BRAND OF CHOICE

PETRONAS Dagangan Berhad
Annual Report **2013**

PETRONAS

Brand of CHOICE

As the country's leading marketer of downstream petroleum products, we are committed to sustain our growth agenda even in a challenging market environment. With the right people, a culture of innovation, a world-class supply chain coupled with a wide range of quality products and differentiated services, we are confident that we will continue to be the Brand of Choice for Malaysians even in the years ahead.

BUSINESS HIGHLIGHTS

RETAIL

PETRONAS Stations

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

Kedai Mesra

725 Kedai Mesra nationwide.

COMMERCIAL

Reinforced its leading position with an impressive **68.2%** market share.

LPG

Maintain its leading position with a **57.2%** market share.

32nd

Annual General Meeting of
PETRONAS DAGANGAN BERHAD

Wednesday, 16 April 2014 at 10.00am

Sapphire Room, Level 1,
Mandarin Oriental Kuala Lumpur,
Jalan Pinang, Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia.

TOTAL ASSETS
RM10,167.3
million

PROFIT BEFORE TAX
RM1,109.4
million

MARKET CAPITALISATION
RM31,234.2
million

LUBRICANTS

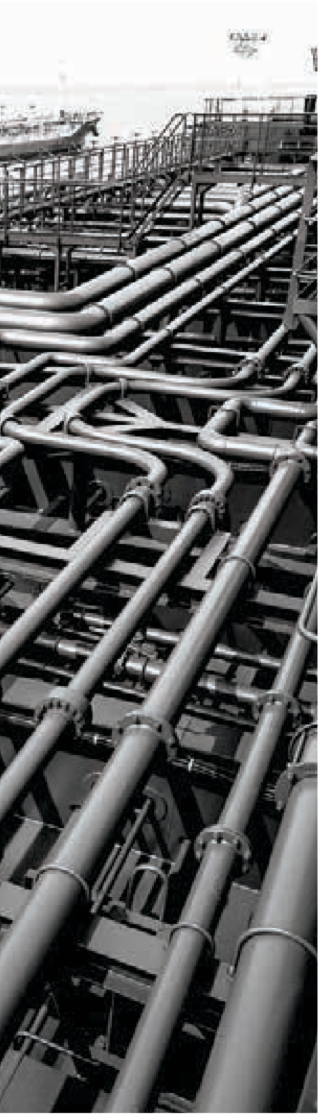
Improvement of
13.0%
in gross margin through better portfolio management.

WHAT'S INSIDE


50 KG
50 KG
12 KG
14 KG
GAS
SYNTIUM

CHAIRMAN'S STATEMENT

PDB continued to demonstrate its resilience by staying ahead of the competition and further strengthened its overall market leadership position in Malaysia.



Our Retail Business upheld its position as having the largest nationwide service station network and expanded operations with the opening of 42 new stations, bringing the total number of stations to more than 1,000.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report for PETRONAS Dagangan Berhad (PDB) for the year ended 31 December 2013.

The past year has indeed been a challenging one, amidst intense competition and volatile fuel prices. PDB continued to demonstrate its resilience by staying ahead of the competition and further strengthened its overall market leadership position in Malaysia. Overall, the company's operations, competitive posture and foundation for profitable growth remain strong, and we will continue to be diligent in improving operational efficiencies, innovating and taking advantage of market momentum in unique ways.

ECONOMIC LANDSCAPE

2013 was a year of significant global economic volatility and uncertainty, and saw a decline in the world economy to 2.9% from 3.2% in 2012. Advanced economies, including the US and Japan continued to experience lower growth rates while the Eurozone remained in recession. Emerging economies also experienced lower economic growth as a result of the instability in commodity prices.

On the home front, the Malaysian economy sustained its growth momentum, expanding by 4.7% in 2013. The sturdy domestic economy was fuelled by growth in private and public investments for major infrastructure and investment projects under the Economic Transformation Programme (ETP) and regional development corridors. These trends also resulted in stable employment conditions and sustained wage increase, thus encouraging private consumption.

OPERATIONAL HIGHLIGHTS

The Company took full advantage of the stable domestic economy and its own solid track record, growing from strength to strength in all of its business segments.

During the course of 2013, our Retail Business upheld its position as having the largest nationwide service station network and expanded operations with the opening of 42 new stations, bringing the total number of stations to more than 1,000. The extensive geographical reach of our service station network enables us to provide our customers with quality fuel and differentiated service across the country.

A key highlight of the year was the launch of PETRONAS LubeXperts, our fully branded lubricant outlets, throughout Peninsular Malaysia. With a total of 41 outlets nationwide, this is part of our commitment to deliver automotive fluid products through customer-centric offerings, as well as expand the business into the high-street segment, differentiating our service in the market.

In 2013, we also strengthened our position in selected regional markets as part of efforts to solidify our business base in supporting our business expansion beyond Malaysia to capture more growth potential.

Meanwhile, the Commercial Business once again dominated the market with an overall 68.2% market share. We made significant progress this year, particularly in the Aviation Fuel and Fuel Oil segments, securing new contracts at key international airports and entering into aviation technical services for local and international companies. This achievement underscores our cost competitiveness, reliability of supply and personalised customer service.

Reinforcing our position as Malaysia's No. 1 Cooking Gas, our LPG Business actively ventured into new markets in the urban areas within the Klang Valley, while the Lubricants Business increased its overall domestic volume by 0.4% against the corresponding period last year following our success in securing contract extensions from our key Original Equipment Manufacturer (OEM) customers as well as acquiring new supply arrangements.

In 2013, we also strengthened our position in selected regional markets as part of efforts to solidify our business base in supporting our business expansion beyond Malaysia to capture more growth potential.

Whilst it has only been a year since our foray into the region, we were able to make significant headways in the LPG Business in Vietnam and the Philippines as well as the Lubricants Business in Thailand. More importantly, we were able to improve our gross margin in Vietnam and increased our market penetration in the Philippines. We also achieved positive tractions for our volume in Thailand.

Overall, we have made commendable progress to deliver growth in this area, strongly supported by our efforts in continuous innovation, strategic partnerships, cost optimisation and brand equity enhancement.

FINANCIAL PERFORMANCE

PDB registered a revenue of RM32,341.9 million for the year under review, backed by a volume growth of 8.5% as compared to the corresponding period last year. The unfavourable Means of Platts Singapore (MOPS) price movement had impacted our profitability, despite the higher volume growth. In addition, operating expenditures had increased by 6.7% against corresponding period last year, mainly from advertising and promotional efforts to strengthen our Brand. This had resulted in a Profit Before Tax (PBT) of RM1,109.4 million, a decline of 4.8%.

As part of our promise to deliver strong shareholder value in the form of dividend yield, the Board of Directors has declared and paid interim dividends of 17.5 sen per share for each quarter, totalling 70.0 sen per share for the financial year ended 31 December 2013. Section 108 tax credit had been fully utilised in quarter 2 of 2013.

With strong market fundamentals in place, PDB's share price maintained an upward trend, having increased its share price to RM31.44 as at 31 December 2013, as compared to RM23.50 as at 31 December 2012. Our shareholders' fund decreased by less than 0.4% to RM4,790.1 million as compared to RM4,810.0 million as at 31 December 2012.

CORPORATE RESPONSIBILITY

At PDB, sustainable business practices are essential to how we operate. We see corporate social responsibility as a major part of doing business and strive to be a socially responsible entity that ensures not only the safety of our workforce and host communities but also the environment in which we operate.

Towards this end and in line with the PETRONAS Group's Corporate Sustainability Framework, our Corporate Social Responsibility (CSR) programmes are focused on three (3) core areas, namely environmental conservation, road safety and community-based initiatives.

In 2013, we launched our 'Water for Life' programme, a CSR initiative emphasising the importance of sustainable water conservation. The programme was initiated in partnership with the Malaysian

Nature Society (MNS) and involved the installation of a rain water harvesting system in SMK Seri Selayang as well as the installation of piping and filtering system, water tanks and a rainwater harvesting system in Kampung Jemeri, Rompin and Kampung Ulu Geroh, Gopeng.

In addition, we continued to advocate road safety through our flagship campaign, the PETRONAS Coffee Break, for the 14th consecutive year. We also rolled-out the "PETRONAS Street Smart" campaign, aimed at creating road safety awareness amongst school students.

As part of our commitment to corporate governance, we continued to ensure full compliance with the PETRONAS Code of Business Ethics (CoBE), which was launched in April 2012. This is an ongoing effort along with our No Gift Policy, Whistleblower Policy and Anti-Bribery and Corruption Guidelines to inculcate a culture of integrity and business ethics throughout the Group.

OUTLOOK AND WAY FORWARD

The events of the past decade have made us highly aware that business conditions can change very rapidly and without warning. We recognise that the continuing global economic climate may pose a challenge to the business, particularly the downside risk of crude oil price volatility. However, we strive to overcome these challenges and capitalise on the strong foundations of PDB that we have built up over the years. On the positive side, global economic growth for 2014 is projected to increase to about 3.7%, due to higher demand as a result of the recovering global market environment.

Moreover, the Malaysian economy is expected to grow between 5.0% and 5.5% in 2014, largely due to improvement in external demand. While inflationary pressures remain a concern, political stability as well as private and public investments are expected to spur Malaysia's economic growth.

Against this backdrop, our focus to grow our four core businesses remains. Our passion to deliver innovative products and differentiated services to customers will undoubtedly contribute to our aspiration of being an industry leader and the Brand of 1st Choice.

Our passion to deliver innovative products and differentiated services to customers will undoubtedly contribute to our position as an industry leader.

On the domestic front, we will continue to ramp up efforts to lead the market in the Retail and Lubricants businesses while pursuing strategies to defend our market leadership position in the Commercial and LPG businesses. This is achieved through reliable supply of quality products, strategic network expansion and delivery of differentiated and personalised services to our customers. We will also continue to pursue cost optimisation initiatives as we strengthen our extensive supply and distribution network across the country as well as in our regional business.

As for our regional business, we will continue to nurture and grow our international subsidiaries to ensure that we build a stronger foothold in the regional markets where we have ventured into.

We strongly believe that focusing on our ability to innovate and to grow will place the company in an excellent position to maintain our business success and industry leadership position.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to thank all our shareholders for their continuous support. The Company's robust growth over the years is a reflection of the shareholders' trust in PDB. It remains our priority to consistently deliver shareholder value while expanding the Company's business both domestically and regionally.

I would like to express my heartfelt appreciation to all of our customers for making us the Brand of 1st Choice. We will continue to serve to the best interests of our customers through innovation, superior service levels and differentiated customer offerings.

Allow me to also convey my deepest thanks to the Board of Directors, management and staff who, through their hard work and unwavering dedication, continue to deliver strong performance to maximise the value of our assets for our shareholders.

On this note, I would like to acknowledge the contribution of our outgoing Board members Dato' Kamaruddin bin Mohd Jamal, Dato Mohammad Medan bin Abdullah and Encik Amir Hamzah bin Azizan. Last but not least, my sincerest gratitude to the former Managing Director/Chief Executive Officer (MD/CEO) Encik Aminul Rashid bin Mohd Zamzam for his leadership and commitment in further strengthening our position in the marketplace.

As part of our succession planning, allow me to welcome Encik Mohd. Farid bin Mohd. Adnan to the Board of Directors and Encik Mohd Ibrahimnuddin bin Mohd Yunus to the Board as well, in his capacity as the MD/CEO of the company. They bring with them the right mix of top corporate leadership, operational and financial expertise to drive our teams to greater heights of achievement.

The year ahead will be another eventful period for PDB. We are poised and positioned for growth, and I am encouraged and excited about the future as we continue to focus on building our competitive advantage and making positive decisions that will shape the company for years to come. I look forward to your continued interest and support as we progress to the next chapter in 2014.

Datuk Wan Zulkiflee
Chairman

MD/CEO'S STATEMENT

All our four (4) core business segments strived to deliver our brand promise to our customers via timely delivery of quality product, strategic network expansion and differentiated offerings.

Dear Shareholders,

OVERVIEW

As the Brand of 1st Choice, PETRONAS Dagangan Berhad continued to make steady progress in 2013 as demonstrated by our strong business and financial performance. Backed by a strong domestic economy, PDB further strengthened its market leadership position. This was notwithstanding a highly competitive domestic market coupled with volatile crude oil prices.

The four (4) core business segments delivered on our brand promise through timely delivery of quality products, strategic network expansion and differentiated offerings. In our pursuit to continually deliver the highest value to our customers, we have rolled out cost optimisation initiatives across the organisation and these will continue to be a priority as we move into 2014.

The year 2013 recorded the first full year since we spread our wings beyond the Malaysian shores into the Philippines, Vietnam and Thailand in late 2012. We have devoted intense efforts to ensure value creation from business synergy, operational excellence and sound corporate governance. Leveraging on the strength of our domestic operations, we are eager to unlock the potential of these regional companies in the medium to long term.

FINANCIAL PERFORMANCE OVERVIEW

Backed by a robust domestic economic growth of 4.7%, we further strengthened our market leadership position through strong marketing and sales initiatives as demonstrated by a revenue of RM32,341.9 million for the year ended 31 December 2013, an increase of RM2,826.9 million compared to the corresponding period last year. This is largely attributed to the growth in volume, an increase of 8.5% from the corresponding period last year.

PDB strategically expanded its retail network with 42 new stations, further strengthening PETRONAS' position as the largest petrol station network in Malaysia, with a total network of more than 1,000 stations.

The trust in PETRONAS as the Brand of 1st Choice stems from the reliable product quality as well as the timely delivery of our services.

Unfavourable Means of Platts Singapore (MOPS) price movement remains a challenge for the industry as evident by our lower Profit Before Tax of RM1,109.4 million, a decline of 4.8% as compared to corresponding period last year. Among the key factors that resulted in the volatility of the MOPS price movement were concerns about the economic recovery of the advanced nations as well as geopolitical issues in the Middle East and North Africa.

Earnings per share decreased from 84.2 sen in the corresponding period last year to 81.7 sen as at 31 December 2013, while shareholders' fund experienced a slight decrease of 0.4% to RM4,790.1 million as at 31 December 2013, compared to RM4,810.0 million during the corresponding period last year.

Meanwhile, total assets increased to RM10,167.3 million as at 31 December 2013 as compared to RM9,923.7 million in the corresponding period last year.

As part of our promise to deliver strong shareholder value in the form of dividend yield, the Board of Directors has declared and paid interim dividends of 17.5 sen per share for each quarter, totalling 70.0 sen per share for the financial year ended 31 December 2013. Section 108 tax credit had been fully utilised in the second quarter of 2013.

DOMESTIC BUSINESS PERFORMANCE OVERVIEW

For the year under review, our efforts at upping the game as the Brand of 1st Choice continued as the Retail Business strengthened the position of our PETRONAS PRIMAX fuel.

In 2013, PDB strategically expanded its retail network with 42 new stations, further strengthening PETRONAS' position as the largest petrol station network in Malaysia, with a total network of more than 1,000 stations. Alongside the new stations, the Retail Business also continued to bring more convenience to customers via its 725 Kedai Mesra nationwide.

The daily average fuel sales saw a 4.1% increase with the overall sales volume increasing by 3.8% as compared to the corresponding period last year. The non-fuel income also recorded a growth of 11.3% from the corresponding period last year, further establishing our Kedai Mesra business as an increasingly significant contributor to PDB's bottom line.

To continue differentiating our offerings to our customers, we ventured into strategic collaboration with our business partners at our PETRONAS Stations, including quick-serve restaurants, banking facilities, courier services and other conveniences such as Touch 'n Go and e-Pay.

The success in the market place was also reflected in the industry-wide and national recognitions we won. PDB clinched the Putra Brand Awards for Automotive Fuel Category for the fourth consecutive year as well as the Reader's Digest Trusted Brands Award in the Best Petrol Station Category.

For the Commercial Business, we continued the growth momentum via our portfolio of petroleum products such as Diesel, Aviation Fuel, Fuel Oil and Asphalt. For the year under review, we maintained our market leadership in this segment with an impressive 11.7% increase in sales volume contributed by the Aviation and Fuel Oil businesses.

Our extensive in-road into the aviation sector is a result of our long-lasting and strong partnership with our airline clients. The trust in PETRONAS as the Brand of 1st Choice stems from the reliable product quality as well as the timely delivery of our services.

Furthermore, for the year under review, we complemented our offerings to domestic airline customers via the supply of fuel at selected international airports including London (Heathrow), Hong Kong, Denpasar, Batam and Pekan Baru in Indonesia to cater to their fuelling needs beyond the Malaysian air space. In recognition of our performance in this sector, we have been awarded the Best Regional Fuel Marketer in Asia Pacific at the IATA Fuel Forum in Berlin.

We also successfully boosted the marine bunker business market share to 25% for the year under review from 5% in the corresponding period last year. This is a result of the increasing trust in timely delivery of quality products to our marine bunker customers at the local ports since 2008.

PDB's LPG Business further strengthened their domestic market leadership position with an overall increase of 4.8% in sales volume compared to the corresponding period last year. The significant growth was attributed to PDB's efforts at making aggressive in-roads into new markets, particularly in the urban areas within the Klang Valley. This growth was further compounded by the injection of a new batch of cylinders and a stable supply of LPG products in 2013. However, owing to higher LPG prices, sales volume for the 50kg cylinder and bulk sales ebbed marginally by 1.9%.

In 2013, we undertook several key initiatives to further strengthen our position as Malaysia's No. 1 Cooking Gas including enhancing Gas PETRONAS Home Delivery (GPHD) service. We conducted trainings on customer service, safety checks and basic maintenance of cooking stoves for our 75 GPHD delivery agents and dealers. We also continued our annual practice of sponsoring *Bubur Lambuk* cooking events during the month of Ramadhan as well as cooking competitions across the nation as part of our on-the-ground activities.

For the year under review, the Lubricants Business registered an increase of 0.3% in our domestic volume compared to that in the corresponding period last year. This was the result of effective product portfolio management, especially through the Original Equipment Manufacturer (OEM) business. As a sure sign of confidence in the quality of our lubricant products, technological capability and supply reliability, we successfully secured contract extensions from our key OEM customers, Cycle & Carriage as well as Ingress Auto. We also locked in a 3-year supply agreement with Boon Siew Honda to supply to all Honda authorised motorcycle outlets.

This year marked another milestone for the Lubricants Business as we made significant progress in the Industrial and Marine Lubricants segment. We entered into a supply agreement with Felda Global Ventures (FGV) to supply to all their plantations throughout Peninsular Malaysia.

PDB's Lubricants Business continued to provide differentiated offerings to its customers via our 41 PETRONAS LubeXperts outlets across the nation. These achievements along with the BrandLaureate Best Brands Awards for Product Branding – Best Brands in Consumer Category for Car Lubricants signal the clear progress we have made in pushing the boundaries as the Brand of 1st Choice in the Lubricants Business.

OPERATIONAL EXCELLENCE

The business achievements have been skillfully supported by the significant improvements made in our supply and distribution network. Our fleet optimisation exercise has successfully rendered our secondary distribution cost to be at an optimum level, resulting in a more competitive value offering to our customers.

During the year under review, we were able to improve the Overall Equipment Efficiency of our LPG filling plants to 87% from 81% in the corresponding period last year. The initiation of the first Flexspeed facility in Malaysia for our LPG terminal operations in Melaka also contributed to this significant improvement.

In support of the Government's effort to introduce and offer biodiesel throughout the country, we have successfully upgraded our terminal facilities in Pasir Gudang, Kuantan, Prai, Lumut and Kerteh ahead of the initial timeline.

REGIONAL BUSINESS PERFORMANCE OVERVIEW

PDB's international subsidiaries continued to gain traction through the newly acquired PETRONAS (Vietnam) Co Ltd (PVL), PETRONAS Energy Philippines Inc (PEPI), and PETRONAS International Marketing (Thailand) Co Ltd (PIMTCL).

For the LPG Business, PVL has achieved improvement in its gross margin due to a strategic shift to focus on the household cylinder segment. This is against a backdrop of aggressive competition by a multitude of small local players. In the Philippines, we were able to further penetrate into the Luzon market. Meanwhile, in the Visayas and Mindanao areas, there have been significant improvements in supply and

distribution cost with further savings expected since the operationalisation of the Naga terminal.

For the Lubricants Business, despite the intensely competitive market, PIMTCL delivered positive traction for its volume due to growth in the industrial segment and improved distributor capability.

Since the acquisition of the international subsidiaries, dynamic integration efforts have been undertaken to continue creating synergistic value. As part of our efforts to always uphold corporate governance, we have adopted a new organisation structure, rolled out revised Limits of Authorities, reviewed policies, processes and systems with relevant enhancements being planned for the year ahead.

CORPORATE GOVERNANCE

Corporate governance is of paramount importance to PDB, transcending well beyond just having the right policies and procedures. For PDB, sound corporate governance stems from fostering a culture of accountability and responsibility across the organisation, at every level and across all functions.

We are committed to observe the principles and recommendations of the Malaysian Code of Corporate Governance 2012 to ensure sound corporate governance is practiced at all times, both within the organisation as well as in our dealings with external parties.

Following the rollout of the PETRONAS Code of Conduct and Business Ethics (CoBE) in April 2012, the focus in 2013 has been to ensure the compliance of all PDB employees, directors (independent and non-independent) and business partners (contractors, sub-contractors, agents and representatives who perform works or services for or on behalf of PDB) to the ethical standards enunciated in the CoBE.

In order to complement the objectives of CoBE, the Whistleblowing Policy has been introduced. This provides an avenue for employees and members of the public to disclose any improper conduct within the Group. The PETRONAS Anti-Bribery and Corruption (ABC) Manual has also been introduced to instil and propagate a culture of integrity and business ethics throughout the Group.

For the year under review, we continued our ongoing practice of ensuring timely and transparent communication by continuously engaging with the analysts and fund managers through our quarterly Analyst Briefing sessions.

We will continue to deliver differentiated services to our customers at our PETRONAS Stations via strategic collaboration with business partners.

OUTLOOK FOR 2014

With the global economy on an upward trend and the domestic demand continuing to fuel the Malaysian economy, 2014 presents itself with unique opportunities for PDB to tap into. However, the challenges posed by the intense market competition, domestic inflationary pressure and volatile MOPS price movement resulting from the continuing geopolitical instability in the Middle East and North Africa set a challenging tone for 2014. PDB is determined to remain resilient and further consolidate its market leadership as the Brand of 1st Choice.

BUSINESS DIVISIONS

In 2014, we will further promote the quality of our PETRONAS PRIMAX fuel via strong marketing strategies and effective on-the-ground rollout. While strategic expansion continues to be on our agenda, we will continue to sweat our existing assets by ensuring network efficiency and encouraging high performing dealers.

We will also continue to deliver differentiated services to our customers at our PETRONAS Stations via strategic collaboration with business partners whilst at the same time, enhance our loyalty programme via our Kad Mesra offerings to ensure our loyal customers continue to be rewarded.

For Commercial Business, we will pursue value enhancement in our domestic market via cost competitiveness, leveraging on our extensive supply and distribution network. We will also continue to support our customers via differentiated and superior services to ensure we remain as the preferred partner.

LPG Business will defend its market leadership in the segment through targeted marketing in selected regions. Cost optimisation will also remain key in our LPG business strategy via ensuring optimum cylinder turnaround time and terminal operational excellence. We will continue to strengthen community ties via on-the-ground customer engagement activities. We also aim to further enhance the GPHD service to ensure timely and reliable delivery.

As for the Lubricants Business, we aim to further penetrate into the high street segment through the implementation of our 'Route to Market' strategy as well as the opening of new PETRONAS LubeXperts outlets across the country. Leveraging on our superior product range, we will continue to enhance our brand equity within the market.

For our international subsidiaries, the focus in 2014 will continue to nurture and groom these companies to position it as PDB's next phase of growth, specifically for the medium to long term. For Vietnam's LPG business, the focus will be to continue shifting to the cylinder segment while in the Philippines, efforts will be intensified to further improve LPG cost competitiveness in the Luzon market. As for Thailand's Lubricants business, we will continue to grow the brand and strengthen our distribution network.

OPERATIONAL EXCELLENCE

While cost optimisation initiatives are integral in sustaining our competitive edge, Health, Safety and Environment (HSE) is of utmost importance to PDB.

In 2013, several key HSE initiatives have been introduced to further inculcate the HSE mindset among the employees and business partners of PDB. Among these key initiatives are the HSE leadership programme, incident reduction programmes and occupational health programmes.

Riding on the momentum gained from these initiatives, in 2014, we will continue to intensify the implementation and monitor the compliance to our Process Safety and HSE Management System. We will also continue to strengthen our HSE Risk, and Crisis and Disaster Management System.

Effective 1 January 2013, the overarching philosophy governing our operations at all times will be the Zero Tolerance (ZeTo) rules. Any violation of the rules will face severe consequence from the management as PDB pledges to protect the safety and health of its employees and community where it operates, while ensuring its operations will remain environmentally responsible around the areas where its operations are based.

ACKNOWLEDGEMENTS

The year under review has been a challenging year for the industry as a whole. However, with the support of PETRONAS customers, we were able to further strengthen our position and achieve commendable performance. I would like to take this opportunity to thank each and every PETRONAS customer for continuing to make us your Brand of 1st Choice.

I would also like to express my sincerest gratitude to our business partners, associates and vendors for working hand-in-hand with us towards our mutual success.

My heartfelt appreciation also goes out to our Board of Directors for their guidance in ensuring PDB delivers optimum value to our shareholders.

I thank all Management Committee (MC) members for your continuing support in ensuring PDB further strengthens our position as the Brand of 1st Choice. My deepest gratitude goes out to Encik Aminul Rashid bin Mohd Zamzam for his leadership during his tenure as the MD/CEO of PDB. He has ensured PDB continues to perform at its optimum level whilst driving strong corporate governance.

I would also like to thank former MC members Encik Akbar bin Md Thayoob, Encik Vukile Zondani and Encik Rozaini bin M Sani for their valuable contribution all through their tenure at PDB.

I would like to welcome on board our new MC members Encik Shaharuddin bin Muhammad Sidek, Puan Lu Jia Lih and Puan Puteri Liza Elli Sukma. I look forward to working closely with them to drive PDB to greater heights.

Last but not the least, I would like to thank all PDB employees for your hard work in advancing the Company forward. Without your relentless support and unwavering dedication, we would not have accomplished what we have achieved in the year under review.

We have done well, but our best is yet to come. With the stakes being higher in 2014, I now look forward to once again stand up against the mounting competition, deliver on our promise and prove PETRONAS' prowess as the Brand of 1st Choice.

We are committed to make 2014 the best one for PDB – a year we will all look back on with satisfaction and pride.

Mohd Ibrahimnuddin bin Mohd Yunus
Managing Director/Chief Executive Officer
PETRONAS Dagangan Berhad


PETRONAS
SYNTIUM
food to go
tasty
DRIVE-THRU
KFC
SUBWAY
RHB
BSN
ATM
PETRONA

CORPORATE DISCLOSURES

OUR VISION

Brand of 1st Choice

WHAT DOES IT MEAN?

Brand of 1st Choice drives the core essence of what PDB stands for in terms of delivering quality, innovation, excellence and differentiating experience for petroleum products and services in Malaysia.

Given its wide range of innovative products and differentiated services, PDB 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, PDB 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 PDB's continuous research and development initiatives as well as in partnerships with the best in class brands and companies.

Importantly, PDB 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 employees at PDB 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, PDB 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
- **Integrity**
  Honest and upright
- **Professionalism**
  Committed, innovative and proactive and always striving for excellence
- **Cohesiveness**
  United in purpose and fellowship

ABOUT US

PETRONAS Dagangan Berhad (PDB) is the principal marketing arm of Petroliam Nasional Berhad (PETRONAS). 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, PDB has since established itself as Malaysia's leading retailer and marketer of downstream oil and gas products.

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

PDB 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 725 Kedai Mesra throughout the country. It continues to grow through the strategic expansion of its retail stations incorporating the one-stop convenience centre concept of fueling, dining, shopping, banking, car spa and other services, all under one roof.

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

1,772
employees

On both the Retail and Lubricants Business fronts, PDB remains committed to accelerating further growth through the introduction of innovative and niche products via its Fluid Technology Solutions™ – 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.

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

Beyond Malaysia, PDB operates three (3) downstream companies namely PETRONAS Energy Philippines Inc in the Philippines, PETRONAS (Vietnam) Co Ltd in Vietnam and PETRONAS International (Thailand) Co Ltd in Thailand.

PDB is proud that its achievements in the year under review has been backed by the core expertise of its 1,772 employees. Throughout the Company's 31 years of existence, its steadfastness to nurture and grow together with its people demonstrates PDB's commitment to be a responsible corporate citizen. It also provides a foundation for PDB to clearly position itself as the Brand of 1st Choice for all stakeholders.

