeline	1,684,518	17,697	154,296	(5,988)	73,143	1,923,666
Office equipment, furniture and fittings	312,196	3,161	645	(592)	36,054	351,464
Motor vehicles	57,813	1,211	2,511	–	235	61,770
Computer hardware and software	445,423	6,070	1,578	(399)	6,177	458,849
Projects-in-progress	390,655	307,215	–	–	(269,398)	428,472
	6,259,241	335,724	168,280	(29,802)	–	6,733,443

Group	At 1.1.2012 RM'000	Charge for the year RM'000	Acquisition of subsidiaries RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2012 RM'000
Accumulated depreciation and impairment losses						
Freehold land	1,202	–	–	–	–	1,202
Leasehold land						
– Long lease	51,754	6,899	3,625	(884)	(193)	61,201
– Short lease	3,921	166	–	–	193	4,280
Buildings	892,968	89,564	493	(4,244)	–	978,781
Plant, machinery, tankage and pipeline	1,031,187	108,645	64,064	(4,992)	–	1,198,904
Office equipment, furniture and fittings	210,621	32,235	349	(559)	–	242,646
Motor vehicles	47,662	6,834	1,471	–	–	55,967
Computer hardware and software	403,716	20,311	1,133	(398)	–	424,762
Projects-in-progress	–	–	–	–	–	–
	2,643,031	264,654	71,135	(11,077)	–	2,967,743

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1.4.2011 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2011 RM'000
At cost					
Freehold land	945,432	–	(3,285)	25,273	967,420
Leasehold land					
– Long lease	515,063	–	(1,990)	10,451	523,524
– Short lease	12,262	–	–	–	12,262
Buildings	1,819,484	79	(1,569)	47,436	1,865,430
Plant, machinery, tankage and pipeline	1,653,933	5,285	(15,642)	40,942	1,684,518
Office equipment, furniture and fittings	277,519	1,099	(566)	34,144	312,196
Motor vehicles	57,542	192	(756)	835	57,813
Computer hardware and software	435,503	3,797	(1,934)	8,057	445,423
Projects-in-progress	326,250	231,543	–	(167,138)	390,655
	6,042,988	241,995	(25,742)	–	6,259,241

Group	At 1.4.2011 RM'000	Charge for the period RM'000	Impairment for the period RM'000	Disposals/ Write-offs RM'000	At 31.12.2011 RM'000
Accumulated depreciation and impairment losses					
Freehold land	1,379	–	(177)	–	1,202
Leasehold land					
– Long lease	47,435	4,717	(163)	(235)	51,754
– Short lease	3,798	123	–	–	3,921
Buildings	827,849	65,607	418	(906)	892,968
Plant, machinery, tankage and pipeline	963,197	80,253	1,993	(14,256)	1,031,187
Office equipment, furniture and fittings	187,498	23,674	–	(551)	210,621
Motor vehicles	43,317	5,099	–	(754)	47,662
Computer hardware and software	385,151	20,480	–	(1,915)	403,716
	2,459,624	199,953	2,071	(18,617)	2,643,031

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Carrying amount 31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Freehold land	**1,019,885**	966,218	944,053
Leasehold land			
– Long lease	**477,344**	471,770	467,628
– Short lease	**7,982**	8,341	8,464
Buildings	**958,547**	972,462	991,635
Plant, machinery, tankage and pipeline	**724,762**	653,331	690,736
Office equipment, furniture and fittings	**108,818**	101,575	90,021
Motor vehicles	**5,803**	10,151	14,225
Computer hardware and software	**34,087**	41,707	50,352
Projects-in-progress	**428,472**	390,655	326,250
	3,765,700	3,616,210	3,583,364

Company	At 1.1.2012 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2012 RM'000
At cost					
Freehold land	**967,420**	**21**	**(13,759)**	**67,394**	**1,021,076**
Leasehold land					
– Long lease	**522,516**	**312**	**(3,555)**	**10,176**	**529,449**
– Short lease	**12,262**	**–**	**–**	**–**	**12,262**
Buildings	**1,838,338**	**37**	**(5,509)**	**76,219**	**1,909,085**
Plant, machinery, tankage and pipeline	**1,511,365**	**16,726**	**(5,971)**	**73,141**	**1,595,261**
Office equipment, furniture and fittings	**308,020**	**3,140**	**(576)**	**36,054**	**346,638**
Motor vehicles	**55,496**	**1,060**	**–**	**235**	**56,791**
Computer hardware and software	**435,955**	**6,070**	**(374)**	**6,013**	**447,664**
Projects-in-progress	**281,197**	**259,422**	**–**	**(269,232)**	**271,387**
	5,932,569	**286,788**	**(29,744)**	**–**	**6,189,613**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1.1.2012 RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2012 RM'000
Accumulated depreciation and impairment losses					
Freehold land	**1,202**	**–**	**–**	**–**	**1,202**
Leasehold land					
– Long lease	**51,557**	**6,890**	**(884)**	**(193)**	**57,370**
– Short lease	**3,921**	**166**	**–**	**193**	**4,280**
Buildings	**875,443**	**88,182**	**(4,244)**	**–**	**959,381**
Plant, machinery, tankage and pipeline	**914,058**	**100,089**	**(4,978)**	**–**	**1,009,169**
Office equipment, furniture and fittings	**206,668**	**32,144**	**(543)**	**–**	**238,269**
Motor vehicles	**45,345**	**6,825**	**–**	**–**	**52,170**
Computer hardware and software	**395,246**	**19,947**	**(373)**	**–**	**414,820**
Projects-in-progress	**–**	**–**	**–**	**–**	**–**
	2,493,440	**254,243**	**(11,022)**	**–**	**2,736,661**

Company	At 1.4.2011 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2011 RM'000
At cost					
Freehold land	945,431	–	(3,285)	25,274	967,420
Leasehold land					
– Long lease	514,053	–	(1,990)	10,453	522,516
– Short lease	12,262	–	–	–	12,262
Buildings	1,792,392	79	(1,569)	47,436	1,838,338
Plant, machinery, tankage and pipeline	1,482,150	4,620	(15,642)	40,237	1,511,365
Office equipment, furniture and fittings	273,364	1,066	(554)	34,144	308,020
Motor vehicles	54,945	192	(476)	835	55,496
Computer hardware and software	427,685	3,682	(1,934)	6,522	435,955
Projects-in-progress	272,050	174,048	–	(164,901)	281,197
	5,774,332	183,687	(25,450)	–	5,932,569

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1.4.2011 RM'000	Charge for the period RM'000	Impairment for the period RM'000	Disposals/ Write-offs RM'000	At 31.12.2011 RM'000
Accumulated depreciation and impairment losses					
Freehold land	1,379	–	(177)	–	1,202
Leasehold land					
– Long lease	47,245	4,710	(163)	(235)	51,557
– Short lease	3,797	124	–	–	3,921
Buildings	811,362	64,569	418	(906)	875,443
Plant, machinery, tankage and pipeline	852,436	73,884	1,993	(14,255)	914,058
Office equipment, furniture and fittings	183,605	23,602	–	(539)	206,668
Motor vehicles	40,713	5,107	–	(475)	45,345
Computer hardware and software	377,448	19,713	–	(1,915)	395,246
Projects-in-progress	–	–	–	–	–
	2,317,985	191,709	2,071	(18,325)	2,493,440

Company	Carrying amount 31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Freehold land	**1,019,874**	966,218	944,052
Leasehold land			
– Long lease	**472,079**	470,959	466,808
– Short lease	**7,982**	8,341	8,465
Buildings	**949,704**	962,895	981,030
Plant, machinery, tankage and pipeline	**586,092**	597,307	629,714
Office equipment, furniture and fittings	**108,369**	101,352	89,759
Motor vehicles	**4,621**	10,151	14,232
Computer hardware and software	**32,844**	40,709	50,237
Projects-in-progress	**271,387**	281,197	272,050
	3,452,952	3,439,129	3,456,347

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment losses

Group and Company	At 1.4.2011 RM'000	Impairment for the period RM'000	Reversal for the period RM'000	At 31.12.2011/ 31.12.2012 RM'000
Freehold land	1,379	–	(177)	**1,202**
Leasehold land				
– Long lease	616	–	(163)	**453**
Buildings	1,408	418	–	**1,826**
Plant, machinery, tankage and pipeline	208	1,993	–	**2,201**
	3,611	2,411	(340)	**5,682**

No impairment and reversal made in the current financial year. Impairment and reversal made in prior financial period relates to the impairment tests or appraisals conducted by internal and/or external parties.