OUR PRODUCTS & SERVICES

RETAIL

1. FUEL

- PETRONAS PRIMAX 95 XTRA
- PETRONAS PRIMAX 97
- PETRONAS DYNAMIC DIESEL

2. CONVENIENCE STORE

- Kedai Mesra
- Quick-Serve Restaurants
- Banking Facilities
- Terminal Services
- Courier Services
- Others

3. CARDS

- Loyalty card – Kad Mesra
- Fleet card – PETRONAS SmartPay
- Co-Branded card – CIMB and Maybank Credit Cards
- Gift card – PETRONAS Gift Card

COMMERCIAL

COMMERCIAL BUSINESS markets petroleum products in bulk to commercial customers

PRODUCT	USAGE
Gasoline	Fuel for bulk transportation
Jet Fuel	Aviation fuel for turbine engine aircrafts
Kerosene	Fuel for heating, lighting, cooking and small stationary internal combustion engine
Diesel	Suitable for industrial purposes especially for direct burning, i.e. boiler, furnace, dryer, etc
Fuel Oil	For boilers, furnaces, ovens and bunker-fired diesel engines.
Asphalt	Widely used as a construction material in road construction, water proofing and insulation

LPG

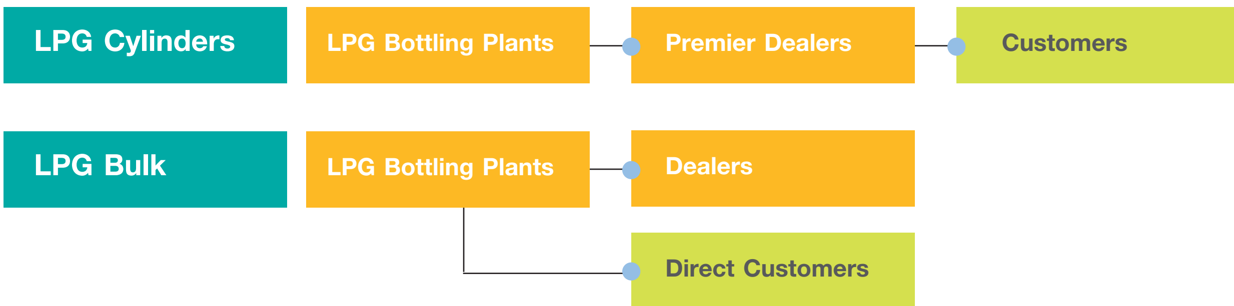
HOUSEHOLD/DOMESTIC

- 12kg Cylinders
- 14kg Cylinders

INDUSTRIAL/COMMERCIAL

- 50kg Cylinders
- Bulk LPG

LPG Distribution Channel



LPG Differentiated Service

Gas PETRONAS Home Delivery (GPHD)

LUBRICANTS

PASSENGER VEHICLE LUBRICANTS

- Premium Synthetic
- Fully & Semi Synthetic
- Mineral
- OEM

MOTORCYCLE OIL

- Premium Synthetic
- Fully & Semi Synthetic
- Mineral
- OEM

COMMERCIAL VEHICLE LUBRICANTS

- Heavy Duty Diesel Engine Oil
- Automative Gear Oil
- Automatic Transmission Fluid
- Specialty (Coolant, Brake Fluid)

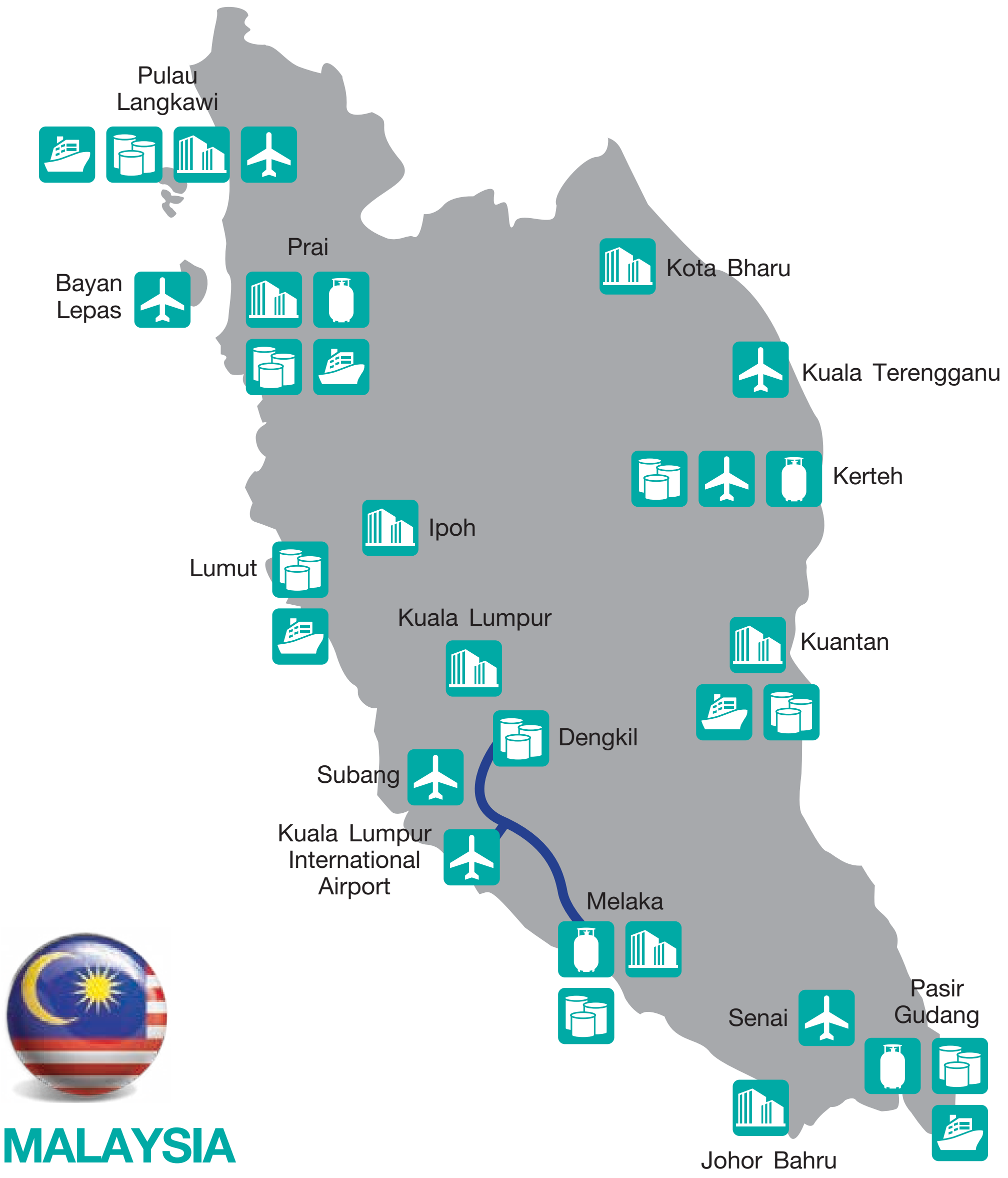
INDUSTRIAL & MARINE LUBRICANTS

- Hydraulic Oil
- Compressor Oil
- Turbine Oil
- Agriculture Oil
- Industrial Gear Oil
- Industrial Grease
- Marine Oil
- Metal Working Fluid

FULLY BRANDED OUTLET

PETRONAS LubeXperts

AREAS OF OPERATION



MALAYSIA

Joint-venture (JV) depots and facilities are:

i. PS Pipeline Sdn Bhd
   – Klang Valley Distribution Terminal (KVDT) Fuel Terminal and Multi-Product Pipeline

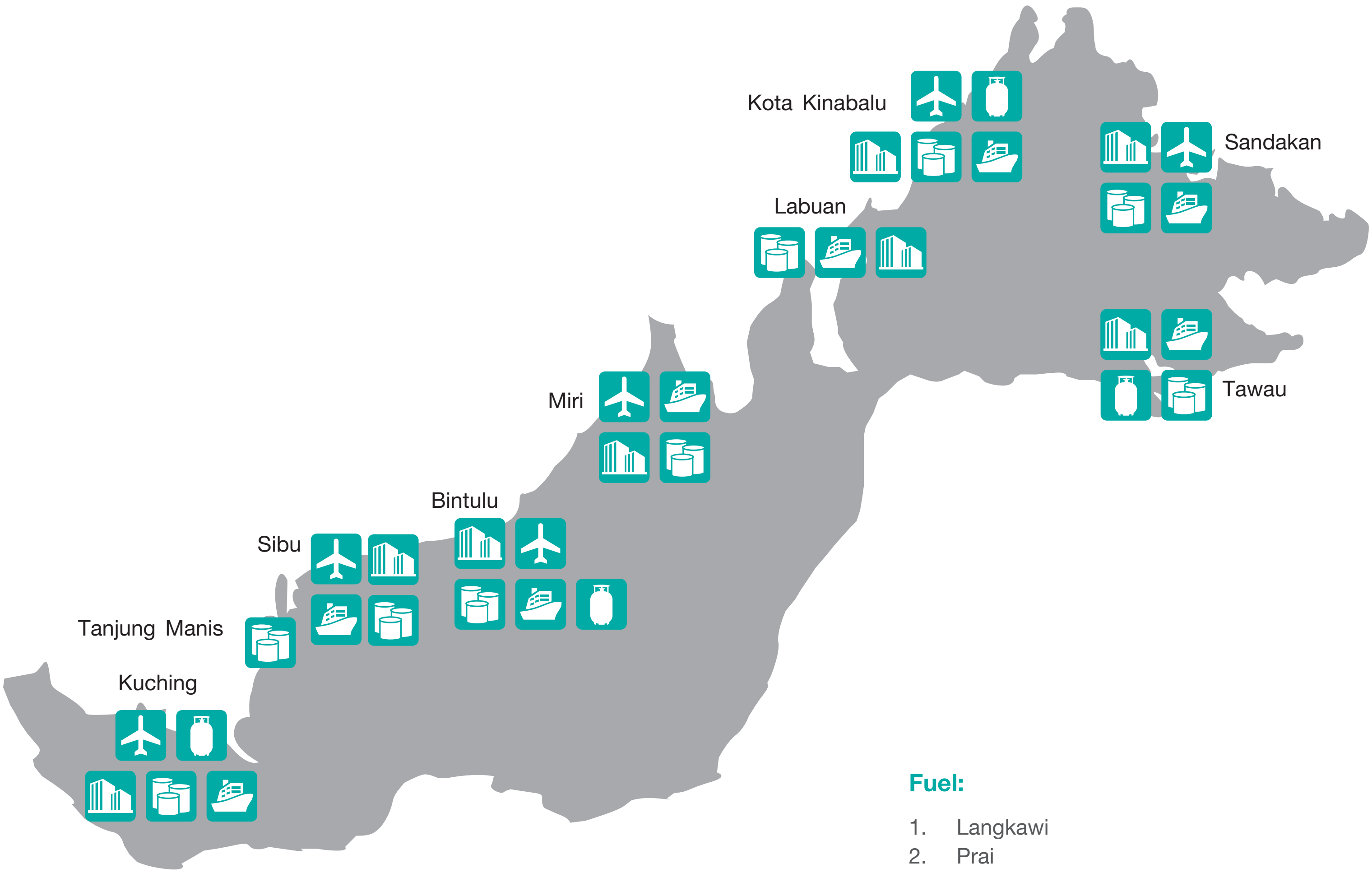
ii. PS Terminal Sdn Bhd
   – Bintulu Fuel Terminal
   – Tawau Fuel and LPG Terminal

iii. Kuala Lumpur Aviation Fuelling System Sdn Bhd
   – KLIA Aviation Terminal

iv. Integrated Oil Terminal (IOT) Management Sdn Bhd
   – IOT Senari Kuching, Fuel and LPG Terminal

v. Tanjung Manis Oil Terminal Management Sdn Bhd
   – Tanjung Manis Bulk and LPG Terminal

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



LPG:

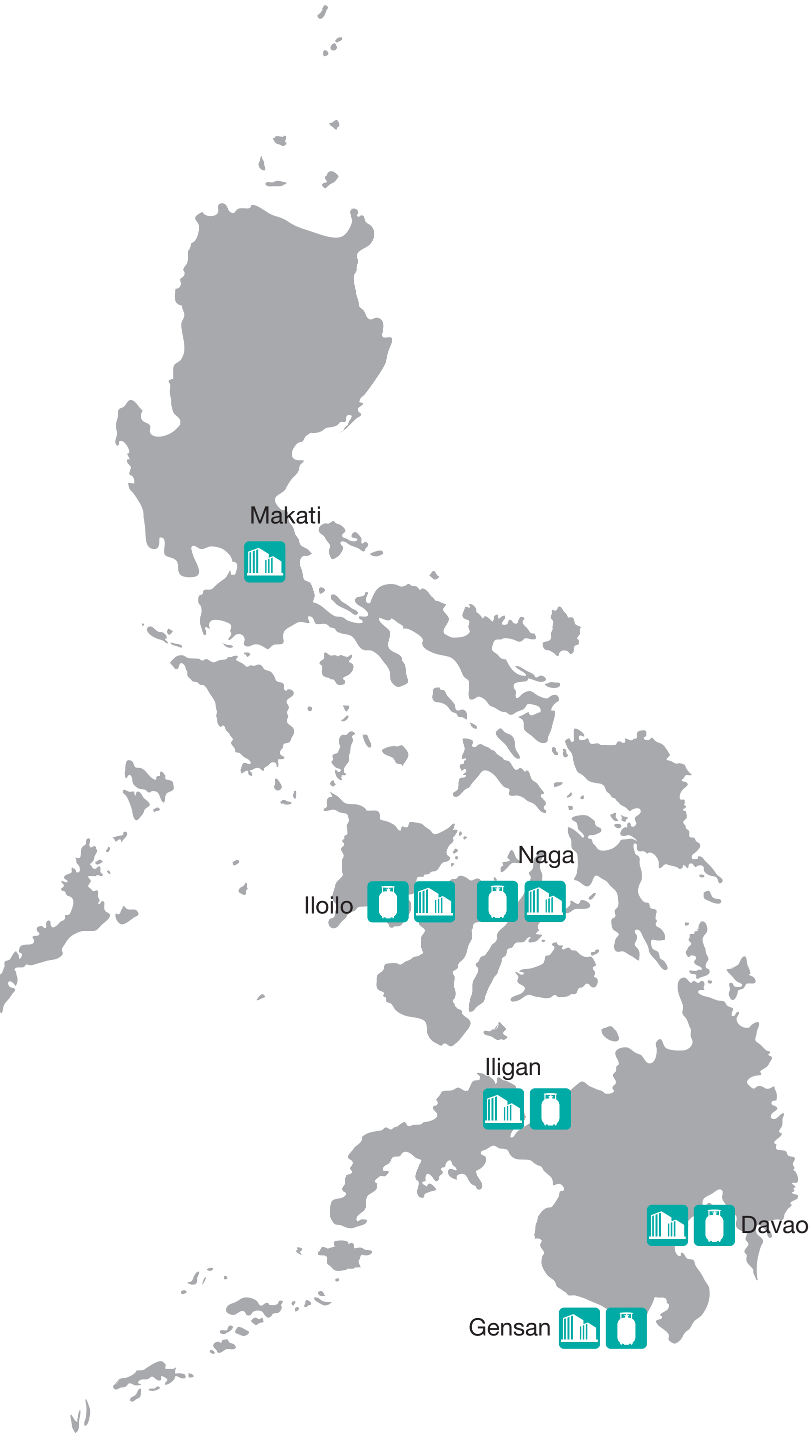
1. Prai
2. Melaka
3. Pasir Gudang
4. Kerteh
5. Kuching
6. Bintulu
7. Sepangar Bay
8. Tawau

Aviation:

1. Langkawi
2. Bayan Lepas
3. Subang
4. KLIA
5. Senai
6. Kerteh
7. Kuala Terengganu
8. Kuching
9. Sibu
10. Bintulu
11. Miri
12. Kota Kinabalu
13. Sandakan

Fuel:

1. Langkawi
2. Prai
3. Lumut
4. Klang Valley Distribution Terminal
5. Melaka
6. Pasir Gudang
7. Kuantan
8. Kerteh
9. Kuching
10. Tanjung Manis
11. Sibu
12. Bintulu
13. Miri
14. Labuan
15. Sepangar Bay
16. Sandakan
17. Tawau
18. ASB Labuan



PHILIPPINES

LPG

i. Iloilo
ii. Iligan
iii. Naga
iv. Davao
v. Gensan
vi. Makati

Office

Bottling Plant

VIETNAM

THAILAND

LPG

i. Dong Nai
ii. Hai Phong
iii. Hanoi
iv. Ho Chi Minh

LUBRICANTS

i. Bangkok

Office
Lubricants Warehouse
Bottling Plant

PDB KEY MILESTONES

1981 Operated first service station at Taman Tun Dr Ismail.

1982 Incorporated as PETRONAS Dagangan Sdn Bhd (PDSB) on 5 August.

1985 Introduction of PETRONAS LUBRAM in the market, the first PETRONAS Lubricants.

1987 PDSB launched its first unleaded fuel, PRIMAS.

1992 Converted to a public company on 21 August.

1994 Listed on the Kuala Lumpur Stock Exchange (KLSE).

Launched PRIMAS PX2.

1996 Station reimaging and establishment of Kedai Mesra.

2000 Launched new unleaded petrol PETRONAS PRIMAX.

Introduced www.mymesra.com.my website to establish online presence.

2001 PDB offers Kad Mesra, Real Rewards, Loyalty programme to its customers.

2002 MesraLink officially launched.

2013

- Official launch of the first fully-branded automobile workshop, PETRONAS LubeXperts.
- Roll-out of PETRONAS' flagship Corporate Social Responsibility programme, 'Water For Life'.
- Unveiling of the improved PETRONAS SmartPay Chip Card.

2012

Official Launch of 1001st PETRONAS Station in Wangsa Maju.

Launched the Gas PETRONAS Home Delivery.

Launched first-of-its-kind green twin stations namely, PETRONAS Solaris Serdang and PETRONAS Solaris Putra.

Regional expansion.

2011

Launched PETRONAS PRIMAX 95 XTRA.

2010

Introduced PETRONAS PRIMAX 97.

2009

Introduced PETRONAS URANIA, PETRONAS PRIMAX 95 and PETRONAS DYNAMIC DIESEL.

2006

Launched new fuel, PETRONAS PRIMAX 3.

2005

Introduced Pay-At-Pump facility for EMV chip-based credit card.

2004

Introduced PETRONAS PRIMAX BARU.

PDB IN THE NEWS


Celebs geared up for road trip challenge
Tips on safe riding techniques
130 super bikers show the way to students, parents and villagers
Loyalty pays off in a big way
Petronas Primax user wins brand new car in contest
PDB takes its commercial business further afield
Well-oiled brand
Mercedes AMG Petronas Formula One™ stars spotted at Petronas Twin Stations
Nico Rosberg and Lewis Hamilton surprise Top Five Spenders at the Station
My Dream Getaway Contest
Impacting lives
Petronas thanks 'Modern Day Heroes' braving the haze
smartpay

CALENDAR OF EVENTS

9 JANUARY 2013

Switch for XTRA Grand Finale

PDB organised the three-month long 'Switch for XTRA Road Challenge' Campaign, which saw selected fans riding alongside celebrities including Awal Ashaari, Scha Alyahya, Faizal FBI and Hanis Zalikha in their nationwide race to be the first to complete the assigned challenges. The winners, Faizal FBI and his team were awarded prizes worth RM10,000.

22 JANUARY 2013

Media Briefing – Poised for Growth

PDB organised a media briefing to share its focus and strategies for the year under review. The session was chaired by the Company's MD/CEO, Encik Aminul Rashid bin Mohd Zamzam.

5 FEBRUARY – 5 MARCH 2013

Chinese New Year Contest

The Company launched the 'Win RM8,888 and 80 Mini iPad this CNY with PETRONAS' Contest during the festive period which saw eight grand prize winners rewarded with RM8,888 each and 80 lucky winners taking home a mini iPad each.

7 – 9 FEBRUARY, 15 – 17 FEBRUARY, 4 – 6 AUGUST AND 11 – 12 AUGUST 2013

***'Berehat Seketika'* Coffee Break Campaign**

In anticipation of the *balik kampung* exodus around the festive season, PDB continued to organise the Coffee Break Campaign for the 14th consecutive year. The nationwide programme themed *'Berehat Seketika'* Safety Campaign aims to educate, equip and encourage drivers to adopt safety measures on the road.

22 FEBRUARY, 23 MAY, 22 AUGUST AND 31 OCTOBER 2013

Quarterly Financial Results Announcement and Analyst Briefing

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 key achievements with investors, fund managers and analysts.

22 FEBRUARY, 23 MAY, 22 AUGUST AND 7 NOVEMBER 2013

Town Halls

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

7 MARCH – 30 APRIL 2013

'Race On Mesra Store' Contest

In partnership with Maybank American Express, PDB launched the PETRONAS 'Race On Mesra Store' Contest and the Maybank American Express 'Drive Off The Hottest Ride in Town' Contest. The Contests saw two grand prize winners driving home a brand new Mercedes-Benz A250 each. Lewis Hamilton and Nico Rosberg, the stars of the MERCEDES AMG PETRONAS Formula One™ Team were present to bring the F1 spirit to the prize giving ceremony that was held on 23 September 2013 at Pullman Putrajaya Lakeside.

21 MARCH 2013

Nico Rosberg and Lewis Hamilton's Visit to PETRONAS Twin Stations

As part of the Company's commitment to provide a unique fuelling experience for its valued customers, PDB, in collaboration with PETRONAS Motorsports, invited the MERCEDES AMG PETRONAS Formula One™ Team drivers, Nico Rosberg and Lewis Hamilton to the PETRONAS Twin Stations. During the exclusive mingling session, the F1 racers took over the nozzle and fuelled up the vehicles of five awestruck customers.

23 – 24 MARCH 2013

PETRONAS XTRACK

In conjunction with the PETRONAS Malaysia Grand Prix, PDB organised the PETRONAS XTRACK event at the Sepang International Circuit where customers were treated to a host of exhilarating activities including All Terrain Vehicle ride, Go Kart, Rally and Drift. The event was a platform for PDB to showcase the superior quality of its PETRONAS PRIMAX 95 XTRA fuel.

8 APRIL 2013

Launch of PETRONAS LubeXperts

PDB launched its first fully branded automobile workshop, the PETRONAS LubeXperts at Auto Deutsch Desa Pandan. The workshop is a testimony of the Company's commitment to deliver superior automotive fluid solutions and innovative customer-centric offerings, leveraging on its expertise in fluid, technology and solutions gained from its partnerships with the F1 teams.

19 APRIL 2013

Sukuk Programme

PDB received the approval from the Securities Commission of Malaysia to establish its inaugural RM2 billion Islamic Commercial Papers and Islamic Medium Term Notes Programme (Sukuk Programme).

24 APRIL 2013

PDB 31st Annual General Meeting

The Company organised its 31st AGM at Mandarin Oriental Kuala Lumpur, attended by 453 shareholders and proxies. The AGM was led by the Chairman of PDB's Board, Datuk Wan Zulkiflee bin Wan Ariffin.

2 MAY 2013

Putra Brand Award

PDB was awarded the Putra Brand Gold Award under the Automotive Fuel Category for the fourth consecutive year as well as the Putra Brand Icon Awards, which is an honour for brands that have consistently received gold accolades. This is a clear recognition of the PETRONAS brand as the Brand of 1st Choice amongst Malaysians.

28 MAY 2013

BrandLaureate Awards

PETRONAS Syntium, the Company's range of premium automotive lubricant products, was awarded the BrandLaureate's Best Brands in Consumer Category for Car Lubricants. The BrandLaureate Awards is organised by the Asia Pacific Brands Foundation (APBF).

8 AND 22 JUNE 2013

PETRONAS 'Street Smart'

The nationwide PETRONAS 'Street Smart' programme was conducted for more than 1,000 students from schools in the East Coast region. The Programme was organised in collaboration with Petrosains as part of PDB's Corporate Social Responsibility initiatives to educate school children on the importance of road safety.

21 JUNE 2013

'My Dream Getaway' Contest

PDB launched the 'My Dream Getaway' Contest offering over 1,000 attractive prizes amounting to RM1.5 million worth of travel vouchers, cash prizes, Nikon DLSR cameras, Samsung cameras, Mesra points and PETRONAS Gift Cards. The prize giving ceremony was held on 5 December 2013 at Mandarin Oriental Kuala Lumpur.

27 – 29 JUNE 2013

Water For Heroes

During the haze that hit the country, PDB together with its customers, contributed bottles of mineral water to the workers who were on duty outdoors to quench their thirst and keep them hydrated. During this period, for every bottle of 500ml Mesra mineral water purchased at any of the 40 participating PETRONAS Stations in Klang Valley, PETRONAS contributed one bottle of 500ml Mesra mineral water to the 'heroes'. The Company contributed a total of 20,000 bottles of MESRA mineral water.

3 JULY 2013

'Water For Life' at SMK Seri Selayang, Selangor

The Company launched the inaugural 'Water For Life' programme at SMK Seri Selayang with the support of Malaysian Nature Society (MNS). The Programme aims to raise awareness amongst students and local communities on water depletion and the importance of water conservation, through on-the-ground efforts, which included the installation of a rainwater harvesting system in the school to help conserve water and minimise wastage.

10 – 31 JULY 2013

PETRONAS Continues *Bubur Lambuk* Tradition
The Company continues the age-old tradition of *Bubur Lambuk* cooking by sponsoring approximately 1,000 cooking gas cylinders, chef hats and aprons worth over RM30,000 during the month of Ramadhan.

13 AUGUST 2013

Launch of PETRONAS SmartPay Chip Card
As the leader of the fleet card business, PDB launched the improved PETRONAS SmartPay chip card as part of its effort to ensure transaction security and prevention of fleet card counterfeit for its customers. The PETRONAS SmartPay chip card, which replaces the previous magnetic strip-based version, provides customers robust security features and high speed transaction process as well as excellent durability.

23 AUGUST 2013

PDB's Hari Raya Open House
In conjunction with the Hari Raya celebrations, the Company organised a Hari Raya Open House at the Mandarin Oriental Kuala Lumpur, specifically for its external stakeholders who have been supportive of the Company.

10 SEPTEMBER 2013

'Water For Life' at Kampung Jemeri, Kuala Rompin, Pahang
PDB initiated the second phase of the programme wherein the Company installed water tanks as well as a proper filtering and piping system to provide uninterrupted water supply to the Orang Asli residing in Kampung Jemeri, Kuala Rompin, Pahang.

14 OCTOBER – 24 NOVEMBER 2013

'Fuelled By Fans, Powered by PETRONAS PRIMAX'
The 'Fuelled By Fans, Powered by PETRONAS PRIMAX' Campaign was the Company's year-end bonanza to uniquely reward over 800 customers with RM1 million worth of attractive prizes including cash. During the Campaign, five lucky winners were also selected to participate in a five-day road trip along with the Campaign's celebrities namely silver screen queen Maya Karin, action movie man Shaheizy Sam, fun-loving DJ Yoon, Hong Kong heartthrob Him Law and Taiwan sensation Bii.

22 OCTOBER 2013

Official Opening of PETRONAS MesraLink Customer Experience Centre

The new PETRONAS MesraLink Customer Experience Centre at Hampshire Place, Kuala Lumpur is set with a warm ambience to welcome and serve walk-in customers.

26 – 27 OCTOBER 2013

'Experience to Believe, Powered by PETRONAS PRIMAX'

To further showcase the cost-saving quality of its PETRONAS PRIMAX 95 XTRA fuel, PDB organised an 'Experience To Believe, Powered by PETRONAS PRIMAX' road trip with a motorcycle club. The convoy from Kuala Lumpur to Pengerang, Johor also served as a platform to further boost product understanding and appreciation amongst fuel users.

27 NOVEMBER 2013

PETRONAS – Visa 'Go Travel With Your Dream Car' Prize Giving Ceremony

In partnership with Visa, PDB organised the 'Go Travel With Your Dream Car' Contest between 15 June and 14 September 2013. During the prize giving ceremony, PETRONAS rewarded the grand prize winner with a brand new Lexus IS 250 worth RM270,000, while 92 daily winners received prizes worth up to RM100,000 ranging from Samsung Galaxy S4, iPad Mini, Coach handbags to PETRONAS Gift Cards worth RM1,000.

12 DECEMBER 2013

'Water For Life' at Kampung Ulu Geroh, Gopeng, Perak

The second 'Water For Life' initiative to benefit the Orang Asli community was done in Kampung Ulu Geroh, Gopeng, Perak. PDB employees along with the residents of the Kampung, worked together to install water tanks, complete with a proper filtering and piping system for the convenience of the community.

AWARDS
AND RECOGNITIONS

AWARDS RECEIVED IN 2013

Putra Brand 2013

Putra Brand Gold Award under Automotive Fuel Category

Putra Brand Icon Award for four consecutive wins since 2009

By the Association of Accredited Advertising Agents (4As) Malaysia

BrandLaureate Best Brands Awards 2012-2013

Product Branding – Best Brands in Consumer Category for Car Lubricants (PETRONAS Syntium)

By the Asia Pacific Brands Foundation (APBF)

Asia Pacific Award 2013

Best Regional Jet Fuel Marketer

By Armbrust Aviation Group (AAG)

Reader's Digest Trusted Brand Awards 2013

Best Petrol Station Category

By Reader's Digest

3rd Annual Southeast Asia Institutional Investor Corporate Awards 2013

Most Consistent Dividend Policy for Malaysia

By Alpha Southeast Asia (Editorial for Global Investors)

CORPORATE INFORMATION

DIRECTORS

Datuk Wan Zulkiflee bin Wan Ariffin *(Chairman)*

Dato' Dr. R. Thillainathan

Vimala V R Menon

Lim Beng Choon

Nuraini binti Ismail

Mohd. Farid bin Mohd. Adnan

Mohd Ibrahimnuddin bin Mohd Yunus

BOARD AUDIT COMMITTEE

Vimala V R Menon *(Chairman)*

Dato' Dr. R. Thillainathan

Lim Beng Choon

Nuraini binti Ismail

REMUNERATION COMMITTEE

Lim Beng Choon *(Chairman)*

Dato' Dr. R. Thillainathan

Mohd. Farid bin Mohd. Adnan

NOMINATION COMMITTEE

Dato' Dr. R. Thillainathan *(Chairman)*

Lim Beng Choon

Mohd. Farid bin Mohd. Adnan

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 0000
Fax : (03) 7841 8151/7841 8152

REGISTERED ADDRESS

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

BUSINESS ADDRESS

Levels 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

GROUP CORPORATE STRUCTURE

PETRONAS Dagangan Berhad

LUB DAGANGAN SDN BHD
PDB: **100%**
Marketing and distribution of lubricants

PETRONAS AVIATION SDN BHD
PDB: **100%**
Marketing of aviation fuels and technical services

KUALA LUMPUR AVIATION FUELLING SYSTEM SDN BHD
PDB: **65%**
Malaysia Airports (Properties) Sdn Bhd: **20%**
Malaysia Airlines System Berhad: **15%**
Ownership & operation of aircraft refuelling system at KLIA

PDB (NETHERLANDS) B.V. ("PDBN")
PDB: **100%**
Investment holding company for international subsidiaries

PHILIPPINES
PETRONAS ENERGY PHILIPPINES INC
PDBN: **100%**
Bottling and distribution of LPG and marketing of lubricant products

PHILIPPINES
DUTA INC
PDBN: **40%**
Alsons Consolidated Resources,Inc: **30%**
Masaligan, Inc: **30%**
Investment Holding

PHILIPPINES
KAPARANGAN INC
DUTA: **100%**
Investment Holding

THAILAND
PETRONAS INTERNATIONAL MARKETING (THAILAND) CO LTD
PDBN: **100%**
Marketing and distribution of lubricant products

VIETNAM
PETRONAS (VIETNAM) CO LTD
PDBN: **100%**
Distribution of LPG

VIETNAM
THANG LONG LPG CO LTD
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)

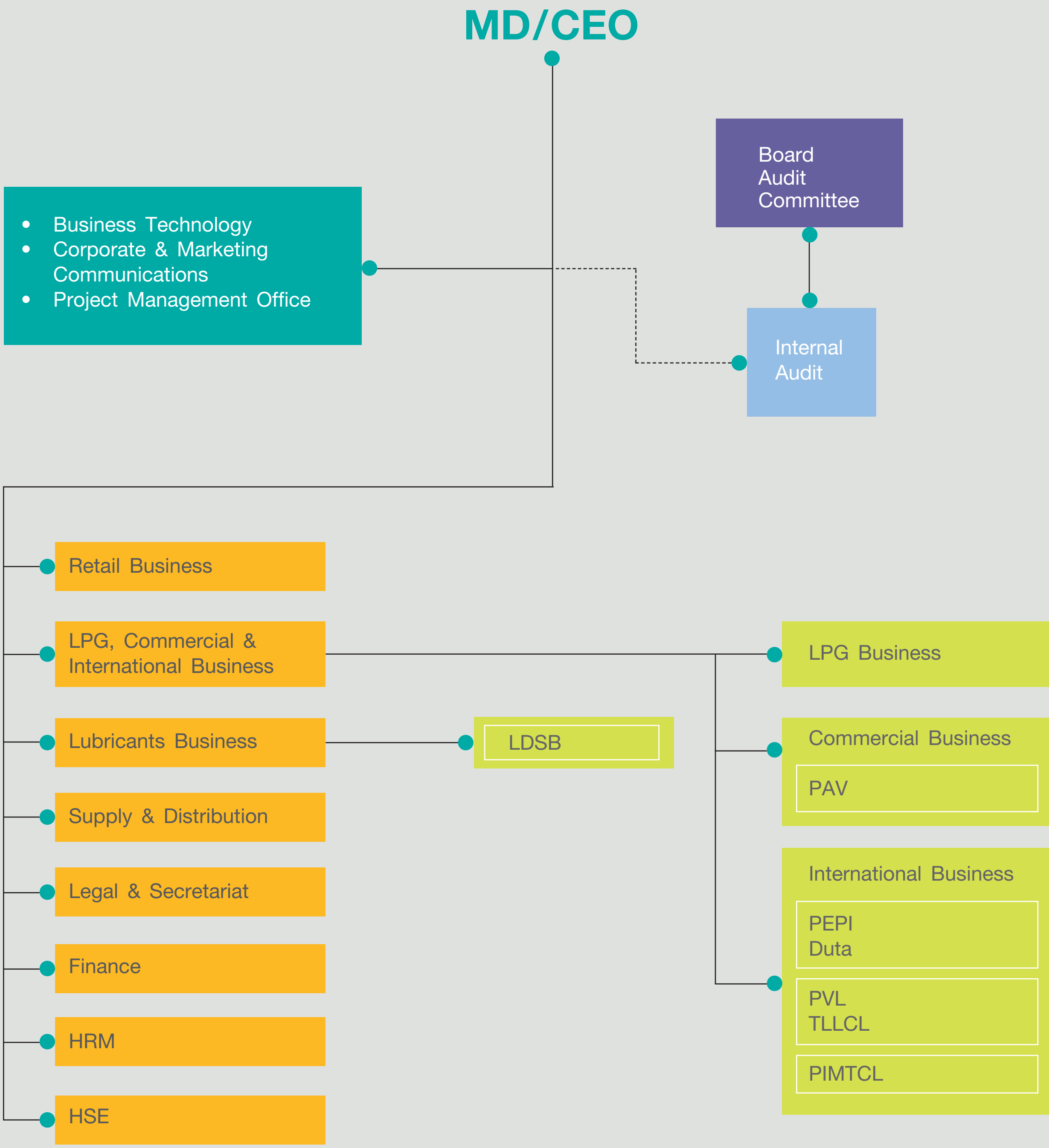
PS TERMINAL SDN BHD
PDB: **50%**
Shell Timur Sdn Bhd: **50%**
Operation of joint depots & bottling plants in Tawau and Bintulu

IOT MANAGEMENT SDN BHD
PDB: **20%**
Shell Timur Sdn Bhd: **10%**
Senari Synergy Sdn Bhd: **70%**
Operation and maintenance of Independent Oil Terminal

TANJUNG MANIS OIL TERMINAL MANAGEMENT SDN BHD
PDB: **20%**
Shell Timur Sdn Bhd: **20%**
Senari Synergy Sdn Bhd: **60%**
Operation and maintenance of Central Oil Distribution Terminal

- Subsidiary
- Jointly Controlled
- Associate

GROUP ORGANISATION STRUCTURE



LEADERSHIP

BOARD OF DIRECTORS

from left:

• Lim Beng Choon • Dato' Dr. R. Thillainathan • Nuraini binti Ismail • Vimala V R Menon
• Datuk Wan Zulkiflee bin Wan Ariffin (Chairman) • Mohd Ibrahimnuddin bin Mohd Yunus (MD/CEO)
• Mohd. Farid bin Mohd. Adnan • Nur Ashikin binti Khalid • Yeap Kok Leong

PROFILE OF DIRECTORS

Datuk Wan Zulkiflee bin Wan Ariffin

Datuk Wan Zulkiflee bin Wan Ariffin, a Malaysian aged 53, is a Non-Independent Non-Executive Director and the Chairman of PETRONAS Dagangan Berhad.

He holds a Bachelor of Engineering Degree in Chemical Engineering from the University of Adelaide, South Australia. In 2000, he attended the INSEAD Senior Management Development Programme 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, Management Committee and serves on various boards of several joint ventures and subsidiary companies in the PETRONAS Group. He holds the Chairmanship of two (2) public listed subsidiaries, PETRONAS Chemicals Group Berhad and PETRONAS Dagangan Berhad. He is also the Industry Advisor to the Engineering Faculty, Universiti Putra Malaysia.

He was appointed to the Board of PETRONAS Dagangan Berhad on 17 August 2010 and attended five (5) Board meetings during the financial year under review.

Mohd Ibrahimnuddin bin Mohd Yunus

Mohd Ibrahimnuddin bin Mohd Yunus, a Malaysian aged 50, was appointed as the Managing Director and Chief Executive Officer of PETRONAS Dagangan Berhad on 1 February 2014.

He holds a Bachelor's Degree in Economics from York University, Ontario, Canada.

His experiences span across Marketing and Trading, Human Resource Management and Corporate Affairs. He has been with PETRONAS for 27 years and has held several senior management positions prior to his current appointment.

He was previously the Chief Executive Officer of PETRONAS LNG Sdn Bhd and prior to that he was the Head of Compensation and Benefits, Human Resource Management. He was also assigned as the Chief Executive Officer of PT PETRONAS Niaga Indonesia in 2007.

This is his second stint in PETRONAS Dagangan Berhad, in which he previously led the LPG Business in 2005.

The bulk of his PETRONAS career was in PETRONAS Trading Corporation Sdn Bhd where he spent 13 years with his last position there as General Manager of LPG and Petroleum Products Trading.

Dato' Dr. R. Thillainathan

Dato' Dr. R. Thillainathan, a Malaysian aged 69, 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 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 Malaysian Economic Association ("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 MEA.

He was appointed to the Board of PETRONAS Dagangan Berhad on 24 March 1994 and attended five (5) Board meetings during the financial year under review.

Vimala V R Menon

Vimala V R Menon, a Malaysian aged 59, 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 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 the Audit Committee Chairman of Cycle & Carriage Bintang Berhad.

She was appointed to the Board of PETRONAS Dagangan Berhad on 18 November 2011 and attended six (6) Board meetings during the financial year under review.

Lim Beng Choon

Lim Beng Choon, a Malaysian aged 54, is an Independent Non-Executive Director, Chairman of the Remuneration Committee, a member of the Board Audit Committee and Nomination Committee of PETRONAS Dagangan Berhad.

He holds a Bachelor of Science (Hons) in Mathematics and Computer Science from the Australian National University, Canberra, Australia.

He was the Country Managing Director in Accenture, the global consulting, technology and outsourcing company, before he retired in 2009. He held various positions during his 28 years tenure in Accenture, including that of Managing Partner for Accenture's Resources Industry Group (Oil & Gas, Chemicals, Utilities, and Natural Resources) in Southeast Asia. He has attended numerous Accenture Management Training Programmes around the globe including the IMD Leadership Programme in Switzerland. 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. He has led complex projects to deliver transformational change for Malaysian and foreign multinational companies. Prior to moving into management consulting, he was in technology consulting covering information technology 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 six (6) Board meetings during the financial year under review.

Nuraini binti Ismail

Nuraini binti Ismail, a Malaysian aged 51, is a Non-Independent Non-Executive Director and member of the Board Audit 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 and Accounts Services and General Manager, Commercial Services of Malaysian International Trading Corporation Sdn Bhd.

Her work 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 Bumiputra Malaysia Berhad, Bumiputra Merchant Bankers and Mayban Finance Berhad.

She is also a board member and 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 six (6) Board meetings during the financial year under review.

Mohd. Farid bin Mohd. Adnan

Mohd. Farid bin Mohd. Adnan, a Malaysian aged 51, is a Non-Independent Non-Executive Director and member of the Nomination Committee and Remuneration Committee of PETRONAS Dagangan Berhad.

He holds a Bachelor of Science Degree (BSc) in Chemical Engineering, University of Tennessee, Knoxville, USA and obtained his Master of International Business Studies from the University of South Carolina, USA.

He has been with PETRONAS for more than 25 years. He had spent most of his professional experience in marketing and trading functions, in various positions across the business including Marketing and Trading in Oil, Petrochemical and LNG, Corporate Planning as well as Retail Business. He had also spent one (1) year attachment in Houston with Conoco Ltd and four (4) years in South Africa with Engen Ltd.

He also holds directorships in various PETRONAS subsidiaries, including PETRONAS Trading Corporation Sdn Bhd, PETRONAS Penapisan (Terengganu) Sdn Bhd, PETRONAS Penapisan (Melaka) Sdn Bhd, Malaysian Refining Company Sdn Bhd, PETRONAS Energy Trading Ltd, United Kingdom, MISC Berhad and Engen Ltd, South Africa.

He was appointed to the Board of PETRONAS Dagangan Berhad on 1 October 2013 and attended one (1) Board meeting during the financial year under review.

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.

MANAGEMENT COMMITTEE PROFILE

Mohd Ibrahimnuddin bin Mohd Yunus
Managing Director/Chief Executive Officer

Puteri Liza Elli Sukma
Chief Financial Officer

Shaharuddin bin Muhammad Sidek
Head, Retail Business Division

Mohd Ibrahimnuddin bin Mohd Yunus, a Malaysian aged 50, graduated from York University, Ontario, Canada in Economics. He joined PETRONAS in 1987 and was attached to the Public Affairs Division. He then moved to PETRONAS Trading Corporation Sdn Bhd in 1992 and later in 1999 joined the Trading Division of PETRONAS' LPG and Petroleum Products Group. He then joined PDB in 2005 as the General Manager of the LPG Business Division before assuming the role of the Chief Executive Officer for PT PETRONAS Niaga Indonesia in 2007.

Mohd Ibrahimnuddin is also experienced in Human Resource; he was the Head of PETRONAS' Remuneration Division in 2010 and subsequently the Head of Compensation and Benefits Division in 2011. His last position before returning to PDB was Chief Executive Officer of PETRONAS LNG Sdn Bhd.

Mohd Ibrahimnuddin assumed the role of Managing Director/Chief Executive Officer of PETRONAS Dagangan Berhad on 1 February 2014.

Puteri Liza Elli Sukma, a Malaysian aged 41, graduated in Bachelor of Commerce (Accounting) from the University of New South Wales, Australia and is a Member of the Institute of Chartered Accountant of Australia. She started her career in 1994 as an auditor at KPMG Melbourne, Australia. She joined PETRONAS Group Finance in 1997 before moving to the Planning and Resource Allocation Unit and subsequently, Group Strategic Planning of PETRONAS in 2004.

Puteri Liza's career continued in PETRONAS Gas Berhad as the Senior Manager of the Financial and Management Accounting Department in 2007. She headed a number of the Finance Departments of the Group's subsidiaries thereafter before being appointed as the Chief Financial Officer of PETRONAS Dagangan Berhad on 1 December 2013.

Shaharuddin bin Muhammad Sidek, a Malaysian aged 49, graduated in Economics from the University of Toledo, USA. He joined PETRONAS in 1985 as a trainee in PETRONAS Gas Sdn Bhd's Sales and Accounts Division. He had a short stint in the PETRONAS Group Strategic Planning Division as well as the Planning and Resource Allocation Unit before joining PETRONAS Gas Berhad in 1997.

In 2004, he was seconded to PETRONAS Corporate Strategy Division to assist in the Integrated Transition Programme and later returned to PETRONAS Gas Berhad as the Senior Manager of the Commercial Division. Later that year, he was appointed as the Head of PETRONAS' Gas and Power Business Development Project for the Thailand market. Two years later, he joined Malaysia LNG Sdn Bhd as the General Manager of the Marketing and Trading Division for emerging markets covering China, India and Southeast Asia.

In 2008, he was entrusted to head several of PETRONAS' special projects and was appointed as the Head of Power Business, under the Infrastructure and Utilities, Gas and Power Business. He assumed the role of Head of Retail Business Division of PETRONAS Dagangan Berhad on 1 January 2014.

Lu Jia Lih
Head, LPG, Commercial and International Business Division

Zubair bin Abdul Razak
Head, Lubricants Business Division

Mohd Shobri bin Abu Bakar
Head, Supply and Distribution Division

Lu Jia Lih, a Malaysian aged 54, graduated in Bachelor of Economics from Universiti Kebangsaan Malaysia. In 1999, she attended the INSEAD programme for Business and Management and in 2007, she attended the Harvard Premier Business Management by Harvard Business School.

Lu started her career in PETRONAS in 1982 as the Section Head in Operations International Marketing Division (IMD). She subsequently held several positions in Operations, Planning and Trading in IMD for the next 15 years.

In 1997, Lu joined Malaysia LNG Sdn Bhd (MLNG) as the General Manager of Business Development in the MLNG Tiga Project. Later in 2005, she joined Malaysia International Trading Corporation (MITCO) as the General Manager for International Business before being assigned as the Head of Portfolio Management – Thailand in the EVP (Downstream) Office.

In 2011, she was appointed the Chief Executive Officer of PETRONAS (Vietnam) Co Ltd, a position she held until 31 December 2013.

On 1 January 2014, Lu joined PETRONAS Dagangan Berhad as the Head of LPG, Commercial and International Business Division.

Zubair bin Abdul Razak, a Malaysian aged 49, graduated in Mechanical Engineering from the University of Southwestern Louisiana, USA in 1986.

He joined PETRONAS in 1987 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 a Manager and subsequently a Senior Manager of the Engineering Department, Supply and Distribution Division. In 2009, Zubair assumed the position of General Manager of LPG Business Division and was later appointed as the Head of Supply and Distribution Division in 2013. On 1 January 2014, he assumed the role of Head of Lubricants Business Division.

Mohd Shobri bin Abu Bakar, a Malaysian aged 53, joined PETRONAS in 1982. He is a Mechanical Engineering graduate from Universiti Teknologi Malaysia and has previously 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 to General Manager in 2005. He then oversee the expansion of PETRONAS Lubricants Unit as its General Manager.

In 2007, Mohd Shobri assumed the position of Head of Lubricants Business Division for the Company, a position which he held until 31 December 2013. He is currently the Head of Supply and Distribution Division overseeing the Company's seamless supply chain distribution.

Manisah binti Shaari
Head, Human Resource Management Division

Nur Ashikin binti Khalid
Head, Legal and Secretariat Division

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

Manisah binti Shaari, a Malaysian aged 50, graduated in Business Administration from Ohio University, USA and holds a Masters in Business Administration from Toledo University, USA.

She joined PETRONAS in 1987 and has since served in various Human Resource Management functions within the PETRONAS Group including PETRONAS Holding Company, PETRONAS Maritime Services Sdn Bhd, Malaysia International Trading Corporation Sdn Bhd and PETRONAS Trading Corporation Sdn Bhd. Throughout her 25 years tenure with the Group, she has played an important role 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 the Head of Human Resource Management Division.

Nur Ashikin binti Khalid, a Malaysian aged 41, is a Law graduate who also holds a Masters 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 different positions in PETRONAS Gas Berhad as well as in Corporate Services and Technology, Legal Services Unit, PETRONAS before being seconded to the East Coast Economic Region Development Council as a Senior Legal Counsel 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 bin Mohd Tahir, a Malaysian aged 48, graduated in Mechanical Engineering (Hons) from Wollongong University, Australia. He is certified in HSE Practices and Management from the National Examination Board in Occupational Safety and Health (NEBOSH) in the United Kingdom.

He joined PETRONAS in 1991 as a Quality Assurance Engineer in PETRONAS Carigali Sdn Bhd. He has held various HSE positions within PETRONAS for 20 years, including PETRONAS joint ventures. He was the Senior Manager for Group HSE Capability Development for two years before joining PETRONAS Dagangan Berhad in October 2011 as the Head of Health, Safety and Environment Department.


PETRONAS

PERFORMANCE REVIEW

GROUP FINANCIAL REVIEW

As the leading marketing arm of petroleum products in Malaysia, PETRONAS Dagangan Berhad (PDB) is committed to uphold the trust of our customers by continuously providing quality products and differentiated services, while fostering the 'Customers 1st' culture within the Company.

This segment aims to assist readers in understanding our audited financial statements and the metrics used to assess our business performance.

For comparability reasons, the analysis is conducted based on the financial results for the year ended 31 December 2013 against the corresponding period last year.

SEGMENTAL ANALYSIS

Our operations consist of mainly Retail Segment and Commercial Segment. Retail segment comprises of sales and purchases of petroleum products in the retail sector of the retail, LPG and lubricants businesses. Commercial segment comprises of sales and purchases of petroleum products to the remaining commercial sector.

Retail Segment

For the Retail segment, we have continued to maintain a high profit margin, mainly from the sales of subsidised petroleum products, as there was no significant change to the petroleum pricing subsidy structure.

Retail Segment	FY2013 (RM'000)	FY2012 (RM'000)
Revenue	**14,640,481**	13,529,498

The Retail segment's consolidated revenue increased by 8.2% or RM1,111.0 million which was contributed by higher sales volume including the 42 new stations opened in 2013.

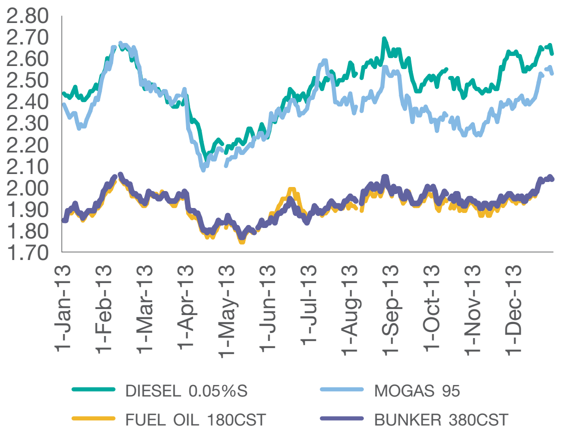
Commercial Segment

The Commercial segment operates in a highly competitive market space and our performance is influenced by a number of factors including but not limited to petroleum prices' ("MOPS") movement, number and location of distribution outlets, general economic condition, and competitive pressure.

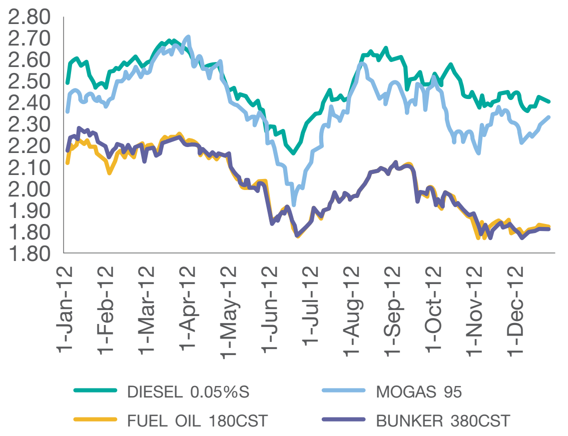
Commercial Segment	FY2013 (RM'000)	FY2012 (RM'000)
Revenue	**17,689,500**	15,941,945

Notwithstanding the numerous external factors, the segment's consolidated revenue increased by 11.0% or RM1,747.6 million, mainly contributed by higher sales volume. Throughout the financial year, the MOPS for PDB's main products ranged between RM1.77 and RM2.58 per litre as compared to the corresponding period last year which ranged between RM1.76 and RM2.80 per litre.

MOPS FOR JAN – DEC 2013



MOPS FOR JAN – DEC 2012



OPERATING EXPENDITURES

For the financial year ended 31 December 2013, our operating expenditures increased by 6.7% due to aggressive brand building efforts through advertising and promotion, as part of our long-term growth strategy.

OTHER INCOME

There was an increase in other income by 3.8% compared to the corresponding period last year mainly due to increase in Mesra income with additional contribution from 31 new Kedai Mesra opened during the year under review.

DIVIDEND

For the financial year ended 31 December 2013, the Board of Directors has declared and paid interim dividends of 17.5 sen per ordinary share for each quarter.

The total dividend of 70.0 sen per ordinary share represent a dividend payout of 74.1%.

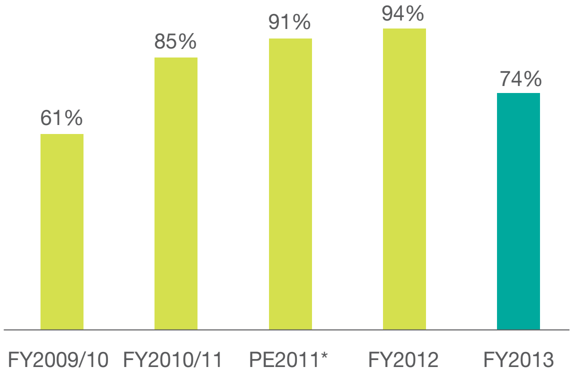
TOTAL ASSETS

Total assets increased by 2.5% compared to the corresponding period last year mainly due to acquisition of new property, plant and equipment. In addition, the increase was also contributed by increase in trade and other receivables.

TOTAL LIABILITIES

Total liabilities increased by 5.1% from RM5,078.4 million to RM5,337.8 million for the financial year ended 31 December 2013. The increase was financial mainly due to increase in trade and other payables by 5.4%.

SUMMARY OF NET DIVIDEND PAYOUT



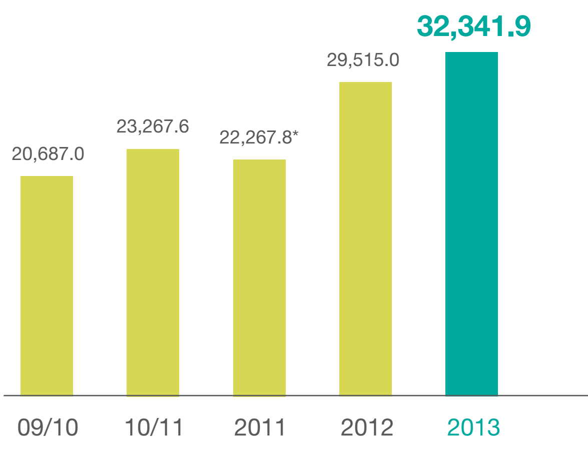
* Based on nine-months financial period ended 31 December 2011

PERFORMANCE HIGHLIGHTS

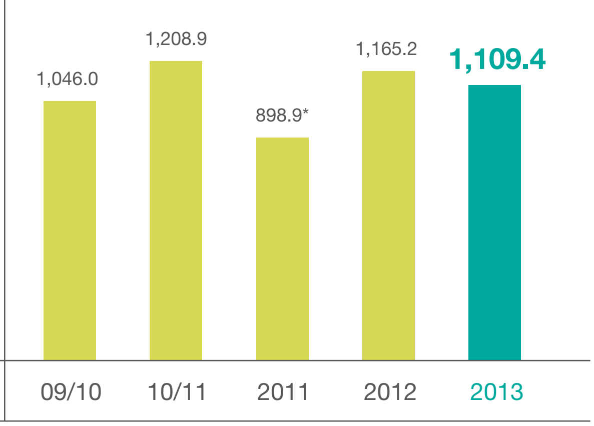
	FY2009/10	FY2010/11	PE 2011*	FY2012	FY2013
Operating Results (RM Million)					
Revenue	20,687	23,268	22,268	29,515	32,341
Operating Profit	1,049	1,209	906	1,174	1,125
Profit before taxation	1,046	1,209	899	1,165	1,109
Net profit attributable to shareholders	753	870	655	837	812
Key Balance Sheet Data (RM Million)					
Property, plant and equipment	3,569	3,583	3,616	3,766	3,892
Total assets	7,885	8,485	9,801	9,924	10,167
Total borrowings	–	16	1,073	464	583
Total liabilities	3,291	3,654	4,989	5,078	5,338
Share capital	993	993	993	993	993
Shareholders' equity	4,559	4,795	4,779	4,810	4,790
Share Information					
Per share (sen)					
Basic earnings	75.8 sen	87.5 sen	65.9 sen	84.2 sen	81.7 sen
Gross dividend	60 sen	100 sen	80 sen	105 sen	70 sen
Share price as at financial year end (RM)	9.05	16.50	17.80	23.50	31.44
Financial Ratios					
Return on Revenue	3.7%	3.8%	3.0%	2.9%	2.5%
Return on Equity	16.5%	18.1%	13.7%	17.4%	16.9%
Return on Total Assets	9.6%	10.3%	6.7%	8.5%	8.1%
Debt to Equity Ratio	–	0.3%	22.5%	9.6%	12.2%
Dividend Payout	60.5%	84.8%	91.3%	94.0%	74.1%

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

REVENUE (RM Million)

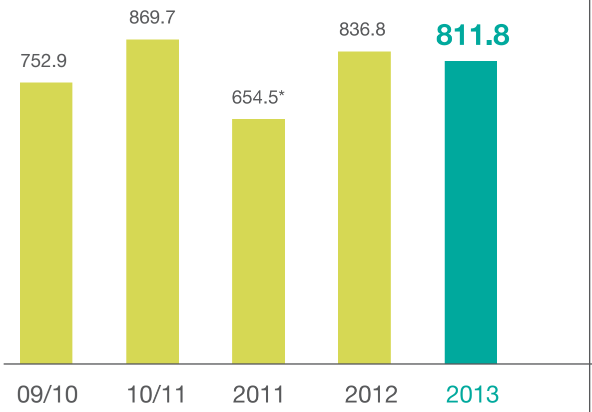


PROFIT BEFORE TAXATION (RM Million)

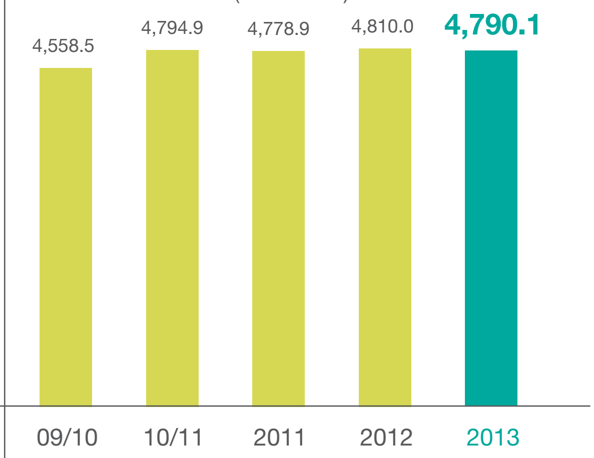


** Based on nine-months financial period ended 31 December 2011*

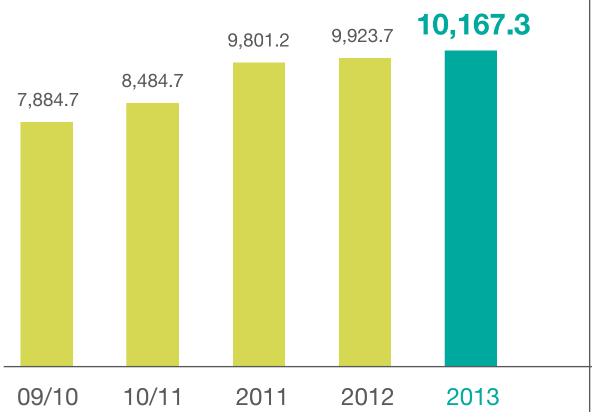
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS (RM Million)



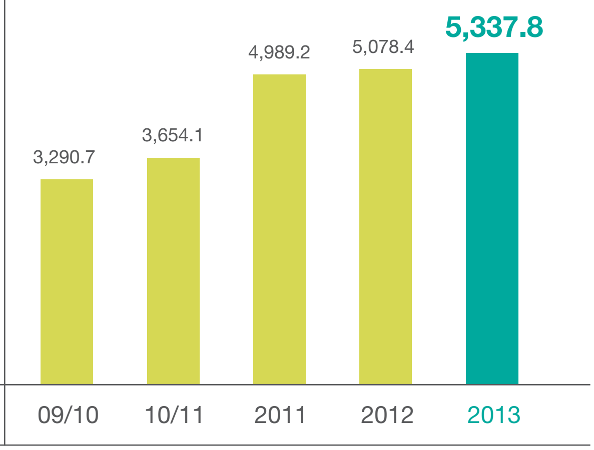
EQUITY ATTRIBUTABLE TO SHAREHOLDERS (RM Million)



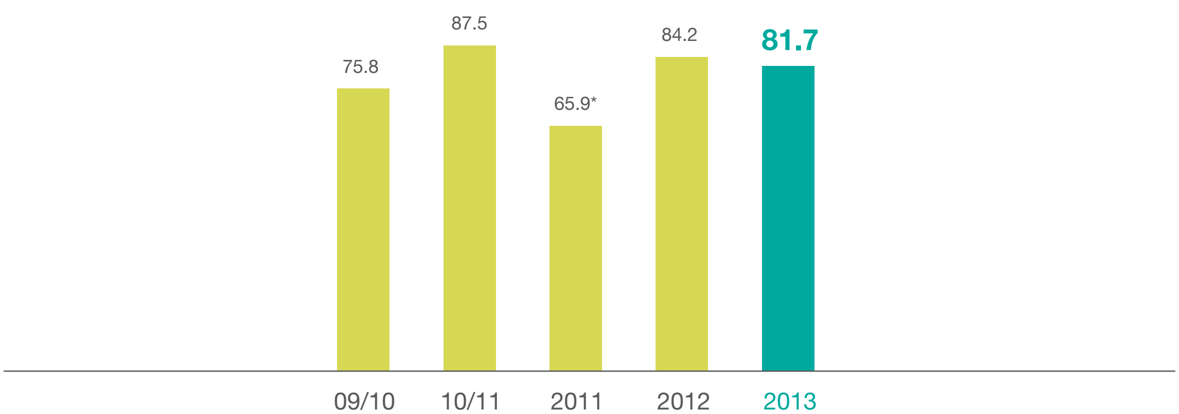
TOTAL ASSETS (RM Million)



TOTAL LIABILITIES (RM Million)



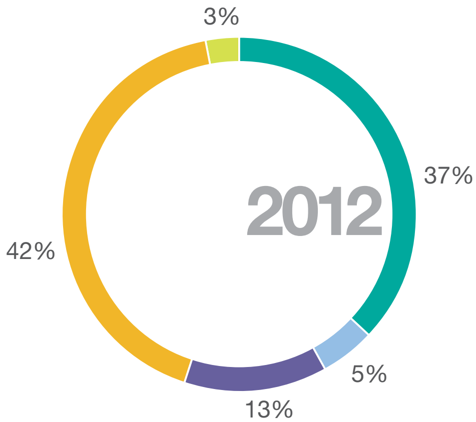
EARNINGS PER ORDINARY SHARE (Sen)

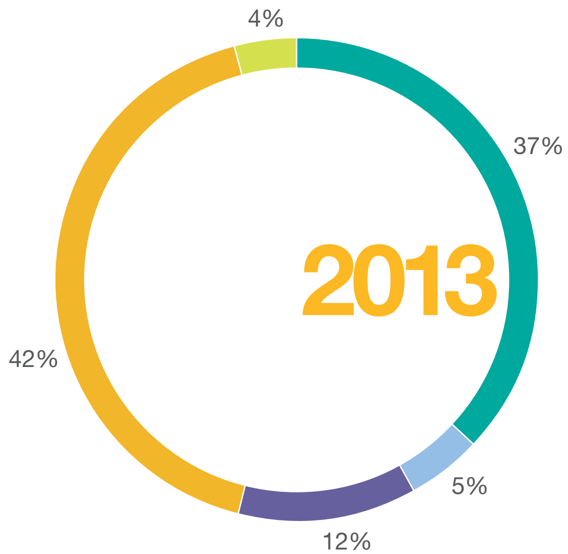


** Based on nine-months financial period ended 31 December 2011*

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

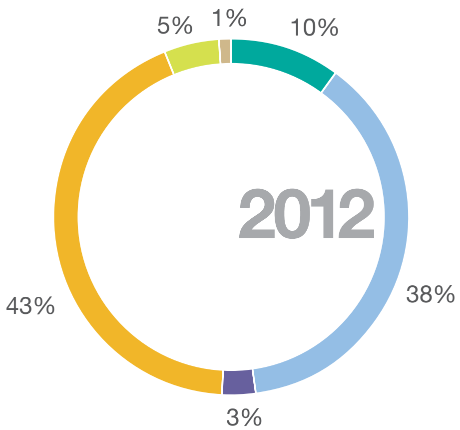
TOTAL ASSETS

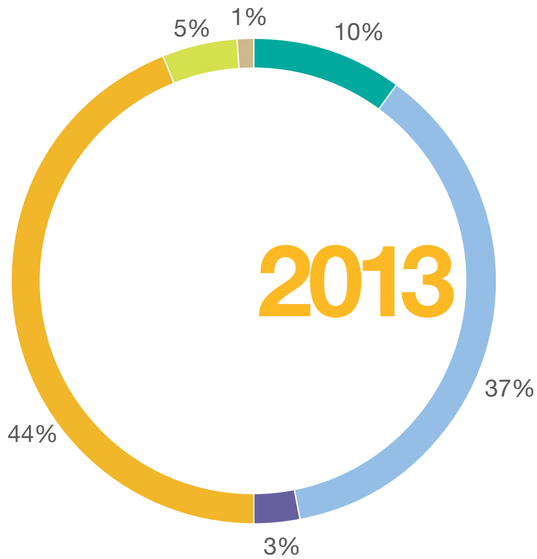




- Property, Plant and Equipment
- Other Non-Current Assets
- Inventories
- Trade and Other Receivables
- Cash and Cash Equivalents