Restrictions of land title

The titles to certain freehold and leasehold land are in the process of being registered in the Company's name.

Additions to projects-in-progress

Borrowing costs of the Group amounting to RM3,596,000 (31.12.2011: RM1,409,000) are included in the additions of projects-in-progress. The borrowing capitalisation rate on Islamic financing facility ranges from 3.8% to 4.2% (31.12.2011: 3.5% to 3.9%).

4. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Unquoted shares at cost	**223,998**	19,590	19,590

Details of the subsidiaries are stated in Note 31 to the financial statements.

5. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	31.12.2012 RM'000	31.12.2011/ 1.4.2011 RM'000	31.12.2012 RM'000	31.12.2011/ 1.4.2011 RM'000
Unquoted shares at cost	**25**	–	**25**	–
Share of post-acquisition profits and reserves	**4,325**	–	**–**	–
	4,350	–	**25**	–

Summary of financial information on jointly controlled entities:

	Group	
	31.12.2012 RM'000	31.12.2011/ 1.4.2011 RM'000
Total assets (100%)	**22,160**	–
Total liabilities (100%)	**13,080**	–
Revenue (100%)	**40,376**	–
Profit (100%)	**1,172**	–

Details of the jointly controlled entities are stated in Note 32 to the financial statements.

6. INVESTMENT IN ASSOCIATES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Unquoted shares at cost	**7,229**	5,825	5,825	**7,229**	5,825	5,825
Share of post-acquisition profits and reserves	**1,073**	3,571	2,945	**–**	–	–
	8,302	9,396	8,770	**7,229**	5,825	5,825

6. INVESTMENT IN ASSOCIATES (CONTINUED)

Security

Plant and equipment of an associate, Duta, Inc. costing RM41 million (31.12.2011: Nil) have been pledged as security for term loan facilities of a subsidiary, PETRONAS Energy Philippines, Inc. as set out in Note 14 to the financial statements.

Summary of financial information on associates:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Total assets (100%)	**173,968**	140,922	113,830
Total liabilities (100%)	**137,314**	101,822	77,990
Revenue (100%)	**12,819**	18,222	23,114
Profit (100%)	**1,473**	1,662	1,824

Details of the associates are stated in Note 33 to the financial statements.

7. PREPAID LEASE PAYMENTS

Group and Company	At 1.1.2012 RM'000	Additions RM'000	Disposals/ Write offs RM'000	At 31.12.2012 RM'000
At cost				
Leasehold land				
– Short lease	**56,694**	**1,492**	**(8,281)**	**49,905**
Prepaid rental	**561,714**	**63,537**	**–**	**625,251**
	618,408	**65,029**	**(8,281)**	**675,156**

7. PREPAID LEASE PAYMENTS (CONTINUED)

Group and Company	At 1.1.2012 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	At 31.12.2012 RM'000
Accumulated amortisation				
Leasehold land				
– Short lease	**27,055**	**2,554**	**(1,774)**	**27,835**
Prepaid rental	**187,175**	**26,407**	**–**	**213,582**
	214,230	**28,961**	**(1,774)**	**241,417**

Group and Company	At 1.4.2011 RM'000	Additions RM'000	Disposals/ Write offs RM'000	At 31.12.2011 RM'000
At cost				
Leasehold land				
– Short lease	57,091	–	(397)	56,694
Prepaid rental	503,462	58,252	–	561,714
	560,553	58,252	(397)	618,408

Group and Company	At 1.4.2011 RM'000	Charge for the period RM'000	Disposals/ Write offs RM'000	At 31.12.2011 RM'000
Accumulated amortisation				
Leasehold land				
– Short lease	25,862	1,590	(397)	27,055
Prepaid rental	169,805	17,370	–	187,175
	195,667	18,960	(397)	214,230

7. PREPAID LEASE PAYMENTS (CONTINUED)

Group and Company	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Carrying amount			
Leasehold land – Short lease	**22,070**	29,639	31,229
Prepaid rental	**411,669**	374,539	333,657
	433,739	404,178	364,886

Restrictions of land title

The titles to certain leasehold land are in the process of being registered in the Company's name.

8. INVENTORIES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Petroleum products	**1,277,281**	1,062,480	831,595	**1,232,962**	1,057,517	824,088
Others	**1,400**	1,287	1,005	**533**	535	274
	1,278,681	1,063,767	832,600	**1,233,495**	1,058,052	824,362

9. TRADE AND OTHER RECEIVABLES

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.4.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.4.2011 RM'000
Current assets:						
Trade receivables	**1,740,607**	1,456,771	1,309,034	**1,599,147**	1,433,069	1,278,551
Subsidy receivables	**2,159,900**	2,535,711	1,097,179	**2,159,900**	2,535,711	1,097,179
Other receivables, deposits and prepayments	**89,388**	65,415	89,371	**52,124**	66,133	89,874
Amounts due from:						
Subsidiaries	**–**	–	–	**80,363**	14,656	33,620
Related companies	**171,366**	179,548	171,866	**165,130**	179,548	171,866
Associate	**19,693**	–	1,453	**19,693**	–	1,453
	4,180,954	4,237,445	2,668,903	**4,076,357**	4,229,117	2,672,543

The Group uses ageing analysis to monitor the credit quality of the receivables. With respect to the trade and other receivables that are neither impaired nor past due, there is no indication as of reporting date that the debtors will not meet their payment obligations.

97.4% (31.12.2011: 98.0%) of gross trade receivables of the Group are within the credit terms.

Collaterals for the trade receivables are in the form of bank guarantee, Amanah Saham Bumiputera (ASB) and cash deposits.

The amounts due from subsidiaries, related companies and an associate arose in the normal course of business.

10. CASH AND CASH EQUIVALENTS

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.4.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.4.2011 RM'000
Cash and bank balances	**111,327**	276,968	146,586	**52,392**	273,994	141,444
Deposits placed with licensed banks	**139,973**	193,215	879,623	**106,087**	167,077	851,419
	251,300	470,183	1,026,209	**158,479**	441,071	992,863

11. SHARE CAPITAL

Group and Company	Number of shares 31.12.2012 ’000	31.12.2011 ’000	1.4.2011 ’000	Amount 31.12.2012 RM’000	31.12.2011 RM’000	1.4.2011 RM’000
Authorised:						
Ordinary shares of RM1.00 each	**1,000,000**	1,000,000	1,000,000	**1,000,000**	1,000,000	1,000,000
Issued and fully paid:						
Ordinary shares of RM1.00 each	**993,454**	993,454	993,454	**993,454**	993,454	993,454

12. RESERVES

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credits and tax exempt income to distribute approximately RM1,274,543,264 of its distributable reserves at 31 December 2012, if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credits as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional year on 31 December 2013, whichever is earlier.

Capital Reserves

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprise merger reserve/(deficit) and capital contribution.