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

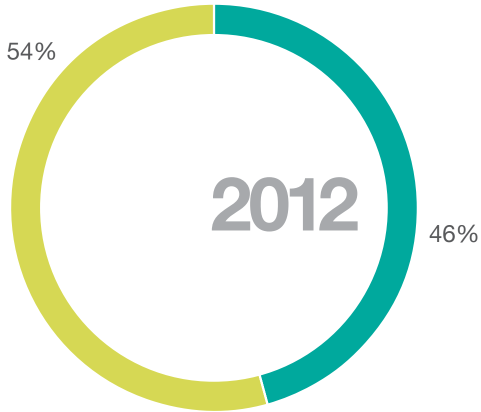


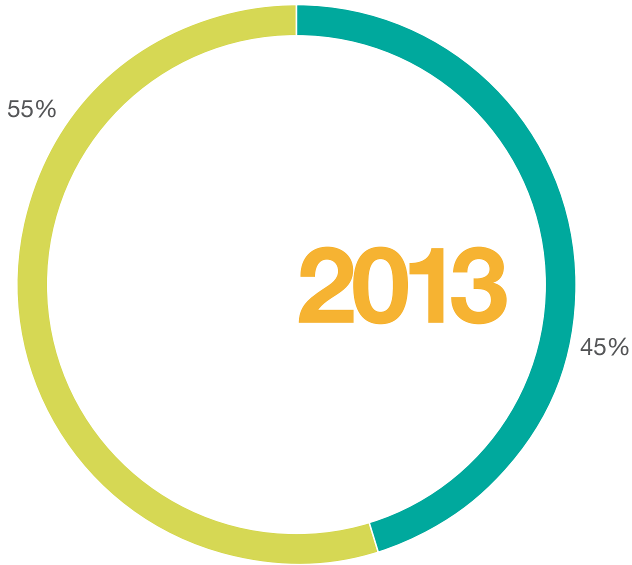


- Share Capital
- Reserves
- Non-Current Liabilities
- Trade and Other Payables
- Other Current Liabilities
- Non-Controlling Interests

SEGMENTAL ANALYSIS

REVENUE





Domestic
- Retail
- Commercial

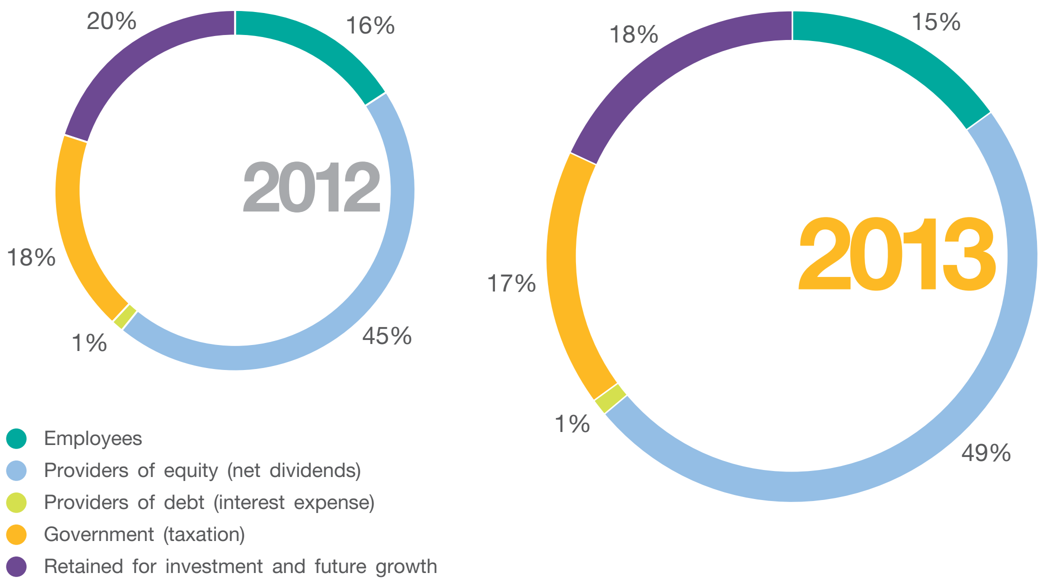
STATEMENT OF VALUE ADDED

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 application 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.

	Group	
	2013 RM'000	2012 RM'000
Revenue	**32,341,922**	29,514,963
Less Purchase of goods and services	**(30,807,233)**	(27,939,694)
Value added	**1,534,689**	1,575,269
Other income	**190,052**	183,177
Financing costs	**(19,206)**	(10,634)
Share of net profit of associates	**3,654**	1,640
VALUE CREATED	**1,709,189**	1,749,452

DISTRIBUTION OF VALUE ADDED

VALUE DISTRIBUTION



FINANCIAL CALENDAR

21 FEBRUARY 2013	9 APRIL 2013
Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2012	Date of payment of the interim dividend for the 4th quarter ended 31 December 2012

24 APRIL 2013	23 MAY 2013
31st Annual General Meeting	Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2013

27 MAY 2013	9 JULY 2013
Date of payment of the special dividend for the financial year ended 31 December 2012	Date of payment of the interim dividend for the 1st quarter ended 31 March 2013

21 AUGUST 2013	27 SEPTEMBER 2013
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2013	Date of payment of the interim dividend for the 2nd quarter ended 30 June 2013

31 OCTOBER 2013	6 DECEMBER 2013
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2013	Date of payment of the interim dividend for the 3rd quarter ended 30 September 2013

6 FEBRUARY 2014	11 MARCH 2014
Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2013	Date of payment of the interim dividend for the 4th quarter ended 31 December 2013

24 MARCH 2014	16 APRIL 2014
Date of Notice of 32nd Annual General Meeting and date of issuance of Annual Report 2013	32nd Annual General Meeting

INVESTOR RELATIONS REPORT

"As a responsible and leading public listed company in Malaysia, PDB is committed to adopting the best practices in corporate governance. The Company has ensured that it disseminates material information in a timely and effective manner to stakeholders. For the year under review, PDB's Investor Relations (IR) team continued to focus on effective engagement with the investment community through various communication channels and initiatives."

OVERVIEW

In 2011, PDB adopted the Investor Relations Policy and Guidelines (IRPG) to ensure that the Company adheres to the best practices of the amongst listed companies. This is in line with the Bursa Malaysia Corporate Disclosure Guide 2011 which guarantees fair and timely disclosure of information to all shareholders.

The mandate to champion the IRPG lies with the Investor Relations (IR) unit, which is spearheaded by the Managing Director/Chief Executive Officer (MD/CEO) and the Chief Financial Officer (CFO). They are supported by the Head of Strategic Planning Department, Finance Division as well as other senior management team members. The IR unit's key function is to proactively disseminate relevant and timely information on PDB to the investing community.

COMMITMENT TO SHAREHOLDERS

As a leading and reputable corporation in Malaysia, PDB has always remained focused on value creation for shareholders.

PDB declared and paid total net dividend of RM611.47 million as a testament of the Company's commitment to its shareholders.

To ensure that PDB adheres to the highest standards of transparency, the Company actively engages with the investing community throughout the year under review. In addition to fulfilling the statutory requirements, PDB also participated in a number of roadshows and corporate conferences to further enhance its engagement with the investing community. The key highlights of the Company's initiatives during the year under review include:

Analyst Briefings

- Subsequent to the release of PDB's quarterly results to Bursa Malaysia, analyst briefings were held to provide the investing community a clear understanding of the financial and business performance of the Company. These sessions were chaired by the MD/CEO, together with the CFO and Head of Strategic Planning.

- In an on-going quest to improve the level of disclosure, the presentation of the Company's results was prepared in an investor-friendly manner. The improved presentations provided clear insights into the Company's business and gave investors a deeper understanding of the impact of PDB's financial results and performance. These materials were also made available promptly on the Company's website following the release of the relevant information to Bursa Malaysia as part of PDB's initiative to further enhance the timeliness of the Company's information dissemination.

- The quarterly results announcement and analyst briefings for the year under review were made on:
  - 22 February 2013
  - 23 May 2013
  - 22 August 2013
  - 31 October 2013

Investor Engagements

- Growing interest from the investing community has led to more requests for meetings with the senior management of the Company.

- Throughout 2013, the Company has actively carried out various engagement activities including regular meetings and conference calls with fund managers, analysts and other stakeholders, in Malaysia and abroad.

- PDB also participated in several local and international conferences and roadshows as part of the Company's overall effort to provide better understanding of its performance, development and future direction.

- In 2013, PDB reached out to a wider international investor audience by participating in non-deal roadshows and conferences in Singapore and Hong Kong. In addition, PDB was also invited to participate in "Spotlight of Malaysia" jointly organised by Bursa Malaysia and Finansia Syrus, a Securities Research House in Bangkok, Thailand.

- Throughout the year, the Company had engaged more than 70 investors, fund managers and analysts, during which PDB shared the Company's business and financial performance for the year under review. Some key events during the year included:

Venue	Event	Date	Organiser
Kuala Lumpur	CIMB 5th Annual Malaysia Corporate Day	7 January 2013	CIMB
Singapore	Non-Deal Corporate Roadshow	18 – 19 March 2013	OSK
Kuala Lumpur	CIMB Annual Asia Pacific Conference	19 – 20 June 2013	CIMB
Hong Kong	Non-Deal Roadshow	8 – 9 October 2013	CIMB
Bangkok, Thailand	Spotlight on Malaysia	11 – 12 October 2013	Bursa Malaysia and Finansia Syrus
Kuala Lumpur	icapital.biz Investor Day	26 October 2013	icapital.biz Berhad

- Additionally, the Company had organised a plant familiarisation visit to one of its facilities in Klang Valley Distribution Terminal (KVDT) in Dengkil on 2 October 2013 to enhance the understanding and appreciation of the Company's operations amongst the analysts. 15 representatives from eight (8) Research Houses participated in the visit.

Annual General Meeting (AGM)

- PDB's 31st AGM was held on 24 April 2013 at Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

Credit Rating

- Malaysian Rating Corporation Berhad (MARC) has assigned final rating of **MARC-*1IS*/AAA*IS*** to PDB's Islamic Commercial Papers and Islamic Medium Term Notes (ICP/IMTN) Programme (Sukuk Programme) of up to RM2.0 billion under the Islamic principle of Murabahah with a **stable** outlook. PDB's ratings, among others, incorporate its low business risk profile underpinned by its strong competitive position as the country's leading retailer and marketer of downstream petroleum products for PETRONAS, its favourable liquidity and leverage metrics.

WEBSITE

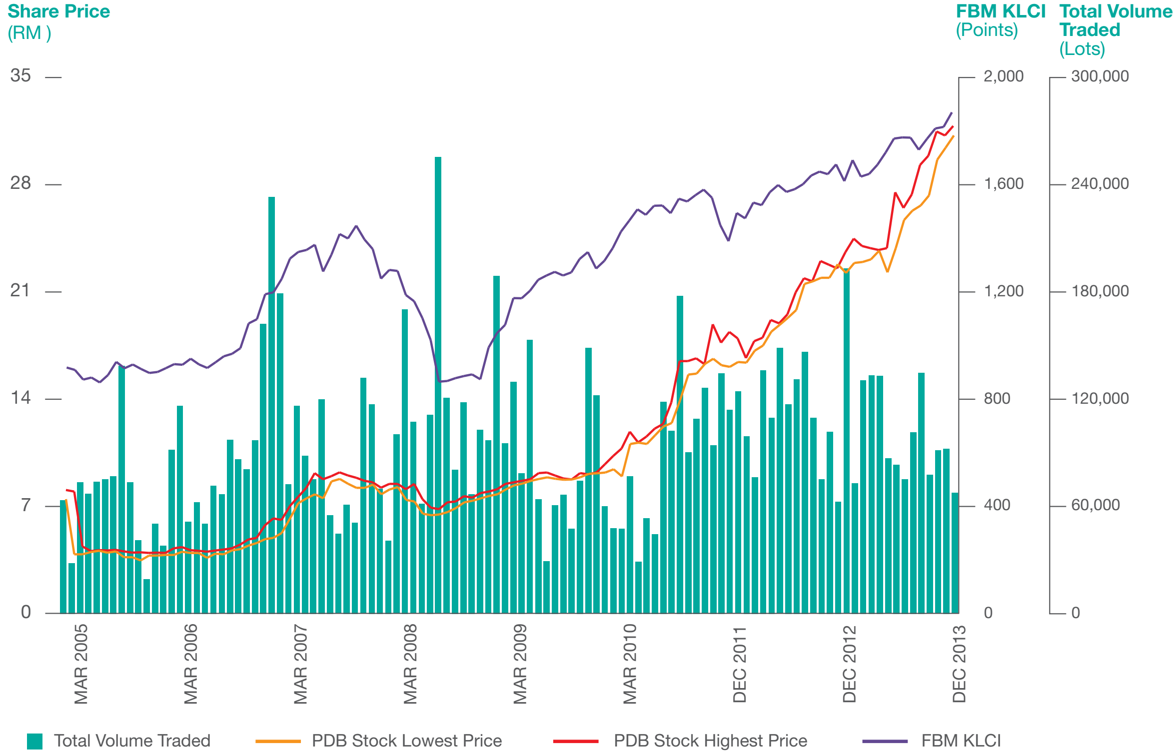
- In our efforts to enhance stakeholders' access to the Company, the Investor Relations Unit maintains a portal at www.mymesra.com.my. The portal serves as an excellent platform of communication and source of information for shareholders and the general public.

- Some of the key information available at the portal includes the Company's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Malaysia. The portal is updated in a comprehensive and timely manner to keep the public and shareholders abreast of important news and events.

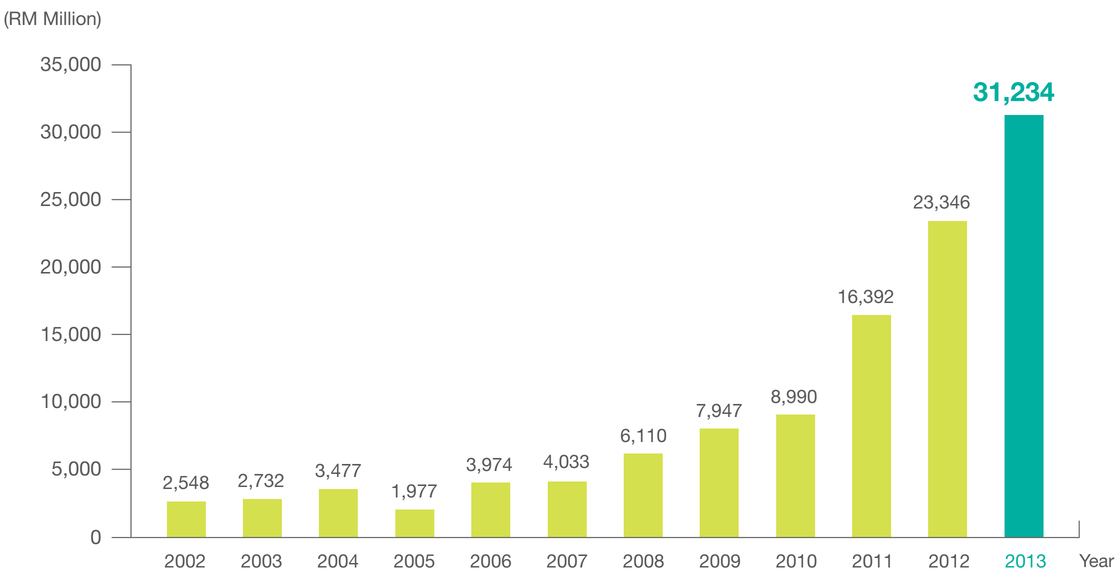
Investor Relations will remain a core initiative for PDB, in line with its commitment to become a highly regarded and reputable public listed company in Malaysia. The Company is pleased that its initiatives to engage with the investing community have attracted greater interest and investment in PDB.

The Company's share price continued to perform strongly, increasing from RM23.50 as at 31 December 2012 and stood at RM31.44 as at 31 December 2013.

SHARE PERFORMANCE



MARKET CAPITALISATION




PETRONAS
smartpay
SHIRLENE MEREDITH
PETROL RON95
DIESEL
RM/Liter
RM/Liter
RM2.78
RM2.77
RM2.10
RM2.00
PRICE PER LITRE

BUSINESS OVERVIEW

From quality products to differentiated services all under one roof, customers can be assured of an exceptional experience whenever they step into any of our over 1,000 PETRONAS Stations nationwide.

EXCEPTIONAL CUSTOMER EXPERIENCE


>1000 STATIONS NATIONWIDE
POSTAL SERVICES
LARGEST NETWORK
QUICK SERVE RESTAURANTS
KEDAI MESRA
TOUCH & GO
ONE STOP
CONVENIENCE
BANKING
SURAU
SERVICE EXCELLENCE
ACCESSIBLE AMENITIES
COURIER SERVICES
PRIMAX
KAD MESRA
E-PAYMENT SERVICES


refreshing
menyegarkan
DURANCE
GLASS CLEANER

7.4%
increase in revenue

The Retail Business is **POISED TO GROW** the business further in the years ahead to become the domestic retail **MARKET LEADER**.

BUSINESS OPERATIONS

The Retail Business drives the sales of fuel and non-fuel products to deliver exceptional customer experience at PETRONAS Stations.

Over the years, the Company continues to strengthen its position as the largest petrol station network in Malaysia. For the year under review, the Company has been operating more than 1,000 PETRONAS Stations in the country along with 725 Kedai Mesra nationwide.

All the stations incorporate the PETRONAS' signature one-stop convenience centre concept to provide its customers with an 'all-under-one-roof' retail experience.

FINANCIAL PERFORMANCE

For the year under review, the Retail Business posted a revenue of RM13,291.8 million, an increase of 7.4% from the corresponding period last year. The stronger performance was mainly driven by higher pump prices for Mogas and Diesel as well as the growth in volume by 3.8% as compared to the corresponding period last year. The Retail Business contributed close to 60% of the Company's overall margin and over 50% of the Company's net profit. Despite the challenging market environment and competitive business landscape, the Retail Business maintained a market share of more than 30%.

The Business's non-fuel income also recorded a growth of 11.3% from the corresponding period last year, contributing almost 9% of the Retail Business total margin. The results have positioned PETRONAS' Kedai Mesra as an increasingly significant contributor to the Business.

PRODUCTS AND SERVICES

i. Service Station

For the year under review, the Company had opened 42 new stations to complement existing petrol stations network coverage of more than 1,000 stations, which makes the Company the largest petrol station network operator in Malaysia.

ii. Kedai Mesra

The Company also has the largest network of convenience stores at petrol stations with 725 Kedai Mesra nationwide. The convenience stores are complemented with ATMs (1,400 ATM terminals), Touch 'n Go facilities (750 reload terminals) and e-Pay terminals (980 terminals).

iii. 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, the Company has 89 QSR outlets and 30 car spa services throughout the nation.

iv. Kedai Mesra Strategic Partnership

- Starbucks Coffee (Malaysia) – Rapid expansion of three (3) outlets and growing.
- Malaysian Electronic Payment System (MEPS) – Deployment of 100 ATMs at PETRONAS Stations nationwide.
- Baskin Robbins – Outlets in PETRONAS Station Bukit Jelutong and PETRONAS Station Setia Alam.
- Pizza Hut Delivery – Debut outlet in PETRONAS Station Setia Alam.

v. Card Business

PETRONAS Mesra Loyalty Programme

The PETRONAS Mesra Loyalty Programme is PDB's loyalty programme through which members can earn points using their PETRONAS Kad Mesra to purchase fuel or products sold at the Kedai Mesra. In addition, loyal customers are able to enjoy ongoing discounts and promotions offered at participating PETRONAS Stations nationwide as well as by the participating partners of PETRONAS Kad Mesra.

For the year under review, the Company has further extended the card's benefits and privileges through new strategic partnerships. Current merchants are AirAsia BIG, PETRONAS Twin Towers Gift Shop, Twin Towers Fitness Centre, Petrosains, Cars International (Car Spa), Sunway Lagoon, Golf Leisure International (Golf Membership), Reebonz (Online Luxury Handbag website), Astute Xperience (Travel Services), Lost World of Tambun, Menara KL, Mooshicar (Car Replacement Service), San Francisco Coffee and Kopetro Travels & Tours.

To continuously reward its loyal customers, the Retail Business launched a series of reward programmes designed specifically for its PETRONAS Kad Mesra members including:

- PETRONAS 'Race on Mesra' and Maybank American Express 'Drive off The Hottest Ride in Town' Contests (March – April 2013)
- Ladies Extravaganza (April – June 2013)
- PETRONAS – Visa 'Go Travel with Your Dream Car' Contest (June – September 2013)
- AirAsia Redemption Campaign (September 2013)

PETRONAS SmartPay

The PETRONAS SmartPay is a corporate card which offers convenience and efficiency for companies to facilitate greater control over their fleet management in terms of monitoring movement and expenditure of the fleet. For the year under review, the Company replaced the magnetic strip-based card with ones that are chip-based to further enhance the security features of the fleet card. This improvement is part of the Company's commitment to ensure its customers can enjoy robust security features and durability of the card along with high speed transaction process.

Throughout 2013, the Business also continuously engaged with potential and current customers through various programmes such as product showcases, fraud mitigation sessions, festive celebrations, sporting and leisure activities.

KEY INITIATIVES

i. Marketing and Promotions

The Business continued to initiate various marketing and promotional activities to sustain sales while educating Malaysian motorists at large on the benefits of its superior products, specifically its flagship product, the PETRONAS PRIMAX. These include:

- **Integrated F1 Campaigns 'Race On'** (25 February – 30 June 2013) – Includes Snap to Twin Towers @ Live Concert, Gift Card Contest, Kedai Mesra Promo – Combo Items, Staff Contest, PETRONAS Xtrack, the PETRONAS PRIMAX Experience and Amex Usage Promo
- **'My Dream Getaway' Contest** (8 June – 31 August 2013) – Includes Dream Vacation (Staff Contest)
- **'Fuelled by Fans, Powered by PETRONAS PRIMAX' Campaign** (14 October – 24 November 2013) which comprised of Fuelled by Fans Special Saturday, PETRONAS Race For Survival TV Show, Kedai Mesra promotions and Meet the Stars!
- CIMB Co-brand: Up to 8% Cash Back (1 January – 3 May 2013)
- TGV Free Tickets Promotion (18 – 29 September 2013)

ii. Customer Engagement Programmes

- **SmartPay Customer Appreciation Dinner** (26 January 2013) for 100 loyal customers as a token of appreciation on their continuous support throughout the years. The appreciation dinner was also organised in celebrating PETRONAS SmartPay's maiden position as the market leader in the fleet card industry in Malaysia since 1998.
- **Station Visit Day** (26 February 2013) – Retail Business had conducted a Station Visit Day at PETRONAS Stations within Kuala Lumpur and some parts of Selangor to engage with daily customers at stations. The session was joined by all Retail Business employees located in KLCC.
- **PETRONAS XTRACK at PETRONAS Malaysia Grand Prix 2013** (22 – 24 March 2013) in the Mall area of the Sepang International Circuit (SIC) – The Company had provided PETRONAS SmartPay promotion counter and Kad Mesra counter to provide convenience for visitors to register or redeem their Kad Mesra points, and Mesra points giveaways through several PETRONAS PRIMAX games that were organised throughout the three (3) days.
- **PETRONAS Gift Card Debut at PIKOM PC Fair** (12 – 14 April 2013) at the Kuala Lumpur Convention Centre – The Company is the first oil and gas company to participate in this event with the intention to market our cashless payment device known as the PETRONAS Gift Card.

- **'Experience to Believe, Powered by PETRONAS PRIMAX' Convoy** (26 – 27 October 2013) – A convoy of 130 super bikers from the Kelab Sukan & Rekreasi PETRONAS (KSRP) Bikers Club to Pengerang, Johor for a Road Safety Awareness Campaign at SMK Tanjung Datuk, Pengerang. The road safety programme was co-organised by Kelab Sukan & Rekreasi PETRONAS (KSRP) and PETRONAS Refinery and Petrochemical Corporation (PRPC).
- **Introduction of Branded Customer Service** to all Rakan Niaga (RN) and Krew PETRONAS (KP) to enhance and improve customer service level at PETRONAS Stations nationwide via placement of Guest Greeters and Traffic Usherers. The initiative was kicked-off at Central regions in March 2013.

iii. Other highlights

- **Dealers Conference 2013: Striving for Excellence Together!** (29 – 3 January 2013) in Marriot, Putrajaya – The three-day conference housed over 1,000 participants from station dealers and PDB employees, including PDB management.
- **ENGEN Dealers' Visit to PETRONAS Twin Towers** (26 March 2013) – Retail Business hosted a visit of a group of ENGEN station dealers, an Africa-based energy company to the PETRONAS Twin Towers of Kuala Lumpur.
- **Safety, Crime Prevention and Table Top Exercise with Rakan Niaga PETRONAS in Central region** (15 May 2013) – An engagement session with Polis DiRaja Malaysia (PDRM) from Ibu Pejabat Daerah (IPD) Gombak was held at Perangsang Templer Golf Club in conjunction with a table top exercise targeted for PETRONAS Stations.
- **Retail HSSE Day** (23 September 2013) was successfully held at Equatorial Hotel, Bangi in conjunction with the official launching of the 2013 Retail HSSE Safety Manual. The programme was also attended by some 300 participants from Retail Operations Department, Retail Engineering, Rakan Niaga Task Force members, vendors and suppliers, key government agencies mainly from Department of Occupational, Safety and Health (DOSH), Fire and Rescue Department, Polis DiRaja Malaysia (PDRM), and private hospital.
- **Official Opening of PETRONAS MesraLink Customer Experience Centre at Hampshire Place Office** (22 October 2013) inaugurated by PDB Board Member, Encik Mohd. Farid bin Mohd. Adnan. Hampshire Place houses Customer Experience Department new department under Retail Business, tasked to deliver differentiated customer experience that drives customer loyalty and optimises business growth, integrating Customer Relation Management (CRM), Customer Services Department and Card Services Department. This is to support the Company's aspiration to focus on customer-oriented deliverables.

PROSPECTS

The Retail Business is poised to grow the business further in the years ahead to become the domestic retail market leader. It will leverage on its strong network of over 1,000 stations supported by its innovative products and differentiated services.

The Business will also ramp up its marketing initiatives to continue to reach out, recognise and reward its existing customers, while attracting potential customers across the country.

Our extensive product mix continues to fuel the nation's growth in every sector, positioning us as the preferred choice of partner – one that prides in reliable supply and timely delivery.

FUELLING GROWTH


CUSTOMER
CENTRIC
SERVICES
STRATEGIC
PARTNERSHIP
MANUFACTURING
MULTI LOCALITY
AVIATION FUEL
UPSTREAM
PREFERRED
CHOICE
POWER GENERATION
DIESEL
CONSTRUCTION
FUEL OIL
ASPHALT
DIFFERENTIATED
SERVICES


PETRONAS
mesralink
KEEP YOUR DISTANCE
- INTERLOCK BRAKE -
DJ129
JET A-1

68.2%
market share

The Commercial Business is **STRONGLY SUPPORTED** by the extensive supply, distribution and logistics system throughout the country ensuring **RELIABILITY**, **TIMELINESS**, **COMPETITIVENESS** and **QUALITY** of its products and services.

COMMERCIAL

BUSINESS OPERATIONS

The Commercial Business drives aggressive sales of bulk petroleum products catering to specific needs of various business sectors in Malaysia. The Business is strongly supported by the extensive supply, distribution and logistics system throughout the country ensuring reliability, timeliness, competitiveness and quality of its products and services.

Major products under the Commercial Business include Diesel, Aviation Fuel, Fuel Oil and Bitumen for key economic sectors such as manufacturing, oil and gas exploration, aviation, power generation, construction, agriculture, fishery and transportation.

The year 2013 marked a significant growth in the Commercial Business, particularly in the aviation and fuel oil portfolios, which saw volume growth in both domestic and international aviation fuel sales. For fuel oil portfolio, the marine bunker sector chalked up significant volume and market share growth at the local ports.

The year also saw the aviation industry in Malaysia recording a growth of between 11% and 15% in passenger load, beyond the anticipation of many industry experts.

FINANCIAL PERFORMANCE

For the year under review, the Commercial Business recorded a revenue of RM16,524.6 million, an increase of 9.2% from the corresponding period last year. The growth in revenue is mainly contributed by higher sales of Diesel, Aviation Fuel and Fuel Oil. The Business had achieved the highest ever market share of 68.2% despite weakening demand in the industrial sector coupled with the continued impediment from nanotag removal which had impacted commercial Diesel portfolio. The situation was further compounded by the advent of alternative energy and a more competitive market landscape.

The strong performance in the year under review was achieved through the Business' effective collaboration with key stakeholders to ensure uninterrupted supply of fuel to the high growth oil and gas upstream sectors. The successful collaboration with strategic business partners had further expanded the supply coverage and strengthened the Business' foothold particularly in the southern part of Malaysia.

In addition, the continued renewals of key contracts from a wide spectrum of sectors including corporate, manufacturing and transportation have contributed to business growth. All these are attributable to the Company's ability to consistently and reliably deliver quality products and services, a testament to PDB as the Brand of 1st Choice.

PRODUCTS AND SERVICES

The year under review was particularly good for the Aviation refuelling business, as PDB was recognised as the Best Regional Jet Fuel Marketer in Asia Pacific by the Armbrust Aviation Group. The year also saw the aviation industry in Malaysia recording a growth of between 11% and 15% in passenger load, beyond the anticipation of many industry experts. Efficient service and timely performance were critical in supporting this growth. The Commercial Business, with its robust supply and logistics support, performed commendably, increasing its domestic aviation market share to 77.6%.

The growth prospect for the Business is expected to improve in the coming year judging from the positive growth of the aviation industry. On the international front, Commercial Business had successfully secured additional sales at several international airports including Heathrow London, Hong Kong as well as Denpasar, Batam and Pekan Baru in Indonesia. The Business will continue to expand its sales at selected international airports to support its key customers.

For the Fuel Oil portfolio, Commercial Business continues to demonstrate its capability to grow the business in a relatively mature market. It maintains high success rate in fuel supply for the energy sector which was crucial to the sector in light of the gas shortage during the year under review. For its marine bunker business, Commercial Business successfully boosted its market share to 25% from 5% in the corresponding period last year.

KEY INITIATIVES

Dealer Convention and Appreciation Night

Dealer Convention and Appreciation Night remains one of the key initiatives for the Commercial Business in fostering a close working relationship with its dealers and expanding the existing dealer network. This initiative will continue to be an important approach by the Business in the coming years to pursue customer-centric excellence.