(i) Merger reserve/(deficit)

Merger reserve/(deficit) represent the excess of cost of acquisition over the Group’s interest in the net carrying value of identifiable net assets, liabilities and contingent liabilities of the acquiree. Merger reserve/(deficit) is classified as part of non-distributable reserves.

(ii) Capital contribution

Capital contribution represents the excess of amount paid or payable to the Group over the cost of acquisition. Capital contribution is classified as part of non-distributable reserves.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group’s presentation currency.

13. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of a subsidiary.

14. BORROWINGS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Current						
Unsecured						
Revolving credit	**314,894**	1,000,000	–	**300,000**	1,000,000	–
Islamic financing facility	**9,762**	–	–	**–**	–	–
	324,656	1,000,000	–	**300,000**	1,000,000	–
Non-current						
Secured						
Term loan	**26,809**	–	–	**–**	–	–
Unsecured						
Islamic financing facility	**112,238**	73,411	16,232	**–**	–	–
	139,047	73,411	16,232	**–**	–	–

Terms and debt repayment schedule

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31.12.2012					
Secured					
Term Loan	**26,809**	**–**	**2,234**	**16,085**	**8,490**
Unsecured					
Revolving credit	**314,894**	**314,894**	**–**	**–**	**–**
Islamic financing facility	**122,000**	**9,762**	**13,460**	**43,615**	**55,162**
	436,894	**324,656**	**13,460**	**43,615**	**55,162**

14. BORROWINGS (CONTINUED)

Terms and debt repayment schedule (continued)

	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Group					
31.12.2011					
Unsecured					
Revolving credit	1,000,000	1,000,000	–	–	–
Islamic financing facility	73,411	73,411	–	–	–
	1,073,411	1,073,411	–	–	–
Group					
01.04.2011					
Unsecured					
Islamic financing facility	16,232	–	–	16,232	–
Company					
31.12.2012					
Unsecured					
Revolving credit	**300,000**	**300,000**	**–**	**–**	**–**
Company					
31.12.2011					
Unsecured					
Revolving credit	1,000,000	1,000,000	–	–	–

14. BORROWINGS (CONTINUED)

Unsecured Revolving Credit

The unsecured revolving credit is obtained by the Group and primarily bears interest at fixed rate (for each drawdown) at 3.25% to 3.61% per annum (31.12.2011: 3.67% to 3.80%).

Secured Term Loan

On 23 July 2012, a seven-year loan of RM41 million was obtained from Bank of Philippines Island, of which RM14.1 million was still undrawn as at 31 December 2012, with principal repayment of 60 equal monthly instalments starting 23 August 2014. Interest rate is equal to 30-day Treasury Security plus 1.15% as determined by the lender bank and this is equivalent to 3.16% per annum for the year ended 31 December 2012.

This loan was used to finance the construction of a new refilling plant in Naga, Philippines. The plant assets of Duta, Inc. (the associate of the Group) located in Naga are used as collaterals for this loan.

Unsecured Islamic Financing Facility

The unsecured Islamic financing facility is governed by the ***Musharakah Mutanaqisah*** principle and bears a floating profit margin of 0.5% (31.12.2011: 0.5%) above the financing bank's cost of fund per annum and the facility would be subscribed latest by February 2013.

Repayment of the principal portion will commence from June 2013 at a predetermined amount until March 2021, if the facility is fully subscribed.

15. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year/period prior to offsetting are as follows:

Group	At 1.1.2012 RM'000	Charged to profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31.12.2012 RM'000
Deferred tax liabilities				
Property, plant and equipment	**160,332**	**(20,315)**	**–**	**140,017**
Deferred tax assets				
Other provisions	**–**	**–**	**702**	**702**

	At 1.4.2011 RM'000	Charged to profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31.12.2011 RM'000
Deferred tax liabilities				
Property, plant and equipment	162,833	(2,501)	–	160,332

Company	At 1.1.2012 RM'000	Charged to profit or loss RM'000	At 31.12.2012 RM'000
Deferred tax liabilities			
Property, plant and equipment	**146,367**	**(18,519)**	**127,848**

	At 1.1.2011 RM'000	Charged to profit or loss RM'000	At 31.12.2011 RM'000
Deferred tax liabilities			
Property, plant and equipment	147,459	(1,092)	146,367

16. OTHER LONG TERM LIABILITIES AND PROVISIONS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Dismantling, removal and restoration costs	**19,372**	20,346	19,564	**19,372**	20,346	19,564
Pension liability	**424**	–	–	**–**	–	–
	19,796	20,346	19,564	**19,372**	20,346	19,564

Dismantling, removal and restoration costs

The movement of provision for dismantling, removal and restoration costs during the financial year/period is shown below:

	Group and Company	
	31.12.2012 RM'000	31.12.2011 RM'000
Balance at 1 January/1 April	**20,346**	19,564
Additional provisions	**37**	54
Reversal of provisions	**(3,022)**	(1,240)
Unwinding of discount	**2,011**	1,968
Balance at 31 December	**19,372**	20,346

Under provisions of certain land lease agreements, the Company has an obligation to dismantle and remove structures on certain sites and restore those sites at the end of the lease term to an acceptable condition consistent with the lease agreement.

16. OTHER LONG TERM LIABILITIES AND PROVISIONS (CONTINUED)

For these affected sites, the liabilities for dismantling, removal and restoration costs are recognised at present value of the compounded future expenditure estimated using existing technology, at current prices and discounted using a real discount rate.

The present value of the estimated costs is capitalised as part of the asset and the related provisions raised on the date when the obligation arises. The capitalised cost is depreciated over the expected life of the asset. The increase in the net present value of the provision for the expected cost is included as finance costs in the profit or loss.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision.

While the provision is based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

Pension Liability

One of a subsidiary within the Group has a funded defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the member's final average monthly salary and continuous service. The Group's annual contribution to the retirement plan consists of a payment covering the current service cost for the year plus a payment toward funding the actuarial accrued liability. The latest actuarial valuation of the Group is dated 31 December 2012.

17. TRADE AND OTHER PAYABLES

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.4.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.4.2011 RM'000
Other payables	**738,569**	661,299	530,935	**658,782**	652,399	519,977
Deferred revenue	**32,396**	34,877	31,118	**32,396**	34,877	31,118
Amounts due to:						
Holding company	**691,694**	373,185	253,415	**691,691**	373,185	253,415
Subsidiaries	**–**	–	–	**2,812**	757	1,422
Related companies	**2,829,565**	2,516,585	2,530,477	**2,788,405**	2,516,585	2,530,478
Jointly controlled entities	**8,364**	–	–	**8,364**	–	–
Associates	**440**	14,515	5,128	**440**	14,515	5,128
	4,301,028	3,600,461	3,351,073	**4,182,890**	3,592,318	3,341,538

Deferred revenue is attributable to the monetary value of the awarded Mesra points. The movement has been recorded in the profit or loss. On an annual basis, the fair value of the deferred revenue will be estimated by reference to the monetary value attributable to the awarded points and the points redemption profile.

While the deferred revenue is based on the best estimate of future redemption profile, there is uncertainty regarding the trend of redemption. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

The amounts due to holding company, subsidiaries, related companies, jointly controlled entities and associates arose in the normal course of business.