Product Knowledge Enrichment

As part of the Company's Customer Relations Management (CRM) programmes, the Commercial Business had initiated knowledge-sharing sessions with key customers and dealers on various aspects of product and applications, operations and product handling as well as Health, Safety and Environment. The seminar was conducted throughout the year at various locations in Malaysia to further strengthen the technical competencies of its dealers and major customers.

Aviation Technical Services (TSA) International Workshop

Through its wholly-owned subsidiary, PETRONAS Aviation Sdn Bhd (PAV), which provides aviation technical services for the PETRONAS Group and third parties, the Commercial Business had successfully conducted an international workshop for the Aviation Technical Fraternity. Key participants included technical personnel involved in the operations of fuel terminals within the PETRONAS Group and international aviation customers. The workshop, which was held on 2 July 2013 in Jakarta, garnered encouraging participation from aviation technical and operation personnel from Malaysia, Indonesia, South Africa, Sri Lanka, Sudan and Saudi Arabia. The workshop formed a conducive forum for the technical and operation teams to discuss industry development and issues as part of an overall initiative to foster competencies, competitiveness and cooperation amongst the teams.

ACHIEVEMENT

Best Regional Jet Fuel Marketer in Asia Pacific Award

In May 2013, the Company was honoured with the recognition as the Best Regional Jet Fuel Marketer in Asia Pacific at the IATA Fuel Forum in Berlin. The award was presented by Armbrust Aviation Group (AAG), one of the well-established and trusted organisations in the aviation refuelling industry. The award further enhanced PDB's position to the forefront in the aviation refuelling market space.

PROSPECTS

The Commercial Business will continue to leverage on its superior supply and logistic strength to further anchor its market leadership with unsurpassed service and differentiated product offerings. Combined with the right footing, the right mindset and capabilities, the Business is confident to create profitable growth for the Company.

As Malaysia's No. 1 Cooking Gas we are committed to delivering quality cooking gas, excellent service and highest standard of safety.

DELIVERING MORE


LEADING BRAND
RELIABLE
SAFE
CONVENIENCE
AVAILABILITY
QUALITY
No.1
COOKING
GAS
BEYOND MALAYSIA
HOME
DELIVERY
LARGEST NO. OF
BOTTLING PLANTS & DEALERS


GAS
PETRONAS
Memasak No.1 Di Malaysia

57.2%
market share

Through pursuing **VALUE DRIVEN GROWTH STRATEGY**, the LPG Domestic Business has grown its market share to 57.2%, successfully defending Gas PETRONAS' position as **MALAYSIA'S NO. 1 COOKING GAS**.

BUSINESS OPERATIONS

The LPG Domestic Business drives the marketing and sales of cooking gas under the brand name of Gas PETRONAS which are available in three cylinder sizes of 12kg, 14kg and 50kg, suitable for both domestic, and small and medium industries (SMI), and bulk LPG for commercial and industrial usage.

Through pursuing 'Value Driven Growth' strategy, the LPG Domestic Business has grown its market share to 57.2%, successfully defending Gas PETRONAS' position as Malaysia's No. 1 Cooking Gas.

LPG

FINANCIAL PERFORMANCE

For the year under review, the LPG Domestic Business recorded a revenue of RM1,591.4 million, an increase of 5.9% from the corresponding period last year with sales volume growth of 4.8% during this period.

The significant growth was attributed to PDB's aggressive in-roads into new markets, particularly in the urban areas within the Klang Valley. The growth was further supported by the implementation of various key initiatives and intervention plans towards pursuing 'Value Driven Growth' during 2013.

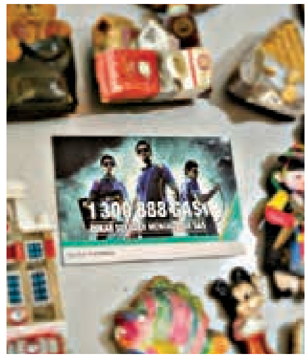
PRODUCTS AND SERVICES

12kg and 14kg Cylinders

The domestic sector comprising 12kg and 14kg cylinders achieved a sales volume growth of 5.2% as compared to corresponding period last year. The strong growth was attributed to the success







in gaining entry into the new urban markets particularly in the Central and Southern regions' customer base through the appointment of 13 new dealers. This effort was further supported by sweating of assets to increase cylinder turnaround via better understanding of customer profile. In addition, consistent cylinder injection and reduction of idling cylinders at all major LPG terminals have further ensured strong growth in the domestic cylinder sector.

To further expand its services to a wider customer base, the LPG Business introduced baby tank as another innovative product offering to further strengthen its market positioning in the industrial segment.

50kg Cylinders and Bulk Sales

Sales volume for the segment saw a growth of 1.0% as compared to corresponding period last year. This was mainly attributed to the new corporate accounts secured, with nationwide chain of outlets, comprising new customers from healthcare, tourism and manufacturing industries.

Differentiated Services

Gas PETRONAS Home Delivery Service

The LPG Business continued to focus on 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 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 conduct free safety checks at customers' home. Through GPHD, customers can obtain value-added offerings by earning Mesra points.

KEY INITIATIVES

Fuelling the Growth of the Nation's Culinary Industry

Sponsorship for *Bubur Lambuk* Cooking Events

Gas PETRONAS continued its long tradition by sponsoring 1,000 cooking gas cylinders, chef hats and apron through *Bubur Lambuk Agong* by Masjid Jamek Kg Baru. The event saw the distribution of the signature *Bubur Lambuk Agong* to the public throughout the holy month of Ramadhan, which underscores Gas PETRONAS commitment to reach out to the community. Among other signature events were *Pertandingan Memasak Bubur Lambuk* Menara KL, which was officiated by Mayor of KL, *Bubur Lambuk Amal* Media NSTP and *Sebungkus Bubur Lambuk Sejuta Keinsafan*. Throughout our years of participation, the preparation of *bubur lambuk* during Ramadhan has become synonymous with Gas PETRONAS. PDB is humbled by the opportunity to be a part of this tradition and be closer to the community.

Cooking Competitions

To further reach out and build closer relationships with the community as well as fuel Malaysia's culinary industry, Gas PETRONAS also supported various cooking competitions during the year under review.

Some of the key initiatives included:

- Cooking competition in conjunction with *Program Bulan Pengguna Peringkat Kebangsaan Tahun 2013* on 30 May until 1 June 2013 at Pantai Batu Burok, Terengganu, which saw 3,000 participants attending the event. The event was launched by Yang Berhormat Dato' Hasan Malek, Minister of Domestic Trade, Co-operatives and Consumerism.
- In conjunction with the launch of National Consumer Day in Sabah, the LPG sales team in Sabah co-organised a cooking competition with the state Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) on 11 May 2013 at Lintasan Deasoka, Kota Kinabalu, Sabah. The event was launched by Yang Berbahagia Datuk Abidin Madingkir, Mayor of Kota Kinabalu, during which a total of approximately 600 people from around Kota Kinabalu participated in the event.

Commissioning of Baby Tank (Pressurised Instrumented Gauge Tank)

To further expand its services to a wider customer base, the LPG Business introduced baby tanks as another innovative product offering to further strengthen its market positioning in the industrial segment. Baby tank with a capacity of 200kg is suitable for customers with space limitation and comes with several advantages such as less residue balance and better handling efficiency as compared to existing 50kg cylinders, better safety design and suitable for customers with low to medium consumption.

The first baby tank was installed and commissioned at AEON Wangsa Maju on 31 December 2013.

Health, Safety and Environment (HSE) Efforts

Safety Talk and Awareness Programme

As part of the Company's HSE commitment and responsibility to the community, the LPG Business produced an all-new Safety Tips leaflet on the safe way of using cooking gas. The safety tips was also published in the newspapers with the first one being in Berita Harian on 30 May 2013 and distributed to the public during various community events and sponsorship held to enhance awareness on product knowledge and safe handling of LPG household cylinders.

As part of our continued initiative to enhance safety awareness among business owners, a series of engagement sessions were held in collaboration with the Restaurant Association to share knowledge on regulatory and safety aspects of LPG. The nationwide programme commenced in October 2013. Among the topics covered were product knowledge, LPG safe handling and customer service.

Fire Drill Exercise

As part of the Company's continuous commitment to prepare its Channel Members to manage crisis and unforeseen situations effectively, the LPG Sabah Region had conducted a fire drill exercise called Ops Tawau 911. The exercise was conducted successfully with the involvement of Polis Diraja Malaysia (PDRM), Fire and Rescue Department of Malaysia as well as Department of Occupational Safety and Health of Malaysia (DOSH).

New Premises for Channel Members

The LPG Business launched new premises for its Channel Members in line with PDB's emphasis for these premises to adhere to stringent HSE standards. The new premises include:

- Sri Jaza Enterprise Sdn Bhd at Butterworth, Pulau Pinang on 1 January 2013
- Syarikat Man Ho at Kunak, Sabah on 1 March 2013
- Hj Abd Rahman Ismail at Merlimau, Melaka on 15 April 2013
- P&P Gas at Semporna, Sabah on 1 July 2013
- PSJ Gas (SDK) Sdn Bhd at Sandakan, Sabah on 8 July 2013 and
- Sthamin Gas at Lahad Datu, Sabah on 15 November 2013.

Route Hazard Mapping

As yet another effort to ensure operational safety, the LPG Business embarked on a total of six (6) Road Hazard Mapping (RHM) exercise with Rigil Services Sdn Bhd. The objective of this exercise was to brief all Premier Dealers on the implementation of RHM, which is designed to monitor the movement of all pallet lorries and cargo by establishing a safe routing journey.

Table-top Exercises

During the year under review, a total of six (6) exercises were conducted nationwide to prepare and assess the readiness of the Emergency Response Team (ERT) in managing crisis involving the LPG operations.

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

- Eastern Region: RD Niaga on 20 June 2013
- Sarawak Region: Awang Wahab & Co on 4 July 2013
- Sabah Region: PSJ Gas Sdn Bhd on 24 July 2013
- Northern Region: IBMS Sdn Bhd on 22 August 2013
- Southern Region: HJ Enterprise Sdn Bhd on 22 August 2013
- Central Region: Nuro Dagangan Sdn Bhd on 11 September 2013

The above activities will continue to be an important component of the LPG Business HSE calendar of events in the year ahead.

Other Stakeholder Engagement Initiatives

Gas PETRONAS Golf Invitational 2013

The LPG Business organised a friendly golf event for its key bulk and industrial customers, premier dealers and relevant government authorities at the Nilai Spring Golf and Country Resorts on 14 December 2013. A total of 60 participants teed off at the golf event with the primary objective of strengthening ties and relationship with these key stakeholders. The event was a great success with participants ranging from authorities such as DOSH and the Fire and Rescue Department of Malaysia to representatives from the Energy Commission.

PROSPECTS

The LPG Domestic Business is focused on further sealing its stronghold as Malaysia's No. 1 Cooking Gas. It is committed to drive higher sales growth in addition to delivering convenience and differentiated services to its valued customers.

INTERNATIONAL BUSINESS

There is an opportunity to grow the LPG market in the Philippines, in tandem with the country's rapid economic growth. The GDP growth for 2013 is 7.0%, basically due to strong household consumption, increase in private investment and government's spending. LPG demand is the biggest in Luzon where 60% of the population is concentrated, making up 80% of total LPG demand in the Philippines.

In the Philippines, PETRONAS Energy Philippines Inc (PEPI) now focuses in growing its market presence in Luzon on household cylinders and industrial sector, having achieved the second biggest market share in the Visayas and Mindanao regions.

Vietnam is facing an economic slowdown which impacted the LPG demand. The Vietnam LPG market is still fragmented with many players, leading to keen competition. LPG market in the Philippines and Vietnam is fully deregulated.

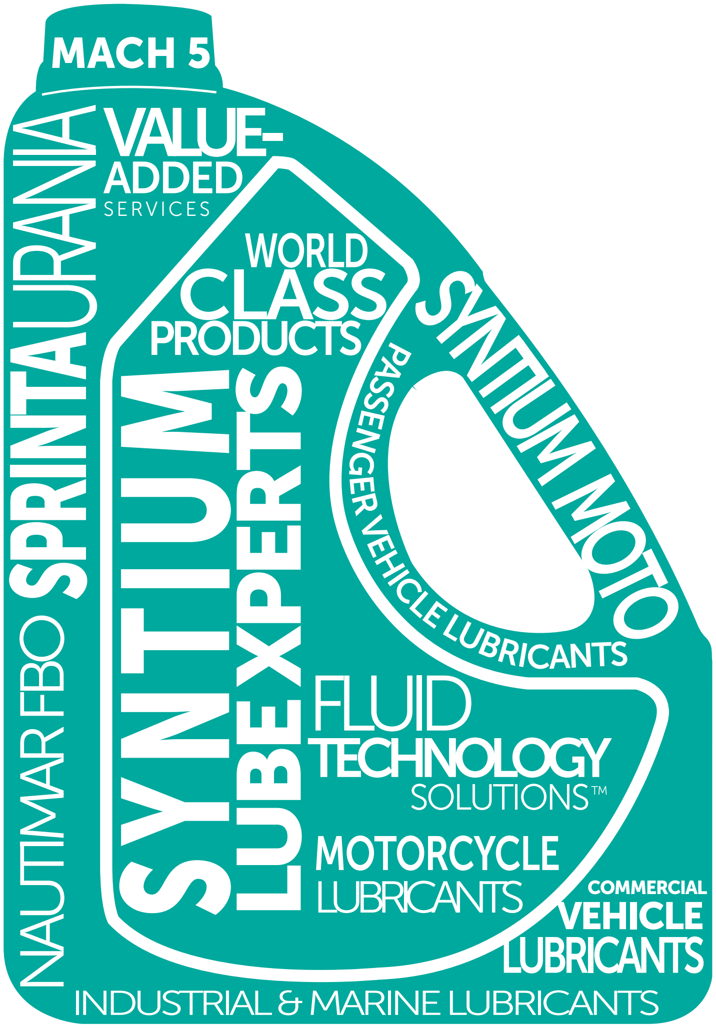
Similar to PEPI, PETRONAS (Vietnam) Co Ltd (PVL) is also focusing to grow sales in the household segment while maintaining the growth in bulk industrial segment in Vietnam, via development and strengthening of key markets, and the enhancement of technical and customer services. HSE requirements will also be enforced to enhance safety of filling stations.

Both PEPI and PVL are pursuing supply synergies within the PDB Group in order to achieve reliable supply at competitive costs. For long-term sustainability, PEPI and PVL are embarking on initiatives to improve supply and logistics costs.

PEPI and PVL will also continue to leverage on existing PDB capability (Human Resource Management, Operations, HSE and Technical) to assess and enhance existing processes. Adoption of relevant frameworks, policies, processes and systems will enhance corporate governance in PEPI and PVL.

Our range of products are the result of years of learning and partnership with the best in motorsports, allowing us to offer our customers innovative fluid solutions for all their automotive needs.

INNOVATIVE SOLUTIONS


MACH 5
SPRINTA URANIA
NAUTIMAR FBO
VALUE-ADDED SERVICES
WORLD CLASS PRODUCTS
SYNTIUM
LUBEXPERTS
SYNTIUM MOTO
PASSENGER VEHICLE LUBRICANTS
FLUID TECHNOLOGY SOLUTIONS™
MOTORCYCLE LUBRICANTS
COMMERCIAL VEHICLE LUBRICANTS
INDUSTRIAL & MARINE LUBRICANTS


PETRONAS
PETRONAS
6
SWISSQUOTE
PETRONAS
SYNTIUM

13.0% increase in gross margin

The Lubricants Business is on track to achieve **MARKET LEADERSHIP** through **INNOVATIVE** product offerings, expert **TECHNICAL SUPPORT**, sophisticated distribution channel and hard-hitting sales and marketing initiatives.

BUSINESS OPERATIONS

The Lubricants Business retained its position as the second largest player in a crowded and competitive market space. The Business is on track to achieve market leadership through innovative product offerings, expert technical support, sophisticated distribution channel and hard-hitting sales and marketing initiatives.

Passenger Vehicle Lubricants cater to the lubricant needs of car segment in the automotive industry. PETRONAS Syntium is our flagship product which carries a full complement from semi synthetic to synthetic range. Key accounts using our Syntium range are Proton, Naza KIA, Peugeot, Citroen, Mercedes Benz, BMW, etc. Also included in our product offerings are PETRONAS Mach 5 premium mineral grade, PETRONAS NGV Lube and PETRONAS M-Plus.

Motorcycle Oil Lubricants are our product offering that cater to the requirements of motorcycles. We have two (2) brands under this segment which are PETRONAS Syntium Moto and PETRONAS Sprinta. PETRONAS Syntium Moto offer products from the semi-synthetic to fully synthetic grades while PETRONAS Sprinta offer mineral grades.

Commercial Vehicle Lubricants cater to lubricant usage for commercial vehicles (i.e. trucks, bus, prime-movers, etc.) that runs on heavy duty diesel engines. PETRONAS Urania is our brand for this segment. PETRONAS Urania offer products from the mineral to fully synthetic range. To further complement this segment, we also offer automotive gear oil, automatic transmission fluids and specialty products such as brake fluid and coolants.

Industrial & Marine Lubricants offer products targeted to industrial and marine segments. We have a full range of lubricants to meet the consumer requirements from compressor, circulation, hydraulic, turbine, gear oil and marine products.

FINANCIAL PERFORMANCE

The Lubricants Business recorded revenue of RM485.8 million, an increase of 1.3% against the corresponding period last year. The gross margin performance grew by 13.0% against the corresponding period last year as a result of better product portfolio management, especially through the Original Equipment Manufacturer (OEM) business.

The **Passenger Vehicle Lubricants** achieved a 1.8% growth in revenue, contributed mainly from OEM business such as Perodua and Proton, with volume growth of 10.8%. For the **Motorcycle Lubricants,** the segment saw a decline in revenue by 5.4% due to increased sales of lower grade portfolio through the highstreet segment. **Commercial Vehicle Lubricants** maintained its revenue despite aggressive sales by competitors during the first half of 2013. **Industrial & Marine Lubricants** registered a growth of 6.5% in revenue, contributed by securing new key accounts such as Felda Global Ventures (FGV) and the conversion to more synthetic-based industrial lubricants in the oil and gas sector.

For highstreet segment, Passenger Vehicle Lubricants are going through the enhancement in Route to Market (RTM) with appointment of new MEP (Market Execution Partner) to drive the business in the coming years.

KEY INITIATIVES

Lub Dagangan Sdn Bhd (LDSB) Highstreet Transformation

As part of the growth strategy for Lubricants Business, our highstreet business has undergone an end-to-end transformation in line with the objective to drive growth and establish our position as the clear market leader. The transformation includes key initiatives such as Route to Market (RTM), Channel Segmentation, fully branded LubeXperts outlets as well as engaging a new management team for Lub Dagangan Sdn Bhd.

For highstreet RTM, we had strengthened our distributor network by introducing "Market Execution Partner" (MEP) to push sales by state and focus on penetration through highstreet independent workshops. In addition to RTM enhancement, channel segmentation had improved market penetration through the identification of potential outlets and provide special promotion programmes to these outlets to become our product advocates.

In April 2013, as part of its highstreet transformation, the Lubricants Business introduced PETRONAS LubeXperts, the very first premium lubricants workshop in Malaysia. PETRONAS LubeXperts are fully branded outlets which carry PETRONAS' corporate identity, providing professional service and special offerings, a class well above other independent highstreet workshops. As at end of 2013, the Business had established 41 PETRONAS LubeXperts across the country.

OEMs and Corporate Business

During the year under review, the Lubricants Business strengthened its hold in the OEMs segment by securing an extension of another three (3) years with Cycle and Carriage, the authorised dealer for Mercedes Benz and an additional five (5) years with Ingress Auto, the authorised dealer for BMW, reflecting a high level of confidence in PETRONAS' products and capability among key luxury OEMs in Malaysia.

Riding on the back of this success, the Business had also secured its first Mitsubishi outlet with Ingress Auto.

Another feather in the cap for OEM business was the securing of a two-year supply agreement with Boon Siew Honda. The contract entails the delivery of Honda Genuine Oil to all the Honda authorised motorcycle outlets.

On the corporate business front, the Lubricants Business successfully entered into a three-year supply agreement with Felda Global Ventures (FGV) to supply all their plantation business throughout Peninsular Malaysia.

Marketing and Promotion

During the year under review, the Lubricants Business executed various initiatives, activities and promotions to increase brand awareness. Some of these initiatives include:

Sales and Trade Promotions

To grow further into the independent highstreet workshop segment, Lubricants Business executed various programmes to increase sales and product advocacy in this segment. These programmes include the Premier Dealer Travel incentives, Syntium Back to School Bata Promotion, iPad Promotion, Workshop Dinner Programme with current workshops that achieved high sales and on-the-ground activities such as Workshop High Tea with newly identified workshops to promote PETRONAS brand as well as signing up new high-potential workshops into our network.

Nationwide Syntium Consumer Promotions

The Lubricants Business continued to organise its annual Syntium Consumer Promotion to reward its loyal customers. To ensure maximum outreach and impact, this promotion was rolled out during the Chinese New Year and Hari Raya festivities.

Out of Home Advertising

To increase brand awareness, the Business continued to embark on aggressive Out of Home (OOH) advertising particularly at toll booth arm gates and dress-ups at the parking areas of strategic shopping malls.

Dealers Engagement Activity

Lubricants Dealers Night 2013

In appreciation of the performance of lubricants dealers in 2012, a dealer appreciation night was held in March 2013 to reward and acknowledge the efforts and performance of the top five (5) dealers in their respective segment. During the event, special promotion packages were offered to motivate all attending dealers to boost efforts and drive higher sales.

PROSPECTS

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 with the objective of establishing market leadership in Malaysia. The transformation of the highstreet business model, channel segmentation and PETRONAS LubeXperts will be the key drivers in achieving this goal.

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

INTERNATIONAL BUSINESS

The lubricants business in Thailand is estimated to be the second largest in Southeast Asia and is highly competitive. Through PETRONAS International Marketing (Thailand) Co Ltd (PIMTCL), the Company is focused in growing sales to the highstreet market through our distributors and at the same time secure directly industrial and commercial key accounts.

During the year under review, PIMTCL secured a contract with Toyota Thailand as one of their suppliers for lubricants for factory fill. This is PETRONAS' first major contract regionally with Toyota and anchors our commitment to grow with key OEMs and reflects a level of confidence in PETRONAS' products and capabilities.

International Business for Lubricants will continue to pursue opportunities for business growth in all segments especially in highstreet and OEM while increasing its value added services.

SUPPLY AND DISTRIBUTION

The Supply and Distribution Division (SDD) plays a key role in ensuring reliable and steady supply through its robust supply network, extensive coverage of terminals and effective distribution channel that will ensure PDB achieves its overall aspiration of becoming the Brand of 1st Choice. This is demonstrated by having 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 (4) core pillars namely Stakeholders Value, Customers Satisfaction, Operational Excellence and Organisational Effectiveness.

STAKEHOLDERS VALUE

The Division is committed to create value for its customers and business partners through continuous cost savings initiatives. This is derived by having a robust sourcing strategy and effective primary and secondary distribution operations. During the year under review, for the sourcing of its petroleum products, SDD has embarked on strategic alliance with PETRONAS Trading Labuan Co Ltd (PTLCL) to leverage on its global presence whilst strengthening our domestic front. In addition, the Division also focuses on improving the overall primary distribution cost through effective freighting strategy encompassing well-structured scheduling, optimum time and spot charter ratio and significant demurrage reduction. The cost is further reduced through efficient secondary distribution operations which hinge on the improved road tanker utilisation and better economies of scale through injections of bigger capacity road tankers.

CUSTOMER SATISFACTION

Our focus towards enhancing customer satisfaction latchs on the reliable delivery of quality products and differentiated services in a cost effective manner. In doing so, it will continue to invest in new and advanced equipment to ensure that the required product quality is maintained in delivering the Company's brand promise.

OPERATIONAL EXCELLENCE

Safety is highly valued in SDD and becomes top priority throughout our supply and distribution chain. With 39 Terminals in operations for LPG,

The Division's strategies are driven by its four (4) core pillars namely Stakeholders Value, Customers Satisfaction, Operational Excellence and Organisational Effectiveness.

Aviation and Fuel, covering both Peninsular Malaysia and East Malaysia, the Division holds steadfastly in delivering operational excellence through high HSE standards and efficient operations. Do-Your-Bit 24/7 campaign was launched to instill safety culture among its employees whilst strengthening the compliance of the Company's Zero Tolerance (ZeTo) rules.

From the efficient operational standpoint, the Overall Equipment Efficiency for the Division had improved significantly mainly contributed by the automation initiatives through commissioning of Flexspeed machine in Melaka LPG Terminal. Flexspeed is a new high speed LPG cylinder filling system utilising a single carousel with multiple filling posts and a series of process modules for weight checking, leak detection, compact valve testing and valve cap application. The system is integrated to a central cylinder washing facility and 3-tier pallet plant. PDB has already installed and commissioned one (1) unit of flexspeed system at Melaka LPG Terminal in 2013 which is capable of producing 3600 cylinders per hour. The flexspeed system installed at Melaka LPG Terminal is the 1st system installed in Malaysia and the 10th in the world.

In a bid to further improve operational efficiency at our distribution terminals, SDD has developed Infrastructure Planning Study on yearly basis that aims to optimise tankage utilisation, strategic expansion of storage facility and improvement of road tanker utilisation. In addition, for Aviation operation, 'On-Time-Performance' had been introduced as an enhanced measure of operational excellence.

ORGANISATIONAL EFFECTIVENESS

To create technically competent and highly skilled workforce towards achieving PDB growth agenda, the Division continues to invest relentlessly in people, capability and competency development.

PROJECTS

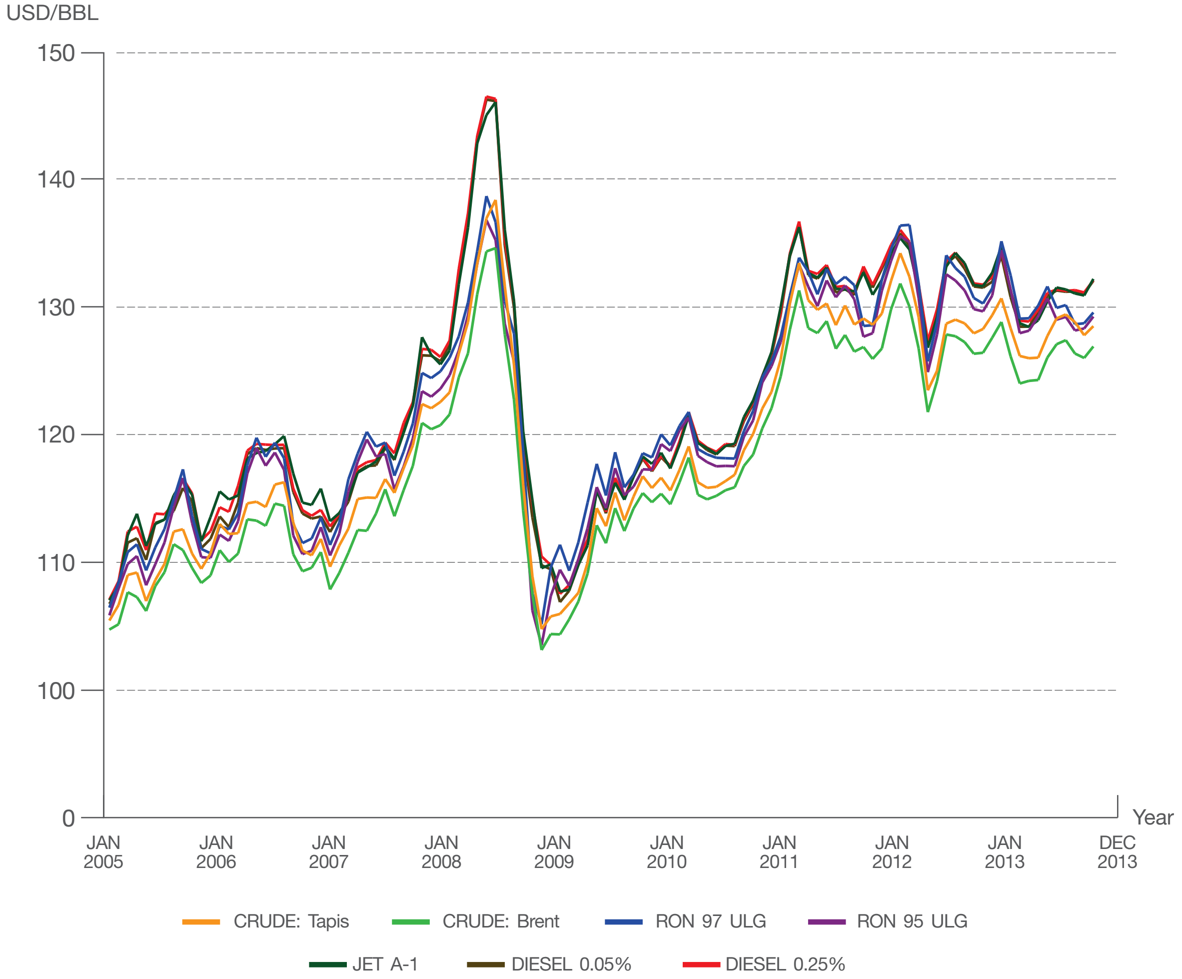
Biodiesel Project

Following the Government's mandate of Biodiesel implementation, the Division has completed the Biodiesel facility in Pasir Gudang, Kuantan, Prai, Lumut and Kerteh Fuel Terminals ahead of schedule. This early completion allows PDB to become the first oil company with fully compliant Biodiesel facilities.

PROSPECTS

The Supply and Distribution Division will continue to focus on cost optimisation, supply reliability and sustainability, customers satisfaction, HSE assurance and operational excellence towards supporting the Company's overall aspiration of becoming the Brand of 1st Choice.

CRUDE OIL AND PETROLEUM PRODUCTS PRICE TRENDS



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

For the year under review, crude oil and petroleum products prices continued to fluctuate, with Brent crude oil price averaging at USD108.66/bbl.

In February 2013, there was a hike in the price of crude oil and petroleum products following concerns on the possible disruption of international supply due to the unsettling political situation in the Middle East.

The subsequent quarter saw a downtrend in prices as demand for oil was weaker following the continued global economic slowdown. By the end of May 2013, average prices decreased by almost 13.0% from its peak in February 2013.

In the third quarter of 2013, prices showed an upward trend particularly in July and August, boosted by positive economic activities which led to a stronger demand for oil. Geopolitical developments in the Middle East and North Africa also continued to boost the oil prices. Thereon, prices continued to fluctuate in the fourth quarter of the year under review.

Average price for RON 97 ULG and RON 95 ULG in 2013 were USD121.44/bbl and USD119.11/bbl respectively, while diesel 0.05% Sulfur and Jet A1 closed at an average of USD123.38/bbl and USD122.99/bbl respectively.

ECONOMIC OUTLOOK AND PROSPECTS

The advanced economies, particularly the US and Japan, are showing signs of recovery through improving economic activities. However, Eurozone remains in recession and the major emerging economies are growing at a slower pace. The world economy recorded a growth rate of 2.9% in 2013, a slight decline from previous year's of 3.2% due to emerging economies' slower growth and tighter financial conditions. In 2014, the global economy is expected to register a growth of 3.6% with the emerging market economies continue to account for the bulk of global growth. The other key drivers supporting the growth will come from stronger US economy, a reduction in fiscal tightening in emerging economies and highly accommodative monetary conditions.

Meanwhile, the Asian economy – notably the commodity exporters among the emerging market and developing economies – are affected by the slower growth of China. Overall, the ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam) registered an economic growth of 5.0% in 2013 and is expected to slightly improve to 5.4% in 2014, in line with the projection of a stronger world economy next year.

Malaysia's economy expanded by 4.7% in 2013 as domestic demand continued to power growth of the Malaysian economy. Improving external demand and a slightly better performance of private investment resulted from persistent strengthening of the private sector, will provide the push for growth.

Growth outlook for 2014 is projected to be between 5.0 – 5.5%, amid improving global market environment even though the expected fiscal belt-tightening measures to rein in budget deficit may result in some downside risks.

Despite challenging environment, PDB is committed to further defend its overall market leadership position and grow the Company's business through the strengthening of our brand, sweating our existing assets and continuously enhancing our customer relationship management. The Company will also continue its cost optimisation efforts via enhancement of supply and distribution efficiency and improvement of terminal operational excellence to further improve cost of operations.


PRIMAX 95
XTRA
SAVINGS ALL THE WAY
ETIHAD
AIRWAYS

CORPORATE RESPONSIBILITY

CORPORATE RESPONSIBILITY

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

As a member company of the PETRONAS Group, sustainability is at the core of PDB's operations and our key commitment to ensure continued growth as well as success for the benefit of present and future generations. For PDB, sustainability entails carrying out our business in a socially responsible and holistic manner.

Towards this end, PDB has continued to pursue strategies to integrate sustainable practices into its operations. Our initiatives cover key focus areas as outlined within the PETRONAS Corporate Sustainability Framework, namely:

1. Shareholder Value
2. Natural Resource Use
3. Climate Change
4. Biodiversity
5. Health, Safety and Environment
6. Product Stewardship
7. Societal Needs

PDB implements these focus areas accordingly within the marketplace, workplace, environment and the community.


PROGRAM 'WATER FOR LIFE'
TEMPAT : SEKOLAH MENENGAH KEBANGSAAN SERI SELAYANG
TARIKH : 3 JULAI 2013
MASA : 2:00 Petang - 6:00 Petang

PDB's steady growth over the years is premised on the Company's commitment to leadership, innovation and sustainability of its products and services.

Today, PDB is the overall leading retailer and marketer of domestic downstream oil and gas products. We are the market leader in the Commercial and LPG Businesses in Malaysia with strong fundamentals to retain and further solidify this position. PDB's Retail Business has also grown to become Malaysia's largest petroleum retail network with over 1,000 stations and 725 Kedai Mesra, offering one-stop convenience for fuelling, dining, shopping, banking, car spa and other services.

Importantly, PDB continues to lead the way in reimagining its products and services to deliver exceptional customer experience. This in turn, solidifies our position as the Brand of 1st Choice.

SHAREHOLDER VALUE

At PDB, we are fully committed to establish ourselves as a leading, responsible and reputable public listed company. As in the previous years, we continue to create long-term shareholder value and deliver good year-on-year dividends for our shareholders. As a result of this, the Company has been awarded with the Most Consistent Dividend Policy for Malaysia in the 3rd Annual Southeast Asia Institutional Investor Corporate Awards 2013.

For the year under review, the Company continue to deliver strong shareholder value with high dividend pay-out of 74.1%. The Company's share price continues to grow steadily to RM31.44 as at 31 December 2013.

On top of that, PDB has also enhanced its investor relations efforts to reach out to the investing community more effectively. This will pave the way for investors to better understand the Company's business operations and financial performance.

ENRICHING CUSTOMER EXPERIENCE

PDB's steady growth over the years is premised on the Company's commitment to leadership, innovation and sustainability of its products and services. Our passion to be an industry trendsetter has made us the clear Brand of 1st Choice. On top of that, the desire to continuously improve and excel has ensured that we continue to deliver innovative products and differentiated services for our customers.

Our long term partnership with the Formula One™ teams has also enabled PETRONAS to showcase its Fluid Technology Solutions™. This is where our collective experience and technical expertise gained from the F1 tracks have been innovatively translated onto the roads for motorists via the synergy in the design, development and delivery of top tier fuels, lubricants, functional fluids and car care solutions.

MARKETPLACE

Fuel

Our flagship fuel, the PETRONAS PRIMAX 95 XTRA continues to satisfy our customers with the cost-saving quality it delivers to motorists. As a testimony, the fuel was awarded the Putra Brand Gold Award under the Automotive Fuel category for the fourth consecutive year, a true recognition by Malaysians of PETRONAS PRIMAX as their Brand of 1st Choice.

Lubricants

Similarly, its range of premium automotive lubricant products, the PETRONAS Syntium was awarded the BrandLaureate's Best Brands in Consumer Category for Car Lubricants, a testament to the Company's quality products. The PETRONAS Syntium brand has evolved to one that is synonymous with the pinnacle of motorsports, the Formula One™ and is today recognised, approved and accredited by major automotive manufacturers including Mercedes-Benz and BMW. Given the efficacy of the product, PETRONAS Syntium is currently being endorsed by the MERCEDES AMG PETRONAS Formula One™ Team driver, Lewis Hamilton.

Car Care Solutions

To further benefit customers with its range of F1 technology-inspired fluids, PDB had pulled together the extensive knowledge and technology gained from the partnership with Formula One™ teams into its new fully-branded automobile workshop, the PETRONAS LubeXperts. Following the launch in April 2013, the premium lubricant workshops carry the PETRONAS corporate identity, providing superior automotive fluid solutions and innovative customer-centric offerings. As of 31 December 2013, the Company has a total of 41 PETRONAS LubeXperts under its stable.

PETRONAS Stations

Along with the range of superior products and services available at our PETRONAS Stations, PDB continues to lead the way in offering motorists the holistic experience all under one roof, encapsulating the true meaning of PETRONAS Gives You More. The PETRONAS Stations' signature one-stop-centre convenience concept has proven to be a popular one as it was voted the Best Petrol Station by Malaysians at the Reader's Digest Most Trusted Brand 2013 Awards.

In 2013, PDB embarked on a career pathing exercise, specifically for technical executives specialising in terminal operation management and general project management, to provide a holistic view of various career opportunities available to them within PDB.

GROWTH AT WORK: HUMAN CAPITAL DEVELOPMENT

Recognising that human capital is an integral part of fuelling PDB's business growth, the Company is fully committed to continue nurturing and growing its talent pool at all levels.

PDB's human capital development programme is anchored in three (3) key areas, namely:

a) Learning and Capability Building
b) Succession Management
c) Leadership Development

a) Learning and Capability Building

PDB invested a total of RM12.0 million in employee learning and development programmes, with external trainings amounting to 35% of the total investment and the remaining 65% for internal trainings.

Career Pathing for Technical Executives

In 2013, PDB embarked on a career pathing exercise, specifically for technical executives specialising in terminal operation management and general project management, to provide a holistic view of various career opportunities available to them within PDB. This aims to encourage a well-planned career progression journey via staff mobility for optimum exposure throughout the breadth and depth of both disciplines.

Accelerated Capability Development for Technical Executives

The Accelerated Capability Development (ACD) provides a platform for technical executives to be assessed on their technical competencies and lays out Individual Coaching Plans to narrow any existing talent gap.

WORKPLACE


PETRONAS
BUILD
OWN
LEARN
APA YANG BOLEH SAYA LAKUKAN UNTUK BELAJAR (LEARN)?
DELIVER
BAGAIMANA DAPAT SAYA SAMPAIKAN/TUNAIKAN (DELIVER) JANJI KEPADA SYARIKAT DAN PIHAK-PIHAK BERKEPENTINGAN?
PETRONAS

In 2013, PDB rolled out ACD Art of War for new executives to familiarise themselves with the technical know-how requirements, assessment answering techniques as well as ACD processes and procedures. A common set of Key Performance Indicators (KPIs) was established for all ACD stakeholders to facilitate the tracking and monitoring of their progress.

Capability Framework for International Subsidiaries for Marketing & Sales

To reach out to its international subsidiaries, PDB has aligned its talent development practices across its subsidiaries including PEPI, PVL and PIMTCL with PETRONAS' Capability Development Framework. PDB's current tools and processes were deployed in the regional offices to standardise development of talent across the PETRONAS Group.

ASPIRE!-ing Onboarding Programme

Understanding the need for PDB to provide a proper conditioning programme for its new recruits and transfer-in employees, the ASPIRE!-ing Onboarding Programme was launched in October 2013. This programme aims to welcome and acclimatise new members into PDB family, promote a better understanding of the company and to inculcate the right organisation culture and mindset. Under this programme, participants are treated to an insightful introduction of the key businesses and enabler functions, sharing session on their personal PETRONAS career journey by the top management, introduction to their buddies and our very own BOLD values. To date, a total of 24 employees have attended and benefited from this programme.

Capability Development Intiatives for Non-Executive Technical Employees

PETRONAS Competency-Based Assessment System (PECAS) is a structured assessment system which is used to assess our technicians and operators' capability level to ensure that they are competent to operate and maintain our assets in a safe and efficient manner. In implementing the assessment, upskilling programme was conducted for a total number of 193 current and new PETRONAS Competency-Based Assessment System (PECAS) assessors, verifiers and candidates in order for them to have a common understanding of PECAS and to enhance the quality of the assessment. To propagate PECAS to the stakeholders, regional roadshows were conducted, and the expertise and experience of retired technicians/operators were also leveraged to transfer knowledge, conduct sharing sessions and build capability of the technical non-executives on the ground. Through these intensified efforts to strengthen PECAS implementation, we witnessed a surge in the number of sucessful candidates which we hope to sustain and improve in the future.

Capability Development Intiatives for Non-Executive Non-Technical Employees

Non-Executive Non-Technical (NENT) employees form the majority of PDB's population and their capability developments were also implemented through the NENT Assessment programme. Through this activity, the employees underwent Computer Literacy Assessment as well as Behavioural Competency Assessment to assess their readiness to assume bigger roles in their careers. The activity was intensified by having three batches of assessments covering 34 NENT employees. Out of these, a total of 27 NENT employees passed their computer literacy tests and behavioural competency assessment in 2013.

b) Succession Management

In 2013, PDB undertook rigorous talent reviews involving 66 potential leaders and 13 senior management candidates. In addition, it also identified succession plans for 39 critical positions to ensure a pipeline of robust and dynamic talents.

This resulted in the ratio of identified "Ready Now" successors to critical positions within PDB to be 2.4:1, a marked improvement over last year's 2:1. Alongside this, PDB also extended succession management efforts across the region into PEPI, PVL and PIMTCL.

c) Leadership Development

PETRONAS Leadership Centre (PLC) in collaboration with global renowned universities, including the Duke Corporate Education, the University of Melbourne and the French Institute of Petroleum, has developed several leadership programmes to identify, cultivate and groom the Company's potential leaders and top talents.

These customised programmes were catered to selected groups of Senior General Managers, General Managers and Managers.

At PDB, we believe that leadership development is not just limited to the senior leaders. In line with this belief, PDB, in collaboration with PLC, launched a six-month programme called Young Leaders Programme targeted at selected executives to harness and develop their leadership skills at an early stage. Throughout the programme, the young leaders were coached by experienced leaders and were actively involved in action-learning projects, individually and by teams.

SAFETY AT WORK: HEALTH, SAFETY & ENVIRONMENT

As part of our strategy to maintain a safe and healthy work environment, we are committed to implement various initiatives to eliminate work-related Health, Safety and Environment (HSE) incidents. Collectively, as a corporate entity alongside our employees and contractors, we share the responsibility to make health, safety and environment a top priority in our day-to-day operations.

In line with this goal, we continue to uphold the HSE performance at our workplace through risk assessments, HSE programmes, Zero Tolerance (ZeTo) safety rules and assurance audits. Our HSE Management System sets the framework for continual improvements through the application of consistent performance standards across the Company's entire operations.

HSE Performance

In 2013, the overall injury rate has reduced despite an increase in the number of activities and risk exposure. Total work-related incidents were reduced following the dip in Total Reportable Cases Frequency (TRCF) of 0.60 compared to 0.81 in 2012. Lost Time Injuries Frequency (LTIF) declined to 0.12 from 0.23 compared to the corresponding period last year.

A total of 11 reportable transport incidents were recorded in the year under review as compared to 15 incidents in the corresponding period last year.

KEY INITIATIVES, ACTIVITIES AND PROGRAMMES

HSE Leadership Programme

During the year under review, PDB rolled out the HSE Leadership Programme, aimed at creating leadership capabilities amongst participants. This was achieved via identifiable and measurable behavioural traits in an effort to utilise these leadership capabilities to enhance the HSE Management System and in line with the HSE Capability Development Matrix.

The programme is made up of three sessions:

- Face-to-face leadership position
- HSE Leadership: Psycho-emotional characteristic
- HSE Leadership: Realignment

In addition, the sessions provided tools for the leaders to realign and upgrade existing behavioural standards to HSE standards. Towards the end of the session, the leaders understood the need to lead and manage the enhancement of HSE behaviour and utilise specific tools to assess HSE behavioural talent.

HSE Legal Awareness Seminar

On 30 October 2013, the HSE Department organised the HSE Legal Awareness Seminar in which over 60 staff, stakeholders from business lines (Retail, LPG, Lubricants, Commercial and Supply & Distribution) and HSE practitioners within the Company took part. Speakers were invited from various regulatory and expert bodies including the Department of Occupational Safety and Health of Malaysia (DOSH), the Department of Environment, Malaysia (DOE), the Energy Commission, the Fire and Rescue Department of Malaysia and the Ministry of Domestic Trade Co-

operatives and Consumerism. The speakers shared their perspective on the various regulations and emphasised the need for full compliance with the provisions of the laws and regulations related to HSE.

Retail HSE Day

The inaugural Retail HSE Day 2013 was successfully organised on 23 September 2013 in conjunction with the official launch of the 2013 Retail HSSE Safety Manual. Besides instilling safety practices amongst the participants, the event was also a platform to share HSE experiences and to promote HSE leadership within the organisation. More than 300 participants from Retail Operations Department, Retail Engineering, *Rakan Niaga* Task Force members, vendors and suppliers, key government agencies including DOSH, Fire and Rescue Department, Polis DiRaja Malaysia and a private hospital participated in the event.

Healthy Workforce

Work Fitness and Fatigue Management

In the first quarter of the year under review, PDB developed a guideline for employees on work fitness and fatigue management. The guideline was subsequently rolled out in the second and third quarter of 2013.

The objective of the initiative was to provide information and guidance on the requirements of Health Assessments for Fitness to Work within PDB. It is also to ensure that all employees who are working within the facilities are medically fit and able to manage their fatigue levels effectively.

Stress Survey

In the first quarter of 2013, PDB conducted a Stress Survey to gauge the stress level of PDB employees. The survey was based on the internationally recognised questionnaire, the Depression Anxiety Stress Scales (DASS). A total of 630 employees (38.5% of our total employees of 1,636 at the time) took part in the survey.

A second phase of this study was conducted in the third quarter. The Detailed Stress Survey was to identify the prominent factors contributing to stress. A total of 318 employees (51.9%) out of 613 employees from PETRONAS Twin Towers and 126 employees (44.8%) out of 281 employees from Aviation Terminals responded to this survey.

Health Talks

A total of four Health Talks on Office Ergonomics and Stress in The Office were conducted throughout the year at PETRONAS Twin Towers, Prai Regional Office, Kuching Regional Office and Hotel Equatorial Bangi. The health talks were aimed to raise awareness on various health hazards within the workplace as well as to encourage participants to adopt a healthy lifestyle.

Health Screening

A number of Health Screening initiatives were also conducted throughout the year including:

- On 20 March 2013 for PDB employees
- On 15 May 2013 for PDB dealers
- On 29 June 2013 for public
- On 23 September 2013 for PDB employees and dealers

The basic health screening covered key health indicators including BMI, blood pressure, blood glucose, uric acid and cholesterol.

Hazard and Effect Management Process

PDB developed the Hazard and Effect Management Process (HEMP) as part of its effort to introduce a structured methodology for the identification of HSE hazards. The process also allowed for the assessment of associated risks from the identified hazards. With the HEMP in place, the Company is able to develop the control and recovery measures to reduce HSE risks to as low as reasonably practicable (ALARP).

In addition, HEMP studies had also been undertaken and implemented at the operations level where the key information and decisions made are transparent and traceable for future reference. All recommended actions arising from the HEMP studies were recorded and tracked to closure to ensure that any decision to override the recommended action arising from HEMP was assessed and received the relevant approvals to ensure risks are mitigated in a comprehensive manner.

Health Risk Assessment

PDB conducted 20 Health Risk Assessments (HRA) for PDB Terminals between the first and third quarter of 2013. The objective of the HRA was to identify, assess and control health risks arising from work place based on four categories of health hazards namely physical, biological, ergonomics and psychosocial.

Fire Safety Adequacy Review

The HSE Department conducted the Fire Safety Adequacy Review (FSAR) in 11 terminals during the year under review. The FSAR, which is a process to review the fire protection systems against the features and design of our facilities, covered all major hazard installations.

PETRONAS Environment Site Risk Assessment

PDB also conducted the PETRONAS Environment Site Risk Assessment (PESRA) at PETRONAS Stations within the selected pilot region 147 PETRONAS Stations at Central Region. The main objective of PESRA is to screen and rank the possible contaminated site to safeguard PDB's operations. The assessment is also to prepare the Company towards complying with the forthcoming Contaminated Land Management requirement from the Department of Environment (DOE). This programme will be extended to all PETRONAS Stations in the future.

Training and Competency

HSE Training

PDB recognises that the frequency and severity of health, safety and environmental incidents can be significantly reduced when adequate training is provided to employees to raise their level of competency.

In this regard, PDB ensures that its employees and contractors receive the required training to fulfil the HSE requirements of the Company in line with their roles and responsibilities within the organisation. The commitment to provide continuous training is demonstrated by the more than 40 courses made available by PDB within its training and development system.

Permit to Work Training

In July 2013, HSE Department had reviewed the existing PDB Permit to Work (PTW) procedures. The training for PTW is mandatory for PDB employees and contractor personnel. The HSE Department organised eight PTW training sessions between August and December 2013. Over 200 employees including Territory Managers, Superintendents, Maintenance Supervisors, Operation Supervisors, Technicians, Project Engineers and Project Supervisors were trained to implement the PTW system.

RSOD Northern Region HSE Refresher and Technical Product Knowledge

Retail Sales and Operations Department (RSOD) Northern Region organised a HSE Refresher and Technical Product Knowledge for 180 *Rakan Niaga* (RN) and *Krew* PETRONAS (KP) supervisors in the region on 15 May 2013. The objective of the workshop was to equip and enhance participants' knowledge on our products and services as well as safety at our facilities.

Emergency Preparedness

As part of its business continuity plan, PDB continued to conduct various exercises to ensure that the Company is prepared for any emergency. For the year under review, PDB conducted OPS Rentas, a Tier 3 Crisis Management Exercise in August 2013 at the PETRONAS Twin Towers to test the preparedness level of the Business Continuity Management Team (BCMT) in managing and responding to a crisis situation. In addition, Tier 2 Table Top Exercises were conducted at all regions throughout 2013 to test and train the Regional Emergency Management Team (EMT). In total, four Tier 2 Table Top Exercises have been conducted.

REGIONAL OPERATIONS

In line with the integration of our regional operations, PDB successfully completed the alignment programme for its international subsidiaries in the Philippines, Vietnam and Thailand covering key areas of:

- HSE Management System
- Emergency Management Team
- Incident Notification, Reporting and Investigation Procedure
- Fire Safety Assessment
- Environmental Risk Assessment
- Health Risk Assessment
- HSE Training as per Training Matrix

This grassroots programme was initiated to emphasise the importance of preserving water for the future and to remind the public that sustainable water conservation can only take place if communities and individuals come together and play a role to help save this precious resource.

ENVIRONMENTAL CONSERVATION

The highlight for the year under review was the launch of the inaugural community-based initiative – the 'Water for Life' programme.

The Programme, initiated in partnership with the Malaysian Nature Society (MNS), aims to raise awareness amongst the local communities, including students, on the perils of water depletion.

This grassroots programme was initiated to emphasise the importance of preserving water for the future and to remind the public that sustainable water conservation can only take place if communities and individuals come together and play a role to help save this precious resource.

Among the 'Water for Life' activities completed include the installation of a rain water harvesting system in SMK Seri Selayang and the creation of activities to educate the students as well as the surrounding communities on the importance of water conservation.

In addition, as part of the Programme, PDB also worked hand-in-hand with the local community in Kampung Jemeri situated in Rompin, Pahang and Kampung Ulu Geroh, Gopeng, Perak to provide uninterrupted water supply to the Orang Asli families residing in the two villages. Towards this cause, close to 60 PDB management and employees joined hands with members of the local community to install a rainwater harvesting system that consists of water tanks, as well as piping and filtering system in the villages.

Prior to this, the Company has installed the rain water harvesting system at its PETRONAS Twin Stations which was launched on 5 December 2012.

ENVIRONMENT


SMKSS


Science

PDB has continued to focus its Corporate Social Responsibility programmes towards the core areas of environmental conservation, road safety and community-based initiatives.

HEALTH, SAFETY AND ENVIRONMENT (HSE) IN THE COMMUNITY

In 2012, PDB established the Mentor-Mentee programme in collaboration with the Department of Occupational Safety and Health, Kuala Lumpur. In a short span of less than two (2) years, PDB has successfully completed this community outreach programme in support of the National Occupational Safety and Health Master Plan 2015. During the year under review, PDB conducted five (5) programmes including First Aid Training during *Minggu Hal Ehwal Murid* (HEM Week), HSE Inspection at SMK Padang Tembak, Scheduled Waste Management Training, Safety at PETRONAS Station Training, as well as Safe Handling of Chemical and its Safe Use.

PDB has continued to focus its Corporate Social Responsibility programmes towards the core areas of environmental conservation, road safety and community-based initiatives. This year has been more meaningful for PDB with the introduction of a number of new strategic initiatives to solidify PDB's commitment to the community.

ROAD SAFETY

As the Brand of 1st Choice for motorists, PDB continues to play its role in advocating road safety through its flagship road safety campaign, the PETRONAS Coffee Break for the 14th consecutive year. The nationwide Coffee Break Campaign aims to educate, equip and encourage motorists to adopt road safety measures while driving back to their hometowns, especially during the festive seasons.

Similar to previous years, PDB offered complimentary snacks and beverages during the campaign period at 33 PETRONAS Stations located along the highways and major trunk roads across Malaysia. The Company also partnered with Petrosains to share practical road safety tips as well as collaborated with PERODUA to offer complimentary vehicle inspection at the selected stations.

THE COMMUNITY

As part of the Campaign, PDB also fuelled 50 St John Ambulance Malaysia's vehicles for their 24-hour highway emergency service during the campaign period, for the 19th consecutive time. A total of RM40,000 has been contributed to fuel the ambulances during the festive seasons in 2013.

Since its inception, the PETRONAS Coffee Break Campaign has reached out and benefited over a million motorists during the Hari Raya and Chinese New Year *balik kampung* exodus.

Within the road safety platform, PDB also conducted the PETRONAS 'Street Smart' programme for more than 1,000 students in the East Coast region. The programme featured workshops which incorporated games and hands-on educational activities to highlight the importance of road safety.

COMMUNITY-BASED INITIATIVES

As a responsible corporate citizen, PDB, along with its customers, also contributed to the well-being of the public workers who were on duty outdoors during the haze that hit the country in July 2013. Recognising the importance of keeping oneself hydrated during this season, PDB gave away 20,000 bottles of Mesra mineral water to the public workers including postmen, police and road cleaners whom the Company recognised as the 'Modern Day Heroes'.

In line with the Company's tradition of sharing joy during the holy month of Ramadhan with the local communities, PDB continued to sponsor the Gas PETRONAS cylinders, aprons and chef hats to the various *Bubur Lambuk* cooking events held across the country in 2013. These events reflect the Company's commitment to reach out and be an active participant in the local communities where PDB operates.

MOVING FORWARD

Since its inception, PDB has enjoyed steady growth in its business and operations. This success is attributable to the responsible and sustainable management it has pursued over the years. PDB is well aware that in its journey ahead, it must continue to embrace policies, practices and procedures that clearly outline its commitment to deliver sustainable and long term value to its stakeholders.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PETRONAS Mesra
card members!
GET ONE(1)*
COMPLIMENTARY REFRESHMENT
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IN THE
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Latest News
About PDB
Product & Services
Investor Relations
Popular Topics
Online Tools

ACCOUNTABILITY

STATEMENT ON CORPORATE GOVERNANCE

The Board strives to achieve best practices in Corporate Governance as propounded by the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and the Corporate Governance Guide (2nd Edition) in carrying out its duties and responsibilities.

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 maximising shareholders' value.

The Board strives to achieve best practices in Corporate Governance as propounded by the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and the Corporate Governance Guide (2nd Edition) 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 seven (7) members, one of whom holds an Executive Office, having a dual role as Managing Director as well as Chief Executive Officer. There are three (3) non-executive members and three (3) 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 out of 7 (14.28%)
Independent Non-Executive Directors	3 out of 7 (42.86%)
Non-Independent Non-Executive Directors *(including Chairman)*	3 out of 7 (42.86%)

The current composition of the Board is in compliance with Paragraph 15.02 of the Bursa Malaysia Main Market Listing Requirements ("Main Market Listing Requirements") as more than a third (1/3) 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 48 to 51. 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 role 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 businesses;
- to review the Company's plans and budget including cash flow forecast for the forthcoming year and financial projections;
- to review and approve financial statements of the Group;
- 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 will be periodically reviewed, as and when necessary. The Board Charter is accessible for reference on the Company's website.

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 progressively 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 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 judgment as well as to safeguard the interests of other stakeholders 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 Market Listing Requirements. For the financial year under review, the Independent Non-Executive Directors have reaffirmed their independence based on the criteria of Independent Directors adopted by the Company.

All the Independent Directors have demonstrated to the Board that they have exercised unbiased and independent judgment, safeguarding the interest of the Group and the minority shareholders. They are recognised for their knowledge, skills, expertise, calibre, probity and integrity.

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.

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

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

The Board is satisfied with YBhg. Dato' Dr. R. Thillainathan as an Independent Non-Executive Director of the Company based on the reasons enumerated above. However, Dato' Dr. R. Thillainathan who retires in accordance with Article 93 of the Company's Articles of Association has expressed his intention not to seek re-election. Hence, he will retain office until the conclusion of the Thirty-Second (32nd) Annual General Meeting.

The Company believes that individuals on the Board of Directors with diverse backgrounds improve board functioning and 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 not only about gender diversity, but is about providing complementary views that lead to better board decisions. Currently, the Board comprises two (2) female Directors, representing 29% of the Board's composition, who have been appointed based on the skills, experience, capabilities and breadth of views they bring to the Board.

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.

In accordance with the Main Market Listing Requirements, none of the members of the Board holds more than five (5) directorships in listed companies. Prior to acceptance of any other appointment for directorships in other 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 Market 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 the required and timely information which allows them to discharge their responsibilities effectively and efficiently. Prior to each Board meeting, each Director is provided with 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 performance 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.

Access to Board papers and other relevant information are carried out online through a collaboration software which allows the Directors to securely access board documents which facilitates the perusal and review of the documents during Board meetings.

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 assessments, 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 six (6) times. The attendance of the Board members is as follows:

No	Name of Board Members	Total Meetings Attended by Board Members
1	Datuk Wan Zulkiflee bin Wan Ariffin	5 out of 6 (83%)
2	Aminul Rashid bin Mohd Zamzam *(MD/CEO)*	6 out of 6 (100%)
3	Dato' Dr. R. Thillainathan	5 out of 6 (83%)
4	Vimala V R Menon	6 out of 6 (100%)
5	Lim Beng Choon	6 out of 6 (100%)
6	Nuraini binti Ismail	6 out of 6 (100%)
7	Mohd. Farid bin Mohd. Adnan (appointed on 1 October 2013)	1 out of 2 (50%)
8	Dato' Kamaruddin bin Mohd Jamal (retired on 24 April 2013)	2 out of 2 (100%)
9	Dato Mohammad Medan bin Abdullah (resigned on 1 September 2013)	3 out of 4 (75%)
10	Amir Hamzah bin Azizan (resigned on 1 October 2013)	3 out of 4 (75%)

Directors' Training

In compliance with the Main Market Listing Requirements, all members of the Board for the financial year under review 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 performance and site visits to the Group's facilities.

In compliance with the Main Market 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. A Directors' Training Plan has been formalised by the Nomination Committee to serve as a guideline for the assessment of the training needs of the Directors based on the areas critical to the Group's businesses.

The Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Site visits for the Directors to the Group's facilities are conducted to provide an insight and better understanding on the Group's businesses and operations at ground level.

During the financial year, the members of the Board have attended relevant training programmes in 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 2013 are as follows:

Corporate Governance	• Company Directors' Training • PETRONAS Whistleblowing Policy • PETRONAS Code of Conduct and Business Ethics • The Nomination Programme • Boards & Strategy • Related Party Transactions • The Nomination and Remuneration Committee • Personal Data Protection Act and Competition Act • Corporate Integrity Advocacy Programme • Advocacy Session on Corporate Disclosure • Ethics & Board of Directors • Audit Committee Conference 2013 (Powering for Effectiveness)
Oil & Gas Business	• 17th Asia Oil & Gas Conference • Petrochemical Industry • New Lens Scenario • PETRONAS Downstream Leadership Workshop • Strategic Insights Forum • 2nd Hazards Asia Pacific Symposium
Risk Management	• Risk Management & Internal Control Workshop • Enterprise Risk Management • Liquidity Risk Management Training • Market Risk Management Training

Economics, Finance, Capital Market and Exchange	• Elective Programme on Corporate Finance for Directors • Malaysian Economic Association Roundtable Discussion with World Bank Group on China, India & Asia's Growth Challenges • World Capital Market Symposium: Redefining Markets, Sustaining Growth & Resilience • Corporate Finance Programme • Understanding Strategic Planning

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 under review, the breakdown of fees received by each Director is as listed below:

Name of Directors	Directors Fees (RM)	Board Meeting Attendance Fees^ (RM)	Audit Committee Meeting Attendance Fees^ (RM)	Remuneration Committee Meeting Attendance Fees^ (RM)	Nomination Committee Meeting Attendance Fees^ (RM)	AGM (RM)	Others** (RM)	Total (RM)
Datuk Wan Zulkiflee bin Wan Ariffin	108,000	20,000	Nil	Nil	Nil	4,000	Nil	132,000*
Aminul Rashid bin Mohd Zamzam	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dato' Dr. R. Thillainathan	72,000	16,000	8,000	6,000	12,000	3,000	6,000	123,000
Vimala V R Menon	72,000	18,000	12,000	2,000	Nil	3,000	6,000	113,000
Lim Beng Choon	72,000	18,000	8,000	5,000	6,000	3,000	3,000	115,000
Nuraini binti Ismail	72,000	18,000	2,000	4,000	Nil	3,000	Nil	99,000*
Mohd. Farid bin Mohd. Adnan (appointed on 1 October 2013)	18,000	3,000	Nil	2,000	4,000	Nil	Nil	27,000*
Dato' Kamaruddin bin Mohd Jamal (retired on 24 April 2013)	24,000	6,000	2,000	6,000	2,000	3,000	6,000	49,000
Dato Mohammad Medan bin Abdullah (resigned on 1 September 2013)	48,000	9,000	Nil	Nil	4,000	3,000	Nil	64,000
Amir Hamzah bin Azizan (resigned on 1 October 2013)	54,000	9,000	4,000	Nil	Nil	3,000	Nil	70,000*
Total	**540,000**	**117,000**	**36,000**	**25,000**	**28,000**	**25,000**	**21,000**	**792,000**

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

** Others include petrol/fleet card.

^ Meeting attendance fees are based on the number of meetings attended by the Directors.