18. OPERATING PROFIT

	Group Year ended 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Company Year ended 31.12.2012 RM'000	Company 1.4.2011 to 31.12.2011 RM'000
Included in operating profit are the following charges:				
Audit fees				
– KPMG Malaysia	**490**	451	**404**	381
– Overseas affiliates of KPMG Malaysia	**18**	–	**–**	–
Amortisation of prepaid lease payments	**28,961**	18,960	**28,961**	18,960
Bad debt written off	**934**	1,845	**934**	1,845
Contribution to EPF	**33,642**	30,369	**32,975**	30,149
Depreciation of property, plant and equipment	**264,654**	199,953	**254,243**	191,709
Impairment losses on trade receivables	**15,173**	417	**10,790**	359
Inventories written off	**2**	–	**–**	–
Impairment losses on property, plant and equipment	**–**	2,411	**–**	2,411
Non-audit fees paid				
– KPMG Malaysia	**151**	28	**151**	28
Net foreign exchange loss	**21,881**	–	**22,117**	–
Property, plant and equipment expensed off	**6,209**	8,525	**5,999**	8,166
Rental of land and building	**31,241**	27,077	**24,851**	22,756
Rental of plant and equipment	**7,725**	5,089	**7,694**	5,081
Staff costs	**246,390**	183,488	**236,917**	179,203

18. OPERATING PROFIT (CONTINUED)

	Group Year ended 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Company Year ended 31.12.2012 RM'000	Company 1.4.2011 to 31.12.2011 RM'000
and credits:				
Dividend income from subsidiaries	**–**	–	**7,800**	13,650
Interest income from deposits	**22,182**	10,456	**21,147**	9,735
Income from rental of premises	**1,807**	1,481	**1,494**	1,064
Net foreign exchange gain	**–**	17,241	**–**	17,241
Reversal of impairment losses on trade receivables	**6,994**	144	**6,936**	111
Reversal of impairment losses on property, plant and equipment	**–**	340	**–**	340

19. FINANCING COSTS

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000
Unwinding of discount				
- Provision for dismantling, removal and restoration costs	**2,011**	1,968	**2,011**	1,968
Interest on revolving credit	**8,603**	6,117	**8,600**	6,117
Interest on term loan	**20**	–	**–**	–
	10,634	8,085	**10,611**	8,085

20. TAX EXPENSE

	Group		Company	
	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Current tax expense				
Current year/period	**342,495**	246,039	**333,153**	238,646
Prior period/year	**(277)**	(3,913)	**–**	(3,946)
	342,218	242,126	**333,153**	234,700
Deferred tax expense				
Origination and reversal of temporary differences	**(20,525)**	(3,073)	**(18,519)**	(1,664)
Under provision in prior period/year	**210**	572	**–**	572
	(20,315)	(2,501)	**(18,519)**	(1,092)
	321,903	239,625	**314,634**	233,608

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

20. TAX EXPENSE (CONTINUED)

Group	%	Year ended 31.12.2012 RM'000	%	1.4.2011 to 31.12.2011 RM'000
Profit before taxation		**1,165,171**		898,925
Taxation at Malaysian statutory tax rate	**25**	**291,293**	25	224,731
Effect of different tax rates in foreign jurisdiction	**0**	**221**	–	–
Non-deductible expenses	**3**	**30,456**	2	18,235
	28	**321,970**	27	242,966
(Over)/Under provision in prior period/year				
– tax expense	**(0)**	**(278)**	(1)	(3,913)
– deferred tax expense	**0**	**211**	0	572
Tax expense	**28**	**321,903**	26	239,625

Company	%	Year ended 31.12.2012 RM'000	%	1.4.2011 to 31.12.2011 RM'000
Profit before taxation		**1,146,695**		886,629
Taxation at Malaysian statutory tax rate	**25**	**286,674**	25	221,657
Non-deductible expenses	**2**	**27,960**	2	15,325
	27	**314,634**	27	236,982
(Over)/Under provision in prior period/year				
– tax expense	**(0)**	**–**	(1)	(3,946)
– deferred tax expense	**0**	**–**	0	572
Tax expense	**27**	**314,634**	26	233,608

21. DIVIDENDS

	Group and Company 31.12.2012 RM'000	Group and Company 31.12.2011 RM'000
2011 – Interim and final paid:		
2011 – Third interim dividend of 15 sen per ordinary share less tax at 25% (2011: 35 sen less tax at 25%)	**111,763**	260,782
2011 – Special dividend of 35 sen per ordinary share less tax at 25% (2011: 25 sen less tax at 25%)	**260,782**	186,273
2012 – Interim paid:		
2012 – First interim dividend of 17.5 sen per ordinary share less tax at 25% (2011: 15 sen less tax at 25%)	**130,391**	111,763
2012 – Second interim dividend of 17.5 sen per ordinary share less tax at 25% (2011: 15 sen less tax at 25%)	**130,391**	111,763
2012 – Third interim dividend of 17.5 sen per ordinary share less tax at 25% (2011: Nil)	**130,391**	–
	763,718	670,581

The Directors had declared a fourth interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 and propose a special dividend of 35 sen less tax at 25% per ordinary share amounting to RM260,781,675 in respect of the financial year ended 31 December 2012 in which have not been accounted for in the financial statements.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group and Company 31.12.2012 RM'000	Group and Company 31.12.2011 RM'000
Directors		
Fees	**534**	392
Other short term benefits (including estimated monetary value of benefits-in-kind)	**21**	21
	555	413

The Company pays management fee to the holding company in relation to services of an executive director and also fees for certain non executive directors of the Company as disclosed in Note 26.

23. EARNINGS PER SHARE - GROUP

Basic earnings per share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and number of ordinary shares outstanding calculated as follows:

	Year ended 31.12.2012	1.4.2011 to 31.12.2011
Profit for the year/period attributable to shareholders (RM'000)	**836,843**	654,533
Number of ordinary shares ('000)	**993,454**	993,454
Earnings per ordinary share (sen)	**84.2**	65.9

24. BUSINESS COMBINATION OF ENTITIES UNDER COMMON CONTROL

The net effect arising from business combination of entities under common control on the cash flows and the carrying amount of assets and liabilities are as follows:

	Carrying amount at the date of business combination RM'000
Property, plant and equipment	94,915
Investments	–
Intangible assets	1,932
Current assets	230,388
Current liabilities	(193,986)
Net identifiable assets and liabilities assumed	133,249
Add: Merger deficit	71,159
Purchase consideration	204,408
Less: Cash and cash equivalents of subsidiaries	(39,309)
Cash flow on business combination, net of cash acquired	165,099

25. COMMITMENTS

Outstanding commitments in respect of capital expenditure at reporting date not provided for in the financial statements are:

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Approved and contracted for	**52,037**	20,459	**50,843**	15,903
Approved but not contracted for	**120,195**	88,128	**119,612**	75,268
	172,232	108,587	**170,455**	91,171

26. RELATED PARTIES DISCLOSURES

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

The Group's and the Company's related parties include subsidiaries, associates, jointly controlled entities as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year/period:

	Group		Company	
	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Sales of petroleum products:				
Related companies	**2,012,031**	2,043,257	**2,012,031**	2,043,257
Federal and State Governments of Malaysia	**346,779**	359,319	**346,779**	359,319
Government of Malaysia's related entities	**4,025,184**	5,689,035	**4,001,909**	5,689,035
Purchases of petroleum products:				
Related companies	**27,622,653**	25,337,691	**27,622,261**	25,337,691
Holding company	**376,002**	265,653	**376,002**	265,653

26. RELATED PARTIES DISCLOSURES (CONTINUED)

	Group		Company	
	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	Year ended 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Fees for representation in the Board of Directors*:				
Holding company	**834**	851	**834**	851

* Fees paid directly to holding company in respect of Directors who are appointees of the holding company, holding positions of Vice President and above.

Information regarding outstanding balances arising from related party transactions as at 31 December 2012 are disclosed in Note 9 and Note 17.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis.

27. SEGMENTAL INFORMATION

Operating segments

An operating segment is a component of the Group 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 Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker, which is the Board of Directors, to make decisions about resources to be allocated to the segment and assess the Group's performance and for which discrete financial information is available.