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 RM735,600 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 PETRONAS' policies and strategies. The Board ensures that only appropriate personnel with the relevant skills and experiences 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. At each AGM, shareholders are encouraged to raise questions on issues arising from the Annual Report, resolutions being proposed and the business of the Group in general.

Other mediums of communication between the Company and shareholders and/or investors are detailed out in the Investor Relations Report from pages 69 to 72.

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 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 results and financial statements, material acquisitions/disposals, 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. This guide is based on the requirements set out in the Main Market Listing Requirements.

BOARD 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.

Audit Committee

The Audit Committee is formed to operate within the clearly defined terms of reference as stated in pages 143 to 144 of the Annual Report. The Audit Committee comprises three (3) Independent Non-Executive members and one (1) Non-Independent Non-Executive member.

This composition of the Audit Committee will ensure the balance of roles and responsibilities within the Audit Committee in overseeing the financial efficiency and effectiveness of the

Company within the current financial year. The Chairman of the Audit Committee 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 Board hereby presents a summary of key activities of the Audit Committee in page 145 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.

A skills and experience matrix exercise has been implemented by the Nomination Committee to review the mix of skills, education and experience of the Directors. The Nomination Committee, in recommending candidates for appointment to the Board, assesses the candidates' experience, background and skills against the required skills and experience which are critical to the Company.

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. The annual performance assessment includes specific assessment of independence of Independent Directors. Each Independent Non-Executive Director is obligated, nevertheless, to ensure his or her independence is in accordance with the Main Market Listing Requirements.

During the financial year under review, the Nomination Committee undertook the following key activities:

- Assessed candidates for recommendation to the Board as part of the Board's succession planning approach;
- Established the Individual Director Self/Peer Evaluation Questionnaire;
- Assisted the Board in establishing the Board Charter and Corporate Disclosure Guide;
- Periodically assessed the Company's observance to the corporate governance standards and practices; and
- Formalised a Directors' Training Plan to facilitate the assessment of Directors' training needs.

In addition, the Nomination Committee is continuously apprised of any changes in the Senior Management of the Company.

The Nomination Committee convened four (4) meetings during the financial year under review 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)	4 out of 4 (100%)
2	Dato' Kamaruddin bin Mohd Jamal (retired on 24 April 2013)	1 out of 1 (100%)
3	Lim Beng Choon (appointed on 15 May 2013)	3 out of 3 (100%)
4	Dato Mohammad Medan bin Abdullah (resigned on 1 September 2013)	2 out of 2 (100%)
5	Mohd. Farid bin Mohd. Adnan (appointed on 1 October 2013)	2 out of 2 (100%)

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.

Among the key activities of the Remuneration Committee during the financial year include:

- Recommending to the Board the remuneration policy and framework including Director's remuneration package;
- Endorsing the Group's Performance Scorecard; and
- Periodically assessing the succession planning of the Senior Management.

A Special Remuneration Committee Meeting is held on an annual basis, and attended by all Independent Directors, to review the performance and rewards for the Senior Management.

The remuneration of the Directors is competitive and attractive as it has been benchmarked against the industry and is aligned with PETRONAS' remuneration principles.

For the financial year under review, the Remuneration Committee convened three (3) meetings and the attendance of the members for the meetings are as stated below:

No.	Name of Remuneration Committee Members	Total Meetings Attended
1	Dato' Kamaruddin bin Mohd Jamal (Chairman) (retired as Chairman on 24 April 2013)	2 out of 2 (100%)
2	Lim Beng Choon (appointed as Chairman on 13 May 2013)	1 out of 1 (100%)
3	Dato' Dr. R. Thillainathan	3 out of 3 (100%)
4	Nuraini binti Ismail (resigned on 1 October 2013)	2 out of 2 (100%)
5	Mohd. Farid bin Mohd. Adnan (appointed on 1 October 2013)	1 out of 1 (100%)

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 report, and quarterly financial reports to the shareholders, as well as Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements.

The Statement of Directors' Responsibility is enclosed on page 147 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 137 to 141 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 Audit Committee and the Board on matters that require their attention.

The Audit Committee met the external auditors twice during the financial year under review without the presence of the Management to review the scope and adequacy of the Group's audit process, the annual financial statements and their audit findings.

The Company continuously reviews and monitors the suitability and independence of external auditors. As part of the annual audit exercise, the Company also obtains written 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.

A summary of the activities of the Audit Committee during the financial year, including the evaluation of independent audit process, are set out in the Audit Committee Report on pages 142 to 146 of the Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 6 February 2014.

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Mohd Ibrahimnuddin bin Mohd Yunus
Managing Director/Chief Executive Officer

ADDITIONAL COMPLIANCE INFORMATION

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 2013 was RM217,000 (RM151,000 for the financial year ended 31 December 2012).

SANCTIONS AND/OR PENALTIES

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

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 AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 requires public listed companies to maintain sound systems of risk management and internal control to safeguard shareholders' investments and company's assets.

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires public listed companies to maintain sound systems of risk management and internal control to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Main Market Listing Requirements ("Main Market Listing Requirements") 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 ("PDB") and its subsidiaries ("Group"). In compliance with the Main Market Listing Requirements and the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers), 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 under 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 their 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 and strategies. This process has been in place throughout the financial year under review and up to the date of this report, it has been reviewed by the Board to accord with the Main Market Listing Requirements.

MANAGEMENT ROLE

The 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 Board has received assurance from the Managing Director/Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects. There were no material losses incurred during the financial year as a result of weaknesses of internal control. The Management will continue to take measures to strengthen the Group's control environment.

RISK MANAGEMENT

PDB has established 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 Governance Framework and Guidelines which outlines the Risk Policy and Strategy, Risk Organisation 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 components of PDB's risk governance and structure consist of the Board, the Audit Committee and the Management. The structure allows for strategic risk conversations to take place between the Board, the Audit Committee and the Management on a quarterly basis.

The Board is responsible for the overall risk oversight for PDB. The Board's role includes approving the principal risks for the company and ensuring that a robust system is in place to manage these risks. The Board also reviews the adequacy and the integrity of the Group's internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is assisted by the Audit Committee which provides advice to the Board on risk matters. This includes reviewing and endorsing policies and frameworks and other key components of risk management to be implemented within the Group.

The Management, through Risk & Credit Management Department, Finance Division, oversees the effective implementation of risk policy and guidelines, ERM and institutionalisation of risk management culture within the organisation. The Management also reviews and monitors periodically the status of PDB's principal risks and their mitigation actions and update the Audit Committee and the Board accordingly.

There are other risk committees such as Health, Safety and Environment ("HSE") Committee, Credit Control Committee, Tender Committee and Business Information Technology Management of Change Committee to support the Management in specific risk areas and good governance practices. PDB also has in place an appropriate risk operations mechanism covering the areas of systems, processes, reporting of risks, knowledge management and assurance activities.

During the year, PDB has established its risk profile based on the ERM concept consisting of several principal risks. The likelihood and impact of the risks have been assessed and evaluated against the Group's risk appetite and tolerance level while appropriate key risk indicators and mitigation actions have been identified for the risks. The status of the principal risks and mitigation actions are then reported to the Management, the Audit Committee and the Board for their deliberation and guidance on quarterly basis.

In addition, PDB has also implemented the following risk mitigations which are in line with PETRONAS' practices:

- Established Business Continuity Management programme which consists of business impact assessment to identify critical business functions and minimum resource requirements for key worksites and the development and testing of Business Continuity Plan ("BCP") for the specific scenarios identified;

- Collaborated with PETRONAS Finance Risk Management Department to enhance credit risk mitigation through integrated management of customers and also standard use of credit risk rating system to guide credit risk decisions;
- Deployed Mandatory Control Framework as part of effective implementation of Health Safety Environment Management System ("HSEMS") to measure compliance against PETRONAS mandatory HSE requirements and incorporated gap closure plans within the HSEMS implementation plan;
- Performed Contractor Risk Assessment as part of the procurement process in selection of contractor to ensure systematic identification, assessment and mitigation of contractors' related risks critical to the contractors performance delivery; and
- Participated in Enterprise Risk Management Compliance Assessment exercise which was conducted across PETRONAS Group of Companies and achieved satisfactory status on the adequacy of ERM framework design and compliance implemented within the organisation.

In PDB, Risk Management is conducted through an ongoing process between the Board, the Management and employees of the Group. The Group will continue its focus to institutionalise risk management as a business culture throughout the Group.

INTERNAL AUDIT

Internal audits are 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 Audit Committee has full and direct access to internal auditors and the Audit Committee 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 Audit Committee. 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 maintains its impartiality and due professional care by having its plans and reports directly under the purview of the Audit Committee and with continuous training of its staff. IAD has put in relevant procedures to ensure that the staff is 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 approved risk-based internal audit plan. 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 Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions are implemented accordingly.

OTHER KEY ELEMENTS OF INTERNAL CONTROL SYSTEMS

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 internal 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. This document is periodically reviewed and further strengthened to reflect the growth in business operations of the Group.
- The Group performs annual budgeting and forecasting exercise including development of business strategies for the next five (5) years, and the establishment of key performance indicators against which units within the Group can be evaluated. Variances against budget and prior years are analysed and reported internally on a monthly basis in PDB's Management Committee meetings. On a quarterly basis, the variances are reported to the Board. The Group's strategic direction is also reviewed annually through an assessment process taking into account changes in market conditions and significant business risks.
- The Group implemented a Financial Control Framework to ensure key internal controls are adequate and effective at all times. The framework requires the documentation of key processes and a structured assessment process to identify control gaps and the required mitigation action. Each key process owner is required to provide formal confirmation on level of compliance to key controls for their respective business area on an annual basis.
- The PETRONAS Code of Conduct and Business Ethics ("CoBE") sets out standards of behaviour and ethical conducts within the Group and with external parties aimed at maintaining confidence and reliance on the Group's operations. To complement the objectives of the CoBE, PDB adopted the PETRONAS Whistleblowing Policy to provide an avenue for employees and members of the public to disclose any improper conduct within the Group and the PETRONAS Anti-Corruption and Bribery Manual to instill and propagate a culture of integrity and business ethics throughout the Group.
- The formalisation of the Policies and Procedures on Related Party Transactions ("RPT") and Conflict of Interest detailing the processes for management of RPTs within the Group ensures that the RPTs are conducted on arm's length basis and will not be detrimental to PDB's minority shareholders.
- Information and Communication Technology is utilised within the Group to enhance work processes, access to information and reporting throughout the Group. The Group strives to continuously enhance its information and communication systems in ensuring that it facilitates improvement in business processes, work productivity and decision making throughout the Group.
- PDB's BCP capability is aligned to PETRONAS' BCP to manage emergencies at the operational and PDB level and thus increasing the resilience of the Group's operations. Scheduled drills and exercises are carried out to ensure readiness and minimal interruptions to the Group's operations in the event of an emergency or crisis.
- HSE awareness programmes, regular staff engagements and continuous HSE trainings form part of the HSEMS adopted by the Group to propagate zero tolerance towards HSE risks. The HSE performance of the Group is reported on a regular basis to the Board and communicated to the employees during employees' engagement sessions.
- Tender Committee structure which comprises cross functional representatives has been established to review all major purchases and contracts. The tender committees provide the oversight function on tendering matters prior to approval by the relevant approving authorities.
- The Group has developed Operating Procedures and Guidelines which covers business planning, capital expenditure, financial operations, performance reporting, terminal operations, supply chain management, human resource management, information system and HSE. These define the policies and procedures for day-to-day operations and act as guidelines to the proper measures to be undertaken in a given set of circumstances. The policies and procedures are also reviewed on a regular basis to ensure continuing relevance and effectiveness.

- The PETRONAS Credit Risk Framework and Guidelines facilitates management of credit risk exposures from customers and allows credit exposure to be closely tracked as a monitoring and control tool to guide credit risk decision.
- The PETRONAS Corporate Financial Policy which represents PETRONAS' governing principles and policies in the practice of financial risk management serves as a tool for the Group to manage its finance risks exposure.

REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the Recommended Practice Guide 5 (Revised) issued by Malaysian Institute of Accountants for inclusion in the annual report of PDB for the financial year under review and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of risk management and internal control within the Group.

Recommended Practice Guide 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

Based on reviews of the effectiveness of the internal control and risk management frameworks, information and assurance provided to the Board, the Board is satisfied that the systems of internal control and risk management in place are adequate in safeguarding the shareholders' interests and assets of the Group. The Board also confirms that there is an effective ongoing process for identification, evaluation and management of significant risks in the Group and is committed to ongoing review of the internal control and risk management frameworks to meet the changing operating environment.

This statement is made in accordance with the resolution of the Board of Directors dated 6 February 2014.

AUDIT COMMITTEE REPORT

The Board of Directors of PETRONAS Dagangan Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

COMPOSITION AND MEETING

Pursuant to a Board resolution passed on 3 March 1994, the Audit Committee was formed. The members of the Audit Committee during the financial year comprised the following Directors:

Directors	Designation	Number of Meetings Attended
Vimala V R Menon *(Independent Non-Executive Director)*	Chairman	4 out of 4
Dato' Dr. R. Thillainathan *(Independent Non-Executive Director)*	Member	4 out of 4
Lim Beng Choon *(Independent Non-Executive Director)*	Member	4 out of 4
Nuraini binti Ismail *(Non-Independent Non-Executive Director)* (appointed on 1 October 2013)	Member	1 out of 1
Dato' Kamaruddin bin Mohd Jamal *(Independent Non-Executive Director)* (retired on 24 April 2013)	Member	1 out of 1
Amir Hamzah bin Azizan *(Non-Independent Non-Executive Director)* (resigned on 1 October 2013)	Member	2 out of 3

During the financial year under review, four (4) Audit Committee Meetings were held.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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 Market Main Listing Requirements ("Main Market Listing Requirements").

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

(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 (1) 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
- 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 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.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The following activities were carried out by the Audit Committee during the financial year ended 31 December 2013:

External Audit

(1) Met with 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 and approved 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.

Internal Audit

(1) Reviewed annual internal audit plan to ensure adequacy of resources and coverage of entities based on risk assessment.

(2) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and the Management's response.

(3) Discussed with the Management on actions taken to improve the systems of internal control based on improvement opportunities identified in the internal audit reports.

(4) Reviewed the adequacy, effectiveness and status of agreed corrective actions undertaken by Management on internal audit issues.

Financial Results

(1) 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.

(2) Reviewed the Company's compliance, in particular, to the quarterly and year end financial statements with the Main Market Listing Requirements, Malaysian Accounting Standards and other relevant legal and regulatory requirements.

(3) Reviewed the quarterly financial results announcements before recommending them for the Board's approval. The review and discussion were conducted with the Chief Financial Officer.

Corporate Governance

(1) Reviewed the related party transactions entered into by the Company to ensure that they are undertaken on arm's length basis and are not detrimental to the Company's minority shareholders.

(2) Reviewed the impact of relevant regulatory changes and ensured compliance by the Company and the Group.

(3) Reviewed and recommended the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit Committee Report to the Board for approval.

Risk Management

(1) Reviewed and endorsed all policies, frameworks, guidelines and other key components of risk management for implementation within the Company and throughout the Group.

(2) Reviewed and endorsed corporate risk profile for the Group.

(3) Reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

INTERNAL AUDIT

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

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

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 Audit Committee 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 Audit Committee. 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 Audit Committee 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 RM2,593,000.

Vimala V R Menon
Chairman
Audit Committee

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company, as set out on pages 152 to 223, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results of its operations and cash flows for the financial year ended on that date.

The Directors consider the following in preparing the financial statements of the Group and of the Company:

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgments and estimates were made;
- the Companies Act, 1965 and all applicable Malaysian Financial Reporting Standards have been followed; and
- prepared on a going concern basis.

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 and the Company 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 of the Company and to prevent and detect fraud and other irregularities.

BUSINESS CONTINUITY MANAGEMENT

It is embedded into the Company's organisational culture in ensuring the continuity of critical business functions in the event of prolonged business disruptions, and safeguards the Company's business and stakeholders' interests from exposure to high impact risks.

PETRONAS Twin Towers Integrated Simulation BCP Testing on 28 October 2013

PDB Product Supply BCP Table-Top Testing on 1 August 2013

Business Continuity Management (BCM) is an important aspect of the overall PETRONAS Corporate Governance. It is embedded into the Company's organisational culture in ensuring the continuity of critical business functions in the event of prolonged business disruptions, and safeguards the Company's business and stakeholders' interests from exposure to high impact risks. Most importantly, it enhances the Company's business value and protects its reputation by strengthening its resiliency in the event of potential crisis.

A BCM review was conducted by the Company in March – April 2013 covering three (3) critical aspects namely; (i) Office Building, (ii) ICT Systems, and (iii) Domestic Petroleum Product Supply (DPPS). In the event of any crisis, PDB adopts PETRONAS three-pronged business continuity strategy: (i) Reduce, (ii) Respond, and (iii) Recover, all of which are established to manage business disruptions.

Simulation tests were conducted with the objective of assessing the preparedness of BCM management team members, affected users and most importantly, Critical Business Functions (CBF) employees in handling any potential crisis events. One of the vital objectives in emulating crisis events to actual events is to also test the robustness of PDB Business Continuity Plan (BCP) manuals in ensuring that the manual is exhaustive, comprehensive and updated to act as points of reference during any event of crisis.

Two (2) simulation exercises for office buildings were conducted during the year under review. In May 2013, PDB had participated in a PETRONAS Twin Towers (PETT) simulation exercise as part of the Downstream PETT Simulation Exercise which required staff mobilisation to alternate worksites. Subsequently, the Company also participated in a PETT Integrated Simulation Exercise which involved all tenants of Towers 1 and 2 of the PETT on 28 October 2013.

In another end-to-end BCP simulation exercise, the Company had conducted a table-top exercise on PDB Product Supply Business Continuity Plan on 1 August 2013. This table-top exercise was aimed at enhancing the understanding on BCM in managing any crisis affecting the Company's product supply.

In summary, the series of BCM activities completed was to ensure continuity of CBF in the event of prolonged business disruptions. Furthermore, BCM also safeguards PDB business from high impact risks which could impede its targeted performance while enhancing the Company's business value by protecting its reputation through the strengthening of its business resiliency.

CORPORATE INTEGRITY

Anti-Bribery and Corruption (ABC) Policy and Guidelines elaborates upon these principles, providing stringent guidelines to employees on how to deal with improper solicitation, bribery and other corrupt activities as well as on issues that may arise in the course of business.

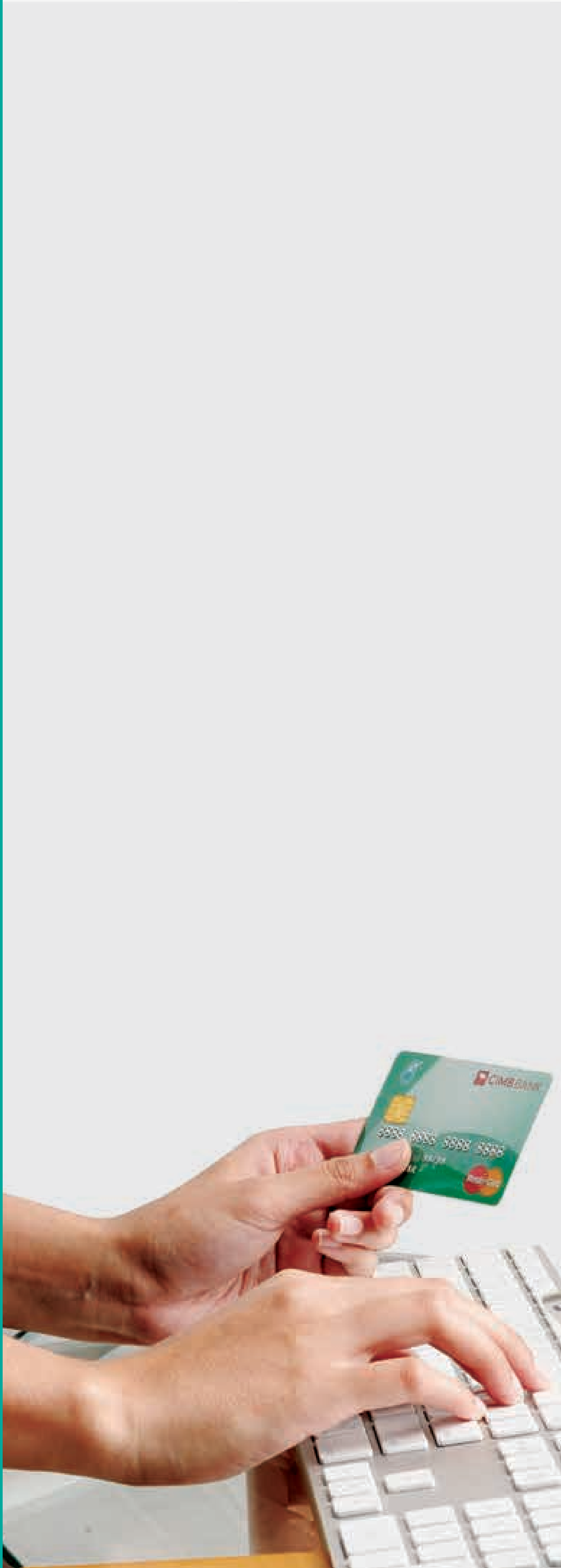
INTEGRITY AT WORK: ANTI-BRIBERY AND CORRUPTION POLICY AND GUIDELINES

PDB has adopted PETRONAS' zero tolerance policy towards all forms of bribery and corruption. In line with the PETRONAS Code of Conduct and Business Ethics (CoBE) which was implemented in 2012, the PETRONAS ABC Policy and Guidelines was introduced in 2013 to detail out the core principles of Part II B: Fighting Corruption and Unethical Practices under CoBE.

ABC elaborates upon these principles, providing stringent guidelines to employees on how to deal with improper solicitation, bribery and other corrupt activities as well as on issues that may arise in the course of business. These guidelines were designed to curb bribery and corrupt practices. ABC equips employees with a basic introduction to how the Company combats bribery and corruption in furtherance to its commitment to adopt lawful and ethical behaviour at all times.

As per the CoBE implementation, ABC is applicable to all employees and external parties including contractors, sub-contractors, consultants, agents, representatives and others who offer products or services for and on behalf of PETRONAS Group and its subsidiaries.

FINANCIAL STATEMENTS



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

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, associates and joint ventures are stated in Note 30, Note 31 and Note 32 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	818,980	825,479
Attributable to:		
Shareholders of the Company	811,753	825,479
Non-controlling interests	7,227	—
	818,980	825,479

DIVIDENDS

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

In respect of the financial year ended 31 December 2012:

i) An interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 on 9 April 2013; and

ii) A special dividend of 35.0 sen per ordinary share less 25% tax amounting to RM260,781,675.00 on 27 May 2013.

In respect of the financial year ended 31 December 2013:

i) An interim dividend of 17.5 sen per ordinary share less 25% tax amounting to RM130,390,837.50 on 9 July 2013;

ii) An interim dividend of 16.3 sen per ordinary share less 25% tax amounting to RM121,449,751.50 and a single tier interim dividend of 1.2 sen per ordinary share amounting to RM11,921,448.00 on 27 September 2013; and

iii) A single tier interim dividend of 17.5 sen per ordinary share amounting to RM173,854,450.00 on 6 December 2013.

DIVIDENDS (continued)

The Directors had on 6 February 2014 declared a single tier interim dividend of 17.5 sen per ordinary share amounting to RM173,854,450.00 in respect of the financial year ended 31 December 2013.

The financial statements for the current financial year do not reflect the declared interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves and provisions during the financial year.

DIRECTORS OF THE COMPANY

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

Datuk Wan Zulkiflee bin Wan Ariffin – Chairman
Mohd Ibrahimnuddin bin Mohd Yunus – appointed as Managing Director/CEO on 1 February 2014
Dato' Dr. R. Thillainathan
Vimala V R Menon
Lim Beng Choon
Nuraini binti Ismail
Mohd Farid bin Mohd Adnan – appointed on 1 October 2013
Dato' Kamaruddin bin Mohd Jamal – retired on 24 April 2013
Dato Mohammad Medan bin Abdullah – resigned on 1 September 2013
Amir Hamzah bin Azizan – resigned on 1 October 2013
Aminul Rashid bin Mohd Zamzam – resigned on 1 February 2014

Nuraini binti Ismail, the Director retiring pursuant to Article 93 of the Company's Articles of Association and being eligible, offers herself to be re-elected as Directors of the Company.

Dato' Dr. R. Thillainathan who retires in accordance with Article 93 of the Company's Articles of Association has expressed his intention not to seek re-election. Hence, he will retain office until the conclusion of the 32nd Annual General Meeting.

Mohd Farid bin Mohd Adnan and Mohd Ibrahimnuddin bin Mohd Yunus were appointed as Directors on 1 October 2013 and 1 February 2014 respectively and these Directors retiring pursuant to Article 96 of the Company's Articles of Association and being eligible, offer themselves to be re-elected as Directors of the Company.

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 other than wholly owned subsidiaries (including the interests of the spouse or children of the Director who themselves are not Director of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Shares in the Company			
Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
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 1.1.2013	Bought	Sold	Balance at 31.12.2013
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	—	—	20,000
Aminul Rashid bin Mohd Zamzam	6,000	—	—	6,000
Dato' Dr. R. Thillainathan*	17,000	—	—	17,000
Vimala V R Menon	20,000	—	—	20,000
Nuraini binti Ismail	10,000	—	—	10,000

Name	Balance at 1.10.2013	Bought	Sold	Balance at 31.12.2013
Mohd Farid bin Mohd Adnan	15,000	—	—	15,000

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

	Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad			
Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	—	—	10,000

Name	Balance at 1.10.2013	Bought	Sold	Balance at 31.12.2013
Mohd Farid bin Mohd Adnan	15,000	—	—	15,000

DIRECTORS' INTERESTS (continued)

Name	Number of Shares in KLCC Property Holdings Berhad Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
Lim Beng Choon	11,000	—	(11,000)	—

Name	Number of Shares in PETRONAS Gas Berhad Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
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 1.10.2013	Bought	Sold	Balance at 31.12.2013
Mohd Farid bin Mohd Adnan	5,000	—	—	5,000

None of the other Directors holding office at 31 December 2013 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 year, no Director of the Company has received or 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) 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.

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 2013 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

Messrs KPMG, have indicated their willingness to accept appointment in place of the retiring auditors, Messrs KPMG Desa Megat & Co.

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

DATUK WAN ZULKIFLEE BIN WAN ARIFFIN

MOHD IBRAHIMNUDDIN BIN MOHD YUNUS

Kuala Lumpur,
Date: 6 February 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 160 to 221 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2013 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 35 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

MOHD IBRAHIMNUDDIN BIN MOHD YUNUS

Kuala Lumpur,
Date: 6 February 2014

STATUTORY DECLARATION

I, PUTERI LIZA ELLI SUKMA, 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 160 to 221, 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 abovenamed
PUTERI LIZA ELLI SUKMA
at KUALA LUMPUR
in WILAYAH PERSEKUTUAN on 6 February 2014.

BEFORE ME:

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA
149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

COMMISSIONER OF OATHS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Property, plant and equipment	3	**3,891,949**	3,765,700
Prepaid lease payments	4	**488,726**	433,739
Investment in associates	6	**2,538**	8,302
Investment in joint ventures	7	**4,045**	4,350
Deferred tax assets	15	**7,624**	702
TOTAL NON-CURRENT ASSETS		**4,394,882**	4,212,793
Inventories	8	**1,193,220**	1,278,681
Trade and other receivables	9	**4,220,558**	4,180,954
Cash and cash equivalents	10	**358,633**	251,300
TOTAL CURRENT ASSETS		**5,772,411**	5,710,935
TOTAL ASSETS		**10,167,293**	9,923,728
EQUITY			
Share capital	11	**993,454**	993,454
Reserves	12	**3,796,662**	3,816,538
Total equity attributable to shareholders of the Company		**4,790,116**	4,809,992
Non-controlling interests	13	**39,366**	35,289
TOTAL EQUITY		**4,829,482**	4,845,281
LIABILITIES			
Borrowings	14	**139,580**	139,047
Deferred tax liabilities	15	**149,424**	140,017
Other long term liabilities and provisions	16	**30,614**	19,796
TOTAL NON-CURRENT LIABILITIES		**319,618**	298,860
Trade and other payables	17	**4,532,134**	4,301,028
Borrowings	14	**443,058**	324,656
Taxation		**43,001**	153,903
TOTAL CURRENT LIABILITIES		**5,018,193**	4,779,587
TOTAL LIABILITIES		**5,337,811**	5,078,447
TOTAL EQUITY AND LIABILITIES		**10,167,293**	9,923,728

The notes on pages 168 to 221 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Revenue			
– sales of petroleum products		**32,327,325**	29,498,882
– rendering of services		**14,597**	16,081
		32,341,922	29,514,963
Cost of revenue			
– cost of petroleum products		**(30,091,089)**	(27,283,711)
– cost of services		**(15,256)**	(13,877)
		(30,106,345)	(27,297,588)
Gross profit		**2,235,577**	2,217,375
Selling and distribution expenses		**(353,232)**	(291,800)
Administration expenses		**(947,404)**	(934,587)
Other income		**190,052**	183,177
Operating profit	18	**1,124,993**	1,174,165
Financing costs	19	**(19,206)**	(10,634)
Share of profit after tax of equity accounted associates and joint ventures		**3,654**	1,640
Profit before taxation		**1,109,441**	1,165,171
Tax expense	20	**(290,461)**	(321,903)
PROFIT FOR THE YEAR		**818,980**	843,268
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movements from exchange differences		**(2,840)**	2,020
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(2,840)**	2,020
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**816,140**	845,288
Profit attributable to:			
Shareholders of the Company		**811,753**	836,843
Non-controlling interests		**7,227**	6,425
PROFIT FOR THE YEAR		**818,980**	843,268
Total comprehensive income attributable to:			
Shareholders of the Company		**808,913**	838,863
Non-controlling interests		**7,227**	6,425
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**816,140**	845,288
Earnings per ordinary share			
Basic	23	**81.7 sen**	84.2 sen

The notes on pages 168 to 221 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		<--Attributable to the shareholders of the Company-->						
		<-----------Non-distributable----------->			Distributable			
	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012		993,454	–	–	3,785,446	4,778,900	33,064	4,811,964
Exchange difference arising from translation of financial statements of foreign operations		–	2,020	–	–	2,020	–	2,020
Profit for the year		–	–	–	836,843	836,843	6,425	843,268
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	2,020	(44,053)	3,858,571	4,809,992	35,289	4,845,281
		Note 11	Note 12	Note 12	Note 12		Note 13	
At 1 January 2013		**993,454**	**2,020**	**(44,053)**	**3,858,571**	**4,809,992**	**35,289**	**4,845,281**
Exchange difference arising from translation of financial statements of foreign operations		**–**	**(2,840)**	**–**	**–**	**(2,840)**	**–**	**(2,840)**
Profit for the year		**–**	**–**	**–**	**811,753**	**811,753**	**7,227**	**818,980**
Total comprehensive income for the year		**–**	**(2,840)**	**–**	**811,753**	**808,913**	**7,227**	**816,140**
Dividends paid	21	**–**	**–**	**–**	**(828,789)**	**(828,789)**	**(3,150)**	**(831,939)**
At 31 December 2013		**993,454**	**(820)**	**(44,053)**	**3,841,535**	**4,790,116**	**39,366**	**4,829,482**
		Note 11	Note 12	Note 12	Note 12		Note 13	

The notes on pages 168 to 221 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**32,944,292**	29,345,558
Cash paid to suppliers and employees	**(31,193,774)**	(27,154,166)
	1,750,518	2,191,392
Interest expenses paid	**(16,189)**	(10,473)
Taxation paid	**(398,996)**	(322,974)
Net cash generated from operating activities	**1,335,333**	1,857,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of an associate	**(200)**	(1,429)
Business combination of entities under common control, net of cash acquired (Note 24)	**—**	(165,099)
Dividends received	**1,443**	—
Interest income from fund and other investments	**17,738**	22,174
Purchase of property, plant and equipment	**(466,215)**	(488,298)
Prepayment of leases	**(81,885)**	(66,947)
Proceeds from disposal of property, plant and equipment	**9,225**	2,891
Proceeds from disposal of an associate	**6,500**	—
Net cash used in investing activities	**(513,394)**	(696,708)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(828,789)**	(763,718)
Dividends paid to non-controlling interests	**(3,150)**	(4,200)
Drawdown of term loan	**28,945**	26,809
Net of drawdown/(repayment) of revolving credit	**100,000**	(685,106)
Profit margin paid for Islamic financing facility	**(4,649)**	(2,494)
(Repayment)/drawdown of Islamic financing facility	**(9,719)**	48,589
Net cash used in financing activities	**(717,362)**	(1,380,120)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**104,577**	(218,883)
NET FOREIGN EXCHANGE DIFFERENCES	**2,756**	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**251,300**	470,183
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 10)	**358,633**	251,300

The notes on pages 168 to 221 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Property, plant and equipment	3	**3,534,087**	3,452,952
Prepaid lease payments	4	**488,726**	433,739
Investment in subsidiaries	5	**223,998**	223,998
Investment in associates	6	**1,960**	7,229
Investment in joint ventures	7	**25**	25
TOTAL NON-CURRENT ASSETS		**4,248,796**	4,117,943
Inventories	8	**1,143,168**	1,233,495
Trade and other receivables	9	**4,154,262**	4,076,357
Cash and cash equivalents	10	**278,574**	158,479
TOTAL CURRENT ASSETS		**5,576,004**	5,468,331
TOTAL ASSETS		**9,824,800**	9,586,274
EQUITY			
Share capital	11	**993,454**	993,454
Reserves	12	**3,807,462**	3,810,772
TOTAL EQUITY		**4,800,916**	4,804,226
LIABILITIES			
Deferred tax liabilities	15	**136,722**	127,848
Other long term liabilities and provisions	16	**23,914**	19,372
TOTAL NON-CURRENT LIABILITIES		**160,636**	147,220
Trade and other payables	17	**4,423,529**	4,182,890
Borrowings	14	**400,000**	300,000
Taxation		**39,719**	151,938
TOTAL CURRENT LIABILITIES		**4,863,248**	4,634,828
TOTAL LIABILITIES		**5,023,884**	4,782,048
TOTAL EQUITY AND LIABILITIES		**9,824,800**	9,586,274

The notes on pages 168 to 221 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Revenue		**31,849,812**	29,389,128
Cost of revenue		**(29,717,923)**	(27,227,392)
Gross profit		**2,131,889**	2,161,736
Selling and distribution expenses		**(329,779)**	(286,967)
Administration expenses		**(863,595)**	(905,180)
Other income		**192,409**	187,717
Operating profit	18	**1,130,924**	1,157,306
Financing costs	19	**(17,512)**	(10,611)
Profit before taxation		**1,113,412**	1,146,695
Tax expense	20	**(287,933)**	(314,634)
PROFIT FOR THE YEAR		**825,479**	832,061
Attributable to:			
Shareholders of the Company		**825,479**	832,061
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**825,479**	832,061

The notes on pages 168 to 221 are an integral part of these financial statements.