The Group's reportable segments are as follows:

- Retail – consist of sales and purchase of petroleum products to the retail sector
- Commercial – consist of sales and purchase of petroleum products to the commercial sector
- Others – comprise mainly of aviation fuelling services and business activities other than in retail and commercial segment

27. SEGMENTAL INFORMATION (CONTINUED)

Segment performance is evaluated based on profit or loss before tax and is measured consistently with profit or loss before tax in the consolidated financial statements.

Reportable Segments	Retail Year ended 31.12.2012 RM'000	Retail 1.4.2011 to 31.12.2011 RM'000	Commercial Year ended 31.12.2012 RM'000	Commercial 1.4.2011 to 31.12.2011 RM'000	Others Year ended 31.12.2012 RM'000	Others 1.4.2011 to 31.12.2011 RM'000	Elimination Year ended 31.12.2012 RM'000	Elimination 1.4.2011 to 31.12.2011 RM'000	Group Year ended 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000
Revenue	**13,494,247**	9,448,513	**16,019,794**	12,880,761	**170,219**	37,478	**(169,297)**	(98,959)	**29,514,963**	22,267,793
Operating expenditures:										
Depreciation and amortisation	**234,049**	182,210	**55,906**	34,922	**3,660**	1,781	**–**	–	**293,615**	218,913
Finance costs	**8,637**	6,769	**1,997**	1,316	**–**	–	**–**	–	**10,634**	8,085
Impairment of property, plant and equipments	**–**	2,411	**–**	–	**–**	–	**–**	–	**–**	2,411
Reversal of impairment of property, plant and equipments	**–**	(340)	**–**	–	**–**	–	**–**	–	**–**	(340)
Profit before taxation for reportable segments	**581,578**	380,032	**381,826**	394,948	**16,950**	17,331	**–**	724	**980,354**	793,035
Other income	**119,257**	77,872	**–**	–	**63,920**	41,043	**–**	(13,650)	**183,177**	105,265
Share of profit after tax of associates									**1,640**	625
Profit before taxation									**1,165,171**	898,925

Geographical segments

No disclosure on geographical segment information as the Group currently operates predominantly in Malaysia.

Major customers

No disclosure on major customer information as no customer represents equal or more than 10 percent of Group revenue.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

(i) Loans and receivables ("L&R");
(ii) Loan and payables ("L&P"); and
(iii) Fair value through profit and loss ("FVTPL").

31.12.2012 Group	Note	L&R/ L&P RM'000	FVTPL RM'000	Carrying amount RM'000
Financial assets				
Trade and other receivables	9	**4,139,395**	**–**	**4,139,395**
Cash and cash equivalents	10	**251,300**	**–**	**251,300**
		4,390,695	**–**	**4,390,695**
Financial liabilities				
Borrowings	14	**463,703**	**–**	**463,703**
Trade and other payables	17	**4,271,627**	**–**	**4,271,627**
		4,735,330	**–**	**4,735,330**
31.12.2011 Group				
Financial assets				
Trade and other receivables	9	4,167,266	–	4,167,266
Cash and cash equivalents	10	470,183	–	470,183
		4,637,449	–	4,637,449
Financial liabilities				
Borrowings	14	1,073,411	–	1,073,411
Trade and other payables	17	3,550,841	583	3,551,424
		4,624,252	583	4,624,835

28. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

1.4.2011 Group	Note	L&R/ L&P RM'000	FVTPL RM'000	Carrying amount RM'000
Financial assets				
Trade and other receivables	9	2,595,471	48	2,595,519
Cash and cash equivalents	10	1,026,209	–	1,026,209
		3,621,680	48	3,621,728
Financial liabilities				
Borrowings	14	16,232	–	16,232
Trade and other payables	17	3,304,865	150	3,305,015
		3,321,097	150	3,321,247
31.12.2012 Company				
Financial assets				
Trade and other receivables	9	**4,027,785**	**–**	**4,027,785**
Cash and cash equivalents	10	**158,479**	**–**	**158,479**
		4,186,264	**–**	**4,186,264**
Financial liabilities				
Borrowing	14	**300,000**	**–**	**300,000**
Trade and other payables	17	**4,143,415**	**–**	**4,143,415**
		4,443,415	**–**	**4,443,415**

28. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

31.12.2011 Company	Note	L&R/ L&P RM'000	FVTPL RM'000	Carrying amount RM'000
Financial assets				
Trade and other receivables	9	4,158,954	–	4,158,954
Cash and cash equivalents	10	441,071	–	441,071
		4,600,025	–	4,600,025
Financial liabilities				
Borrowing	14	1,000,000	–	1,000,000
Trade and other payables	17	3,542,700	583	3,543,283
		4,542,700	583	4,543,283
1.4.2011 Company				
Financial assets				
Trade and other receivables	9	2,599,109	48	2,599,157
Cash and cash equivalents	10	992,863	–	992,863
		3,591,972	48	3,592,020
Financial liabilities				
Borrowing	14	–	–	–
Trade and other payables	17	3,295,328	150	3,295,478
		3,295,328	150	3,295,478

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management

Petroliam Nasional Berhad (PETRONAS) has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the PETRONAS Group.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, the Group and the Company adopt appropriate measures to mitigate these risks in accordance with their views of the balance between risk and reward.

The main financial risks faced by the Group and the Company arising from its use of financial instruments in their normal activities are credit risk, liquidity risk, market risk, profit or interest rate risk and foreign currency risk.

Credit Risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from receivables from customers and placement in money market.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Trade and Other Receivables

Credit evaluations are performed on an on-going basis where customer's credit worthiness is evaluated using a list of qualitative and quantitative weighted criteria.

The Group and the Company mitigate their credit risks within a conservative framework by dealing with creditworthy counterparties or setting credit limits on exposures to counterparties where appropriate. These are done on an on-going basis to constantly monitor any developments. The Group and the Company further mitigate and limit credit risks by securing collateral or other credit enhancements such as cash deposits, letter of credit and bank guarantee.

On reporting date, there is a significant concentration of credit risk of the Group arising from an amount owing from a customer constituting 32% (31.12.2011: 29%) of the total trade receivables of the Company, of which all outstanding balances are current.

In addition, there is a significant concentration of credit risk of the Group being an amount owing from the Government constituting 96% (31.12.2011: 97%) of the total other receivables of the Company relating to subsidies arising from the Automatic Pricing Mechanism governing the sale of petroleum products.

The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset, without taking into account the fair value of any collateral.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fund and Other Investment

The Group and the Company engage PETRONAS Group Treasury to perform placement of its excess cash in short term money market. PETRONAS Group Treasury performs the function in accordance to its existing policies and guidelines on credit risk management. The Group's and the Company's cash management objective is to preserve capital and generate additional returns above appropriate benchmark within allowable risk parameters, which among others is due to requirement to place with approved counterparties who meet the appropriate rating and within approved credit limit.

As at the reporting date, the Group and the Company have only interest in short term domestic money market instrument. In view of the fund credit rating of counterparties, the Group and the Company do not expect any counterparties to fail to meet its obligation.

Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Maturity Analysis

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

Group	Carrying amount RM'000	Effective profit or interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31.12.2012							
Financial Liabilities							
Unsecured Islamic Financing Facility							
Floating rate	**122,000**	**3.90**	**143,910**	**14,498**	**17,585**	**52,755**	**59,072**
Unsecured Revolving Credit							
Floating rate	**314,894**	**3.43**	**315,794**	**315,794**	**–**	**–**	**–**
Secured Term Loan							
Fixed rate	**26,809**	**3.16**	**26,880**	**–**	**2,240**	**16,128**	**8,512**
Trade and other payables	**4,271,627**		**4,271,627**	**4,271,627**	**–**	**–**	**–**
	4,735,330		**4,758,211**	**4,601,919**	**19,825**	**68,883**	**67,584**
31.12.2011							
Financial Liabilities							
Unsecured Islamic Financing Facility							
Floating rate	73,411	3.89	83,912	2,817	13,893	52,755	14,447
Unsecured Revolving Credit							
Floating rate	1,000,000	3.69	1,003,071	1,003,071	–	–	–
Trade and other payables	3,550,841		3,550,841	3,550,841	–	–	–
	4,642,252		4,637,824	4,556,729	13,893	52,755	14,447
1.4.2011							
Financial Liabilities							
Unsecured Islamic Financing Facility							
Floating rate	16,232	3.52	17,724	575	571	16,578	–
Trade and other payables	3,304,865		3,304,865	3,304,865	–	–	–
	3,321,097		3,322,589	3,305,440	571	16,578	–

28. FINANCIAL INSTRUMENTS (CONTINUED)

Maturity Analysis (continued)

Company	Carrying amount RM'000	Effective profit or interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31.12.2012							
Financial Liabilities							
Unsecured Revolving Credit							
Floating rate	**300,000**	**3.61**	**300,903**	**300,903**	**–**	**–**	**–**
Trade and other payables	**4,143,415**		**4,143,415**	**4,143,415**	**–**	**–**	**–**
	4,443,415		**4,444,318**	**4,444,318**	**–**	**–**	**–**
31.12.2011							
Financial Liabilities							
Unsecured Revolving Credit							
Floating rate	1,000,000	3.69	1,003,071	1,003,071	–	–	–
Trade and other payables	3,542,700		3,542,700	3,542,700	–	–	–
	4,542,700		4,545,771	4,545,771	–	–	–
1.4.2011							
Financial Liabilities							
Trade and other payables	3,295,328		3,295,328	3,295,328	–	–	–

28. FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Market risk is the risk or uncertainty arising from changes in market prices and their impact on the performance of the business. The market price changes that the Group and the Company is exposed to include profit or interest rates and foreign currency exchange rates.

Profit or Interest Rate Risk

Profit or interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Group's exposure to the risk of changes in market rates relates primarily to the Islamic financing facility of a subsidiary with floating profit margin. Changes in the profit margin may expose the Group to a risk of change in cashflow.

The Group's remaining interest bearing financial asset and financial liability, which consists mainly of fixed rate short term fund placement, short-term revolving credit facilities and fixed rate secured term loan do not have significant exposure to interest rate risk.

All profit or interest rate exposures are monitored and managed proactively in line with PETRONAS's policies and guidelines.

As at 31 December 2012, 3.0% (31.12.2011: 2.0%) of the interest bearing financial liabilities of the Group are floating rate instruments.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Profit Margin Risk Sensitivity Analysis

At 31 December 2012, it is estimated that any general increase/decrease of 100 basis points (bps) in profit margin of the Islamic financing liability, with all other variables held constant, would not have any significant impact to the Group's cash flows.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to foreign currency exchange risk arises as a natural consequence of the Group and the Company engaging in business activities. Although, the Group and the Company operate predominantly in Malaysia and transact mainly in Malaysian Ringgit, the Group and Company do enter into transactions that are denominated in other currencies, mainly US Dollars. The Company mitigates its foreign currency exposure through forward foreign currency contract.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency Risk (continued)

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

	31.12.2012		31.12.2011		1.4.2011	
Group	**USD'000**	**RM'000**	**USD'000**	**RM'000**	**USD'000**	**RM'000**
Financial assets						
Cash and cash equivalents	**11,782**	**36,083**	31,736	100,650	15,765	47,696
Trade and other receivables	**189,742**	**581,087**	140,083	444,272	68,935	208,566
	201,524	**617,170**	171,819	544,922	84,700	256,262
Financial liabilities						
Trade and other payables	**39,615**	**121,237**	28,318	89,811	9,969	30,163
Net exposure	**161,909**	**495,933**	143,501	455,111	74,731	226,099

Company						
Financial assets						
Cash and cash equivalents	**11,676**	**35,756**	31,736	100,650	15,765	47,696
Trade and other receivables	**189,742**	**581,087**	140,083	444,272	68,935	208,566
	201,418	**616,843**	171,819	544,922	84,700	256,262
Financial liabilities						
Trade and other payables	**12,835**	**39,308**	28,318	89,811	9,969	30,163
Net exposure	**188,583**	**577,535**	143,501	455,111	74,731	226,099

28. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency Risk (continued)

Currency risk sensitivity analysis

The following table demonstrates the indicative pre-tax effects on the profit of applying reasonably foreseeable market movements in the currency exchange rates:

	31.12.2012		31.12.2011	
	Change in currency rate %	Effect on profit or loss RM'000	Change in currency rate %	Effect on profit or loss RM'000
Group				
USD	**5**	**24,797**	5	22,756
Company				
USD	**5**	**28,877**	5	22,756

This analysis assumes all other variables, in particular interest rates, remain constant.

A depreciation in USD would have had equal but opposite effect, on the basis that all other variables remain constant.

Recognised Financial Instruments

The Group's and the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

Fair Value

The fair values of financial liabilities measured at amortised cost, together with the carrying amounts are as follows:

	31.12.2012		31.12.2011		1.4.2011	
Group and Company	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Loan and receivables						
Forward foreign currency contract	**–**	**–**	–	–	48	48
Loan and payables						
Forward foreign currency contract	**–**	**–**	583	583	150	150

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy

Comparative figures have not been presented for 31 December 2012 by virtue of paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** Input for the asset or liability that are not based on observable market data (unobservable input).

Group and Company 31 December 2012 RM'000	Level 1	Level 2	Level 3	Total
Financial liabilities				
Forward foreign currency contracts	–	–	–	–
31 December 2011 RM'000				
Financial liabilities				
Forward foreign currency contracts	–	583	–	583
1 April 2011 RM'000				
Financial liabilities				
Forward foreign currency contracts	–	150	–	150

28. FINANCIAL INSTRUMENTS (CONTINUED)

Income/(expense), net gains and losses arising from financial instruments

Group	Net gain/(loss) 31.12.2012 RM'000	31.12.2011 RM'000
Financial instruments through profit and loss	**1,201**	(1,167)
Loans, receivables and payables	**7,723**	21,580
Total	**8,924**	20,413

29. CAPITAL MANAGEMENT

The Group defines capital as total equity and debt. The objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholders' value. As a subsidiary of Petroliam Nasional Berhad (PETRONAS), the Group's approach in managing capital is set out in the PETRONAS Group Corporate Financial Policy.

The Group monitors and maintains a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with shareholders' agreements and regulatory requirements if any.

The debt equity ratio of the Group as at 31 December 2012 is 2.9:100 (31.12.2011: 1.5:100).

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

30. HOLDING COMPANY

The holding company is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

31. SUBSIDIARIES AND ACTIVITIES

	Effective Percentage Holding 31.12.2012	31.12.2011	1.4.2011	Principal Activities
Companies incorporated in Malaysia				
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	**65%**	65%	65%	Operation of aviation fuelling at Kuala Lumpur International Airport, Sepang.
Lub Dagangan Sdn. Bhd.	**100%**	100%	100%	Marketing and distribution of lubricants.
PETRONAS Aviation Sdn. Bhd.	**100%**	–	–	Sales & marketing of aviation fuel and technical consultancy service.

	Effective Percentage Holding 31.12.2012	31.12.2011/ 1.4.2011	Principal Activities
Companies incorporated in Netherlands			
**PDB Netherlands B.V.	**100%**	–	Investment holding company.

31. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective Percentage Holding 31.12.2012	31.12.2011/ 1.4.2011	Principal Activities
Companies incorporated in Philippines			
* PETRONAS Energy Philippines, Inc.	**100%**	–	Buying, selling, storing, distributing and marketing of liquefied petroleum gas (LPG) and other petroleum products.
Companies incorporated in Thailand			
* PETRONAS International Marketing (Thailand) Company Limited	**100%**	–	Marketing and distribution of lubricants.
Companies incorporated in Vietnam			
* PETRONAS (Vietnam) Co., Ltd.	**100%**	–	Store, process and distribute LPG.
* Thang Long LPG Company Limited	**100%**	–	To liquefy petroleum gas, sell and maintain LPG transmission system and lease jetty.

* Consolidated based on unaudited financial statements.

** Not audited by KPMG and consolidated based on unaudited financial statements.

32. JOINTLY CONTROLLED ENTITIES AND ACTIVITIES

	Effective Percentage Holding 31.12.2012	31.12.2011	1.4.2011	Principal Activities
Companies incorporated in Malaysia				
*PS Pipeline Sdn. Bhd.	**50%**	50%	50%	To maintain and operate the Multi-Product Pipeline and Klang Valley Distribution Terminal (MPP-KVDT) and the associated facilities for the transportation of the petroleum products on behalf of the MPP- KVDT owners/ shareholders.
*PS Terminal Sdn. Bhd.	**50%**	50%	50%	To operate, manage and maintain the joint facilities – terminal, depot, warehouse etc. in Tawau and Bintulu on behalf of the owners PETRONAS Dagangan Berhad and Shell Timur Sdn. Bhd.

* Share of results was based on unaudited financial statements.

33. ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding 31.12.2012	31.12.2011	1.4.2011	Principal Activities
Companies incorporated in Malaysia				
**IOT Management Sdn. Bhd.	**20%**	20%	20%	To operate and manage a petroleum storage terminal with facilities for receipt, storage and delivery of petroleum products at Senari, Kuching, Sarawak for the users, PETRONAS Dagangan Berhad and Shell Timur Sdn. Bhd.
** Assar Chemicals Dua Sdn. Bhd.	**20%**	20%	20%	To own, operate and manage a petroleum storage terminal with facilities for receipt, storage and delivery of petroleum products located at Bandar Baru Tanjung Manis, Mukah, Sarawak for the users, PETRONAS Dagangan Berhad and Shell Timur Sdn. Bhd.

** Not audited by KPMG and share of results was based on unaudited financial statements.

33. ASSOCIATES AND ACTIVITIES (CONTINUED)

	Effective Percentage Holding 31.12.2012	31.12.2011	1.4.2011	Principal Activities
Companies incorporated in Philippines				
*Duta, Inc.	**40%**	–	–	To buying, investing, and selling securities (leasing of its properties to PETRONAS Energy Philippines, Inc.).

* Share of results was based on unaudited financial statements.

34. EXPLANATION OF TRANSITION TO MFRS

As stated in note 1.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the period ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 April 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Group and of the Company.

35. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

The following new and revised MFRSs, amendments and IC interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company:

Effective for annual periods beginning on or after 1 January 2013

MFRS 10,	*Consolidated Financial Statements*
MFRS 11,	*Joint Arrangements*
MFRS 12,	*Disclosure of Interests in Other Entities*
MFRS 13,	*Fair Value Measurement*
MFRS 119,	*Employee Benefits (2011)*
MFRS 127,	*Separate Financial Statements (2011)*
MFRS 128,	*Investments in Associates and Joint Ventures (2011)*
Amendments to MFRS 7,	*Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 1,	*First–time Adoption of Malaysian Financial Reporting Standards - Government Loans*
Amendments to MFRS 1,	*First–time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*

35. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT (CONTINUED)

Effective for annual periods beginning on or after 1 January 2013 (continued)

Amendments to MFRS 101,	*Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 116,	*Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 132,	*Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 134,	*Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 10,	*Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11,	*Joint Arrangements: Transition Guidance*
Amendments to MFRS 12,	*Disclosure of Interests in Other Entities: Transition Guidance*

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132,	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Effective for annual periods beginning on or after 1 January 2015

MFRS 9,	*Financial Instruments (2009)*
MFRS 9,	*Financial Instruments (2010)*
Amendments to MFRS 7,	*Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

35. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT (CONTINUED)

The adoption of the above pronouncements except for MFRS 9, MFRS 10, and MFRS 11 are not expected to have material impact on the financial statements of the Group and of the Company in the period of initial application.

Material impacts of initial application of MFRS 9, MFRS 10, and MFRS 11 are discussed below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in change in accounting policy for financial assets. The Group will assess the financial impact of adopting MFRS 9 in the following financial year.

MFRS 10, *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*.

35. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT (CONTINUED)

MFRS 10, *Consolidated Financial Statements (continued)*

There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

MFRS 11, *Joint Arrangements*

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation.

Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

36. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued an IC interpretation which are not yet effective, but for which is not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2013

IC 20,	*Stripping Costs in the Production Phase of a Surface Mine*

37. RETAINED EARNINGS

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012, into realised and unrealised profits, pursuant to the directive by Bursa Malaysia Securities Berhad, is as follows:

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Total retained profits				
– realised	**4,005,357**	3,989,420	**3,917,508**	3,866,290
– unrealised	**(145,016)**	(164,638)	**(133,656)**	(150,781)
	3,860,341	3,824,782	**3,783,852**	3,715,509
Total retained profits of associates attributable to the Group				
– realised	**5,237**	3,574	**–**	–
– unrealised	**(26)**	(3)	**–**	–
Less: Consolidation adjustments	**(6,981)**	(42,907)	**–**	–
Total retained profits	**3,858,571**	3,785,446	**3,783,852**	3,715,509

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PETRONAS DAGANGAN BERHAD, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 143 to 198 (up to Note 36).

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibility (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries, of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) The audit report on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

TO THE MEMBERS

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 37 to the financial statements has been compiled by the Group and the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG DESA MEGAT & CO.
Firm Number: AF 0759
Chartered Accountants

AHMAD NASRI ABDUL WAHAB
Approval Number: 2919/03/14(J)
Chartered Accountant

Petaling Jaya,
Date: 21 February 2013

NET BOOK VALUE OF LAND AND BUILDINGS OF THE COMPANY

	Freehold			Leasehold			Total Land			Buildings
	Net Book Value of Land RM'000	No. of Lots	Area (sq. ft.)	Net Book Value of Land RM'000	No. of Lots	Area (sq. ft.)	Net Book Value of Land RM'000	No. of Lots	Area (sq. ft.)	Net Book Value of Buildings RM'000
CENTRAL REGION	385,767	116	8,740,556	276,684	86	3,218,994	662,451	202	11,959,550	334,902
NORTHERN REGION	183,122	86	13,311,966	51,375	38	3,619,038	234,497	124	16,931,004	192,374
SOUTHERN REGION	263,634	93	3,572,197	57,900	28	956,060	321,534	121	4,528,257	155,055
EAST COAST REGION	57,784	40	1,309,086	21,893	43	1,417,940	79,677	83	2,727,026	92,050
WESTERN REGION	95,727	57	1,656,345	17,203	17	439,691	112,930	74	2,096,036	57,624
SARAWAK	2,125	3	81,302	27,833	36	1,265,134	29,958	39	1,346,436	63,229
SABAH	3,314	8	185,613	27,173	26	1,778,521	30,487	34	1,964,134	53,342
HQ	28,401	1	36,603,280	–	–	–	28,401	1	36,603,280	1,128
Grand Total	**1,019,874**	**404**	**65,460,345**	**480,061**	**274**	**12,695,378**	**1,499,935**	**678**	**78,155,723**	**949,704**

USAGE OF LAND PROPERTIES*

	Bulk Depot	Klang Valley Distribution Terminal	LPG Storage & Bottling Plant	Multi Product Pipeline	Shophouse	Service Station**	Training Centre & Service Station	Warehouse	Vacant Land	Grand Total
CENTRAL REGION	–	2	–	–	–	185	1	–	14	202
NORTHERN REGION	3	–	–	–	1	110	–	–	10	124
SOUTHERN REGION	–	–	–	–	–	113	–	–	8	121
EAST COAST REGION	–	–	1	–	–	74	–	1	7	83
WESTERN REGION	–	–	–	–	–	64	–	–	10	74
SARAWAK	3	–	–	–	–	36	–	–	–	39
SABAH	3	–	–	–	–	28	–	–	3	34
HQ	–	–	–	1	–	–	–	–	–	1
Grand Total	**9**	**2**	**1**	**1**	**1**	**610**	**1**	**1**	**52**	**678**

* Build on Freehold and Leasehold land only.

** The remaining stations were built on land on operating and prepaid leases.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-first Annual General Meeting of PETRONAS Dagangan Berhad ("the Company") will be held on Wednesday, 24 April 2013 at 10.00 a.m. at the Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur for the following purposes, namely:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of special dividend of 35 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2012. **(Resolution 2)**
3. To re-elect the following Directors pursuant to Article 93 of the Company's Articles of Association:
   (a) Datuk Wan Zulkiflee bin Wan Ariffin **(Resolution 3)**
   (b) Dato Mohammad Medan bin Abdullah **(Resolution 4)**
4. To elect the following Directors pursuant to Article 96 of the Company's Articles of Association:
   (a) Lim Beng Choon **(Resolution 5)**
   (b) Aminul Rashid bin Mohd Zamzam **(Resolution 6)**
5. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2012. **(Resolution 7)**
6. To re-appoint Messrs. KPMG Desa Megat & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**
7. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of members at the Thirty-first Annual General Meeting to be held on 24 April 2013, a special dividend of 35 sen per ordinary share less income tax at 25% will be paid on 27 May 2013 to shareholders whose names appear in the Record of Depositors on 30 April 2013.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 April 2013 in respect of ordinary transfers.

(b) Shares bought on the Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

NUR ASHIKIN BINTI KHALID (LS 0008025)
YEAP KOK LEONG (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
2 April 2013

NOTES:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-first Annual General Meeting, the Company shall be requesting the Record of Depositors as at 17 April 2013. Only a depositor whose name appears on the Record of Depositors as at 17 April 2013 shall be entitled to attend and vote at the meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

2. A member of the Company entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the omnibus account, there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised and must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, not less than forty-eight (48) hours before the time fixed for the meeting.

7. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.

8. Dato' Kamaruddin bin Mohd Jamal who is due for retirement under Section 129 of the Companies Act, 1965 has indicated to the Company that he would not seek for re-appointment at this Annual General meeting. Therefore, Dato' Kamaruddin bin Mohd Jamal shall cease to be a Director of the Company at the conclusion of this Annual General Meeting.

ADMINISTRATIVE DETAILS

PETRONAS DAGANGAN BERHAD 31ST ANNUAL GENERAL MEETING

Registration

1. Registration will start at 8.15 a.m. on 24 April 2013 in front of the Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur.

2. Please produce your original Identity Card (“IC”) to the registration staff for verification. Please make sure you collect your IC thereafter.

3. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.

4. You will also be given an identification tag. No person will be allowed to enter the meeting room without the identification tag. There will be no replacement in the event that you lose or misplace the identification tag.

5. No person will be allowed to register on behalf of another person even with the original IC of that other person.

6. The registration counter will handle only verification of identity and registration.

Help Desk

7. Please proceed to the Help Desk for any clarification or enquiry.

8. The Help Desk will also handle revocation of proxy’s appointment.

Parking

9. Please take note that PETRONAS Dagangan Berhad (“PDB”) will not be giving cash reimbursements for parking this year. Instead, you are advised to park at P1 / P2 / P3 / P4 of Mandarin Oriental Kuala Lumpur. Please bring along your parking ticket for validation at the counter near the Sapphire Ballroom.

10. By validating the parking ticket, you will not be charged for parking when you leave. Please be advised that the ticket would expire by 4 p.m. on 24 April 2013. Any additional costs incurred for parking after 4 p.m. will not be borne by PDB.

11. Please be advised that PDB will not reimburse any parking costs incurred at any other location. As such, please observe the parking areas mentioned in Item 9 above.

Annual Report

12. PDB’s Annual Report for Financial Year 2012 is available on:

    http://www.bursamalaysia.com

    http://www.mymesra.com.my

PROXY FORM

PETRONAS DAGANGAN

I/We ______________________________ Tel: ______________________________

of ____

being a member of PETRONAS Dagangan Berhad ("the Company") hereby appoint:

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-first Annual General Meeting of the Company to be held at the Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, on Wednesday, 24 April 2013 at 10.00 a.m. and at any adjournment thereof.

	***Ordinary Business**	For	Against
1.	To receive Directors' Report and Financial Statements		
2.	Approval of Special Dividend		
3.	To re-elect Director under Article 93 : Datuk Wan Zulkiflee bin Wan Ariffin		
4.	To re-elect Director under Article 93 : Dato Mohammad Medan bin Abdullah		
5.	To elect Director under Article 96 : Lim Beng Choon		
6.	To elect Director under Article 96 : Aminul Rashid bin Mohd Zamzam		
7.	Approval of Payment of Directors' Fees		
8.	Re-appointment of Auditors		

* Please refer to the Notice of Annual General Meeting for full details of the proposed Resolutions.

(Please indicate with an "x" in the spaces provided whether you wish your vote to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.)

Number of Ordinary Shares Held	
CDS Account No.	

Date: ______________________________

____

Signature/Common Seal of Shareholder(s)

Notes :

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-first Annual General Meeting, the Company shall be requesting the Record of Depositors as at 17 April 2013. Only a depositor whose name appears on the Record of Depositors as at 17 April 2013 shall be entitled to attend and vote at the meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
2. A member of the Company entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“SICDA”), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the omnibus account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A (1) of SICDA.
5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised and must be deposited at the Company’s Share Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, not less than forty-eight (48) hours before the time fixed for the meeting.
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Affix
Stamp

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor

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CORPORATE DIRECTORY

Head Office

Level 30-33, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088, Kuala Lumpur
Tel : 03-2051 5000
Fax : 03-2026 5505

Area Offices

Central Region
Level 12, Menara Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 11946
50762, Kuala Lumpur
Tel : 03-2783 6000
Fax : 03-2260 1527

Officer in Charge :
M Ajmi Abdi

Northern Region
Lot No. 93
Prai Industrial Estate
13600, Prai, Pulau Pinang
Tel : 04-390 7291/7201
Fax : 04-399 0211

Manager in Charge :
Amirruddin Harun

Southern Region
1st & 2nd Floor
Bangunan PETRONAS
Bandar Baru UDA
Km 7, Jalan Skudai
81200, Johor Bahru, Johor
Tel : 07-233 6000
Fax : 07-233 6001

Manager in Charge :
Badruldin Isami Ibrahim

Eastern Region
A-39 & A-43, Jalan Haji Abdul Aziz
25000, Kuantan, Pahang
Tel : 09-513 7022//7099
Fax : 09-514 4040

Manager in Charge :
Azri Othman

Sarawak Region
3rd & 4th Floor
Wisma Naim
Lot 2679, Jalan Rock
93200, Kuching, Sarawak
Tel : 082-25 5200
Fax : 082-42 9958

Manager in Charge :
Ibrahim Ihsan

Sabah Region
Lot 7a01-7a13, Block A, Level 7
Karamunsing Complex
88300, Kota Kinabalu, Sabah
Tel : 088-525 777
Fax : 088-269 817

Manager in Charge :
Abg A Wahab Abg A Majid

PETRONAS
DAGANGAN

LEAPING FORWARD

annual report 2012