STATEMENT
OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to shareholders <------------of the Company------------>			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Capital reserve RM'000	Retained profit RM'000	Total equity RM'000
1 January 2012		993,454	—	3,715,509	4,708,963
Profit 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 2012/1 January 2013		993,454	26,920	3,783,852	4,804,226
Profit for the year		—	—	825,479	825,479
Dividends paid	21	—	—	(828,789)	(828,789)
At 31 December 2013		993,454	26,920	3,780,542	4,800,916
		Note 11	Note 12	Note 12	

The notes on pages 168 to 221 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**32,017,605**	29,336,477
Cash paid to suppliers and employees	**(30,323,393)**	(27,261,319)
	1,694,212	2,075,158
Interest expenses paid	**(13,842)**	(10,473)
Taxation paid	**(391,278)**	(310,182)
Net cash generated from operating activities	**1,289,092**	1,754,503
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of an associate	**(200)**	(1,429)
Acquisition of subsidiaries (Note 24)	**—**	(204,408)
Dividends received	**7,293**	7,800
Interest income from fund and other investments	**15,857**	21,095
Purchase of property, plant and equipment	**(375,066)**	(332,740)
Prepayment of leases	**(81,885)**	(66,586)
Proceeds from disposal of property, plant and equipment	**9,217**	2,891
Proceeds from disposal of an associate	**6,500**	—
Advances to a subsidiary	**(21,924)**	—
Net cash used in investing activities	**(440,208)**	(573,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(828,789)**	(763,718)
Net of drawdown/(repayment) of revolving credit	**100,000**	(700,000)
Net cash used in financing activities	**(728,789)**	(1,463,718)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**120,095**	(282,592)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**158,479**	441,071
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 10)	**278,574**	158,479

The notes on pages 168 to 221 are an integral part of these financial statements.

1. BASIS OF PREPARATION

1.1 Statement of Compliance

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

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

As of 1 January 2013, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standard Board ("MASB") as described fully in Note 33.

The adoption of these pronouncements is not expected to have any material impact to the financial statements of the Group and the Company.

The MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been implemented in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 34.

These financial statements were approved and authorised for issue by the Board of Directors on 6 February 2014.

1.2 Basis of Measurement

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

1.3 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.

1.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with MFRS 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 estimates are revised and in any future periods affected.

1. BASIS OF PREPARATION (continued)

1.4 Use of Estimates and Judgments (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 3 : Property, Plant and Equipment;

(ii) Note 4 : Prepaid Lease Payments;

(iii) Note 15 : Deferred Tax;

(iv) Note 16 : Other Long Term Liabilities and Provisions;

(v) Note 17 : Deferred Revenue; and

(vi) Note 27 : Financial Instruments

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

In the previous financial years, control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights are considered when assessing control only when such rights are presently exercisable and the Group did not consider de facto power in its assessment of control.

Since the beginning of the financial year, the Group has adopted MFRS 10, Consolidated Financial Statements, where control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Consolidation (continued)

Business Combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

For new acquisition, the Group measures goodwill as the excess of the cost of an acquisition as defined above and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill arising from business combinations prior to 1 October 2009 is stated at the previous carrying amount less subsequent impairments.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Non-controlling Interests

Non-controlling interests at the reporting period, 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 other comprehensive income for the year between the non-controlling interests and 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

Upon the loss of control of a subsidiary, 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. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income 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.

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 associate.

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 the 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Joint Arrangements

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

In the previous financial years, joint arrangements were classified and accounted for as either joint ventures or jointly controlled assets or jointly controlled operations. The Group accounted for its interest in joint ventures using the equity method. Jointly controlled assets or jointly control operations are accounted for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

Upon adoption of MFRS 11, *Joint Arrangements* in the current financial year, joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

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 less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the 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. The cost of self-constructed assets also includes the costs of materials and direct labour. For qualifying 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.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, Plant and Equipment (continued)

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.

Lease properties are depreciated over the lease term or the estimated useful lives, whichever is shorter. Leasehold land is depreciated over the lease term. 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 years
• Computer hardware and software	5 years

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 value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leased Assets

A lease arrangement is accounted for as finance or operating lease in accordance with the accounting policy stated below. When the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it is accounted for as a lease although the arrangement does not take the legal form of a lease.

(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. 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 borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(ii) Prepaid Lease Payment

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

The remaining leases of a leasehold land which is not in substance a finance lease, together with prepaid rental for service station sites and depots, are operating leases and 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 joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Purchases or sales that require delivery of financial assets within a timeframe established by regulation or convention in the marketplace concerned ("regular way purchases") are recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

Subsequent Measurement

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.21.

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method.

Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

The Group and the Company did not have any held-to-maturity investments during the year ended 31 December 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial Instruments (continued)

(i) Financial Assets (continued)

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the profit or loss.

The Group and the Company did not have any available-for-sale investments during the year ended 31 December 2013.

(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 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 costs.

Subsequent Measurement

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective borrowing cost/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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial Instruments (continued)

(iii) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are taken directly to the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

In general, contracts to sell or purchase non–financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses taken to the profit or loss.

(iv) 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.

(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.

(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 de-recognition 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial Instruments (continued)

(vi) Derecognition of Financial Instruments (continued)

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On de-recognition 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

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates and investment in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment (continued)

(ii) Other Assets

The carrying amounts of other assets, other than inventories, amount due from contract customers, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries, associates and joint ventures), are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. 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.

A cash-generating-unit is the smallest identifiable asset group that generates cash flows from continuing use 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 amounts 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, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 the 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.

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 financial institutions and highly liquid investments which have insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and 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 net 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 accretion in the provision due to the passage of time is recognised as finance cost.

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.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

In particular, information about provisions that has 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 Plans

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Taxation

Tax on the profit or 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.

(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 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 nor loss.

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.

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, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the future taxable profit will be available against which related tax benefit can 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Foreign Currency Transactions (continued)

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.

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 except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 pursuant to the adoption of MFRS framework.

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 period 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.

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.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowings costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financing 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.

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 Ordinary Share

The Group presents basic earnings per ordinary 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 period.

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 that relate to transactions with any of the Group’s other components. The 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 to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Fair value measurements

As of 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) 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 at the end of reporting 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, if any.

(ii) Non-financial assets

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	At 1.1.2013 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2013 RM'000
At cost					
Freehold land	1,021,087	20	(12,926)	27,951	1,036,132
Leasehold land					
– Long lease	538,545	6,841	(13,641)	5,266	537,011
– Short lease	12,262	–	–	–	12,262
Buildings	1,937,328	2,082	(7,624)	89,989	2,021,775
Plant, machinery, tankage and pipeline	1,923,666	16,705	(4,578)	115,335	2,051,128
Office equipment, furniture and fittings	351,464	6,443	(5,592)	34,946	387,261
Motor vehicles	61,770	1,417	(1,110)	1,049	63,126
Computer hardware and software	458,849	19,412	(2,126)	48,809	524,944
Projects-in-progress	428,472	399,145	–	(323,345)	504,272
	6,733,443	452,065	(47,597)	–	7,137,911

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	At 1.1.2013 RM'000	Depreciation charge for the year RM'000	Disposals/ Write-offs RM'000	At 31.12.2013 RM'000
Accumulated depreciation and impairment losses				
Freehold land	**1,202**	**—**	**—**	**1,202**
Leasehold land				
– Long lease	**61,201**	**7,276**	**(1,187)**	**67,290**
– Short lease	**4,280**	**276**	**—**	**4,556**
Buildings	**978,781**	**90,165**	**(2,180)**	**1,066,766**
Plant, machinery, tankage and pipeline	**1,198,904**	**137,687**	**(3,529)**	**1,333,062**
Office equipment, furniture and fittings	**242,646**	**24,013**	**(619)**	**266,040**
Motor vehicles	**55,967**	**3,641**	**(605)**	**59,003**
Computer hardware and software	**424,762**	**25,483**	**(2,202)**	**448,043**
Projects-in-progress	**—**	**—**	**—**	**—**
	2,967,743	**288,541**	**(10,322)**	**3,245,962**

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	At 1.1.2012 RM'000	Depreciation 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

Group	Carrying amount 2013 RM'000	2012 RM'000
Freehold land	**1,034,930**	1,019,885
Leasehold land		
– Long lease	**469,721**	477,344
– Short lease	**7,706**	7,982
Buildings	**955,009**	958,547
Plant, machinery, tankage and pipeline	**718,066**	724,762
Office equipment, furniture and fittings	**121,221**	108,818
Motor vehicles	**4,123**	5,803
Computer hardware and software	**76,901**	34,087
Projects-in-progress	**504,272**	428,472
	3,891,949	3,765,700

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	At 1.1.2013 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2013 RM'000
At cost					
Freehold land	1,021,076	20	(12,926)	27,951	1,036,121
Leasehold land					
– Long lease	529,449	6,785	(13,641)	5,266	527,859
– Short lease	12,262	–	–	–	12,262
Buildings	1,909,085	1,962	(7,622)	89,989	1,993,414
Plant, machinery, tankage and pipeline	1,595,261	7,869	(4,303)	115,335	1,714,162
Office equipment, furniture and fittings	346,638	6,137	(617)	34,947	387,105
Motor vehicles	56,791	929	(690)	1,048	58,078
Computer hardware and software	447,664	19,195	(2,118)	48,809	513,550
Projects-in-progress	271,387	329,479	–	(323,345)	277,521
	6,189,613	372,376	(41,917)	–	6,520,072

Company	At 1.1.2013 RM'000	Depreciation charge for the year RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2013 RM'000
Accumulated depreciation and impairment losses					
Freehold land	1,202	–	–	–	1,202
Leasehold land					
– Long lease	57,370	6,664	(1,187)	–	62,847
– Short lease	4,280	276	–	–	4,556
Buildings	959,381	88,596	(2,180)	–	1,045,797
Plant, machinery, tankage and pipeline	1,009,169	111,384	(3,429)	–	1,117,124
Office equipment, furniture and fittings	238,269	23,844	(537)	–	261,576
Motor vehicles	52,170	3,176	(273)	–	55,073
Computer hardware and software	414,820	25,098	(2,108)	–	437,810
Projects-in-progress	–	–	–	–	–
	2,736,661	259,038	(9,714)	–	2,985,985

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Company	At 1.1.2012 RM'000	Depreciation 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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Carrying amount 2013 RM'000	2012 RM'000
Freehold land	**1,034,919**	1,019,874
Leasehold land		
– Long lease	**465,012**	472,079
– Short lease	**7,706**	7,982
Buildings	**947,617**	949,704
Plant, machinery, tankage and pipeline	**597,038**	586,092
Office equipment, furniture and fittings	**125,529**	108,369
Motor vehicles	**3,005**	4,621
Computer hardware and software	**75,740**	32,844
Projects-in-progress	**277,521**	271,387
	3,534,087	3,452,952

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

Included in additions to project-in-progress are the following:

i. Borrowing cost of an Islamic financing facility of the Group amounting to RM4,596,000 (2012: RM3,596,000). The borrowing cost rate on the Islamic financing facility capitalised ranges from 3.85% to 4.15% (2012: 3.83% to 4.15%) per annum.

ii. Borrowing cost related to the Group's term loan amounting to RM1,160,000 (2012: RM334,000). The interest rate on the borrowing cost is capitalised at 2.42% (2012: 3.16%) per annum.

4. PREPAID LEASE PAYMENTS

Group and Company	At 1.1.2013 RM'000	Additions RM'000	Disposals/ Write offs RM'000	At 31.12.2013 RM'000
At cost				
Leasehold land	**49,905**	**3,387**	**(1,385)**	**51,907**
Prepaid rental	**625,251**	**88,070**	**(28,637)**	**684,684**
	675,156	**91,457**	**(30,022)**	**736,591**

4. PREPAID LEASE PAYMENTS (continued)

Group and Company	At 1.1.2013 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	At 31.12.2013 RM'000
Accumulated amortisation				
Leasehold land	**27,835**	**1,859**	**(1,329)**	**28,365**
Prepaid rental	**213,582**	**26,400**	**(20,482)**	**219,500**
	241,417	**28,259**	**(21,811)**	**247,865**

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	56,694	1,492	(8,281)	49,905
Prepaid rental	561,714	63,537	—	625,251
	618,408	65,029	(8,281)	675,156

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	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	2013 RM'000	2012 RM'000
Carrying amount		
Leasehold land	**23,542**	22,070
Prepaid rental	**465,184**	411,669
	488,726	433,739

Restrictions of land title

The titles to certain leasehold land are in the process of being registered in the Company's name.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	**223,998**	223,998

Details of the subsidiaries are stated in Note 30 to the financial statements.

6. INVESTMENT IN ASSOCIATES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares at cost	**1,959**	7,229	**1,960**	7,229
Share of post-acquisition profits and reserves	**579**	1,073	**—**	—
	2,538	8,302	**1,960**	7,229

Security

Plant and equipment of an associate with the cost of RM40,800,000 (2012: RM41,000,000) have been pledged as security for term loan facilities of a subsidiary as set out in Note 14 to the financial statements.

Summary of financial information on associates:

	Group	
	2013 RM'000	2012 RM'000
Total assets (100%)	**34,532**	173,968
Total liabilities (100%)	**26,490**	137,314
Revenue (100%)	**7,556**	12,819
Profit/Total comprehensive income (100%)	**604**	1,473

Details of the associates are stated in Note 31 to the financial statements.

7. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Unquoted shares at cost	**25**	25	**25**	25
Share of post-acquisition profits and reserves	**4,020**	4,325	**—**	—
	4,045	4,350	**25**	25

Summary of financial information on joint ventures:

	Group	
	2013 RM'000	**2012 RM'000**
Total assets (100%)	**16,387**	22,160
Total liabilities (100%)	**7,917**	13,080
Revenue (100%)	**38,789**	40,376
Profit/Total comprehensive income (100%)	**1,216**	1,172

Details of the joint ventures are stated in Note 32 to the financial statements.

8. INVENTORIES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Petroleum products	**1,188,877**	1,277,281	**1,142,842**	1,232,962
Others	**4,343**	1,400	**326**	533
	1,193,220	1,278,681	**1,143,168**	1,233,495

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Trade receivables	**2,027,574**	1,755,137	**1,858,815**	1,607,416
Subsidy receivables	**1,946,316**	2,159,900	**1,946,316**	2,159,900
Other receivables, deposits and prepayments	**108,258**	89,388	**45,603**	52,124
Advances to:				
Subsidiaries	**—**	—	**21,924**	—
Associates	**19,693**	19,693	**19,693**	19,693
Amounts due from:				
Subsidiaries	**—**	—	**136,971**	80,363
Related companies	**162,324**	171,366	**162,251**	165,130
	4,264,165	4,195,484	**4,191,573**	4,084,626
Less: Impairment losses				
Trade and other receivables	**(43,607)**	(14,530)	**(37,311)**	(8,269)
	4,220,558	4,180,954	**4,154,262**	4,076,357

The amounts due from subsidiaries, associates and related companies arose in the normal course of business.

Advances to subsidiaries and associates are unsecured, interest free and repayable on demand.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Cash with PETRONAS Integrated Financial Shared Services Centre	**188,877**	—	**179,219**	—
Cash and bank balances	**142,589**	111,327	**99,355**	52,392
Deposits placed with licensed banks	**27,167**	139,973	**—**	106,087
	358,633	251,300	**278,574**	158,479

During the financial year, a portion of the Group's and Company's cash and cash equivalents are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC") to enable cash management for the Group.

Included in cash and cash equivalents of the Group are interest-bearing balances amounting to RM267,207,000 (2012: RM139,973,000).

11. SHARE CAPITAL

	Number of shares		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Group and Company				
Authorised:				
Ordinary shares of RM1.00 each	**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

12. RESERVES

The Finance Act, 2007 introduced a single tier dividend distribution system with effect from year of assessment 2008. Pursuant to Schedule 9, Transitional and Savings Provisions of the Income Tax Act, 1967, the Company can distribute dividends out of its Section 108 balance until the amount is fully utilised but any remaining balance as at 31 December 2013 will be disregarded as at 1 January 2014.

The Company has fully utilised its Section 108 tax credit on 27 September 2013. As such, the Company has moved into the single tier company income tax system.

Capital reserve

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) represents 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 Company 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 Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

13. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of a partly-owned subsidiary.

14. BORROWINGS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Current				
Unsecured				
Revolving credits	**429,640**	314,894	**400,000**	300,000
Islamic financing facility	**13,418**	9,762	**—**	—
	443,058	324,656	**400,000**	300,000
Non-current				
Secured				
Term loan	**40,755**	26,809	**—**	—
Unsecured				
Islamic financing facility	**98,825**	112,238	**—**	—
	139,580	139,047	**—**	—

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**
2013					
Secured					
Term loan	**40,755**	**—**	**19,699**	**21,056**	**—**
Unsecured					
Revolving credits	**429,640**	**429,640**	**—**	**—**	**—**
Islamic financing facility	**112,243**	**13,418**	**14,030**	**45,418**	**39,377**
	541,883	**443,058**	**14,030**	**45,418**	**39,377**
2012					
Secured					
Term loan	26,809	—	2,234	16,085	8,490
Unsecured					
Revolving credits	314,894	314,894	—	—	—
Islamic financing facility	122,000	9,762	13,460	43,615	55,163
	436,894	324,656	13,460	43,615	55,163

14. BORROWINGS (continued)

Terms and debt repayment schedule (continued)

Group	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
Company					
2013					
Unsecured					
Revolving credits	**400,000**	**400,000**	**—**	**—**	**—**
2012					
Unsecured					
Revolving credits	300,000	300,000	—	—	—

Unsecured Revolving Credits
The unsecured revolving credits obtained by the Group primarily bear interest at rates ranging from 3.25% to 3.55% (2012: 3.25% to 3.61%) per annum.

Secured Term Loan
The secured term loan obtained by the Group is secured by way of a charge over assets of an associate (see Note 6).

The secured term loan bears interest at a rate equal to 30-day Treasury Security plus 1.15% as determined by the lender bank. This is equivalent to 2.42% (2012: 3.16%) per annum with principal repayment of 60 equal monthly instalments.

Unsecured Islamic Financing Facility
The unsecured Islamic financing facility bears a yield payable ranging from 0.50% (2012: 0.50%) per annum and is fully repayable at its various due dates from June 2013 to March 2021.

15. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year are as follows:

	At 1.1.2013 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2013 RM'000
Group			
Deferred tax liabilities			
Property, plant and equipment	**140,017**	**9,407**	**149,424**

15. DEFERRED TAX (continued)

	At 1.1.2013 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2013 RM'000
Deferred tax assets			
Unutilised tax losses	–	3,218	3,218
Other provisions	702	3,704	4,406
	702	6,922	7,624

	At 1.1.2012 RM'000	Charged/ (credited) to profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31.12.2012 RM'000
Group				
Deferred tax liabilities				
Property, plant and equipment	160,332	(20,315)	–	140,017

	At 1.1.2012 RM'000	Credited/ (charged) to profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31.12.2012 RM'000
Deferred tax assets				
Other provisions	–	–	702	702

	At 1.1.2013 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2013 RM'000
Company			
Deferred tax liabilities			
Property, plant and equipment	127,848	8,874	136,722

15. DEFERRED TAX (continued)

	At 1.1.2012 RM'000	Charged/ (credited) to profit or loss RM'000	At 31.12.2012 RM'000
Company			
Deferred tax liabilities			
Property, plant and equipment	146,367	(18,519)	127,848

16. OTHER LONG TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Dismantling, removal and restoration costs	**23,914**	19,372	**23,914**	19,372
Other long term liabilities	**6,700**	424	**—**	—
	30,614	19,796	**23,914**	19,372

Dismantling, removal and restoration costs

The movement of provision for dismantling, removal and restoration costs during the financial year is shown below:

	Group and Company	
	2013 RM'000	2012 RM'000
Balance at 1 January	**19,372**	20,346
Net changes in provisions	**1,962**	37
Reversal of provisions	**—**	(3,022)
Unwinding of discount	**2,580**	2,011
Balance at 31 December	**23,914**	19,372

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.

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.

16. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

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.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Trade payables	**69,431**	76,997	**4,322**	1,066
Other payables	**793,287**	661,572	**770,943**	657,716
Deferred revenue	**34,516**	32,396	**34,516**	32,396
Amounts due to:				
Holding company	**458,219**	691,694	**453,896**	691,691
Subsidiaries	**—**	—	**—**	2,812
Associates and joint ventures	**6,414**	8,804	**6,414**	8,804
Related companies	**3,170,267**	2,829,565	**3,153,438**	2,788,405
	4,532,134	4,301,028	**4,423,529**	4,182,890

Deferred revenue is attributable to the monetary value of the awarded Mesra points under PETRONAS Mesra Loyalty Programme. 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, associates, joint ventures and related companies arose in the normal course of business.

18. OPERATING PROFIT

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Included in operating profit are the following charges:				
Audit fees				
– KPMG Malaysia	**517**	490	**429**	404
– Overseas affiliates of KPMG Malaysia	**142**	18	**—**	—
Amortisation of prepaid lease payments	**28,259**	28,961	**28,259**	28,961
Bad debt written off	**2,345**	934	**2,345**	934
Contribution to EPF	**39,009**	33,642	**36,411**	32,975
Depreciation of property, plant and equipment	**288,541**	264,654	**259,038**	254,243
Loss on disposal of an associate	**2,111**	—	**—**	—
Impairment losses on trade and other receivables	**34,301**	15,173	**34,226**	10,790
Inventories written off	**5**	2	**—**	—
Non-audit fees paid				
– KPMG Malaysia	**217**	151	**217**	151
Net loss on foreign exchange	**—**	21,881	**—**	22,117
Property, plant and equipment written off	**488**	—	**—**	—
Property, plant and equipment expensed off	**3,201**	6,209	**3,032**	5,999
Rental of land and building	**37,876**	31,241	**30,249**	24,851
Rental of plant and equipment	**10,178**	7,725	**9,669**	7,694
Staff costs	**224,733**	246,390	**199,008**	236,917
and credits:				
Gain on disposal of:				
Property, plant and equipment	**5,072**	—	**5,063**	—
An associate	**—**	—	**900**	—
Dividend income from:				
Subsidiaries	**—**	—	**5,850**	7,800
Associates and joint ventures	**—**	—	**1,443**	—
Interest income from deposits	**17,711**	22,182	**15,833**	21,147
Income from rental of premises	**1,828**	1,807	**1,484**	1,494
Net gain on foreign exchange	**10,682**	—	**18,220**	—
Reversal of impairment losses on trade receivables	**2,879**	6,994	**2,839**	6,936

19. FINANCING COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Unwinding of discount				
– Provision for dismantling, removal and restoration costs	**2,580**	2,011	**2,580**	2,011
Interest on revolving credit	**15,465**	8,603	**14,932**	8,600
Interest on term loan	**1,161**	20	**—**	—
	19,206	10,634	**17,512**	10,611

20. TAX EXPENSE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current tax expense				
Current year	**306,287**	342,496	**297,150**	333,153
Prior year	**(18,311)**	(278)	**(18,091)**	—
	287,976	342,218	**279,059**	333,153
Deferred tax expense				
Origination and reversal of temporary differences	**(1,197)**	(20,526)	**6,426**	(18,519)
Under provision in prior year	**3,682**	211	**2,448**	—
	2,485	(20,315)	**8,874**	(18,519)
	290,461	321,903	**287,933**	314,634

20. TAX EXPENSE (continued)

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 the Company is as follows:

	%	2013 RM'000	%	2012 RM'000
Group				
Profit before taxation		**1,109,441**		1,165,171
Taxation at Malaysian statutory tax rate	**25**	**277,360**	25	291,293
Effect of different tax rates in foreign jurisdiction	**—**	**80**	—	221
Non assessable income, net of non-deductible expenses	**2**	**26,605**	3	30,456
Effect of net deferred tax benefits not recognised	**—**	**1,045**	—	—
	27	**305,090**	28	321,970
(Over)/Under provision in prior year				
– tax expense	**(1)**	**(18,311)**	—	(278)
– deferred tax expense	**—**	**3,682**	—	211
Tax expense	**26**	**290,461**	28	321,903

	%	2013 RM'000	%	2012 RM'000
Company				
Profit before taxation		**1,113,412**		1,146,695
Taxation at Malaysian statutory tax rate	**25**	**278,353**	25	286,674
Non assessable income, net of non-deductible expenses	**2**	**25,223**	2	27,960
	27	**303,576**	27	314,634
(Over)/Under provision in prior year				
– tax expense	**(1)**	**(18,091)**	—	—
– deferred tax expense	**—**	**2,448**	—	—
Tax expense	**26**	**287,933**	27	314,634

21. DIVIDENDS

	Group and Company	
	2013 RM'000	**2012 RM'000**
In respect of financial year ended 31 December 2012:		
Interim dividend of 17.5 sen per ordinary share less tax at 25% (2012: 15.0 sen less tax at 25%)	**130,391**	111,763
Special dividend of 35.0 sen per ordinary share less tax at 25% (2012: 35.0 sen less tax at 25%)	**260,782**	260,782
In respect of financial year ended 31 December 2013:		
Interim dividend of 17.5 sen per ordinary share less tax at 25% (2012: 17.5 sen less tax at 25%)	**130,391**	130,391
Interim dividend of 16.3 sen per ordinary share less tax at 25% and single tier dividend of 1.2 sen per ordinary share (2012: 17.5 sen less tax at 25%)	**133,371**	130,391
Interim single tier dividend of 17.5 sen per ordinary share (2012: 17.5 sen less tax at 25%)	**173,854**	130,391
	828,789	763,718

The Directors had declared a single tier interim dividend of 17.5 sen per ordinary share amounting to RM173,854,000 in respect of the financial year ended 31 December 2013 which has not been accounted for in the financial statements.

22. RELATED PARTIES DISCLOSURES

Key management personnel compensation

	Group and Company	
	2013 RM'000	**2012 RM'000**
Directors		
Fees	**464**	534
Other short term benefits (including estimated monetary value of benefits-in-kind)	**21**	21
	485	555

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.

22. RELATED PARTIES DISCLOSURES (continued)

Significant transactions with related parties

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, joint ventures as well as the Government of Malaysia and its related entities as the holding 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:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sales of petroleum products:				
Related companies	**1,920,144**	2,012,031	**1,920,144**	2,012,031
Federal and State Governments of Malaysia	**387,924**	346,779	**387,924**	346,779
Government of Malaysia's related entities	**4,179,125**	4,025,184	**4,163,290**	4,001,909
Purchases of petroleum products:				
Related companies	**28,717,673**	27,622,653	**28,717,667**	27,622,261
Holding company	**566,272**	376,002	**566,272**	376,002
Fees for representation in the Board of Directors*:				
Holding company	**1,064**	834	**1,064**	834

* Fees paid directly to holding company in respect of Directors who are appointees of the holding company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 is 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.

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2013	**2012**
Profit for the year attributable to shareholders (RM'000)	**811,753**	836,843
Number of ordinary shares ('000)	**993,454**	993,454
Earnings per ordinary share (sen)	**81.7**	84.2

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 in the previous year is as follows:

	2012 RM'000
Property, plant and equipment	94,915
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)
Group cash flow on business combination, net of cash acquired	165,099

25. COMMITMENTS

Outstanding commitments in respect of capital expenditure at reporting year not provided for in the financial statements are:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Approved and contracted for	**17,370**	52,037	**16,775**	50,843
Approved but not contracted for	**219,221**	120,195	**94,953**	119,612
	236,591	172,232	**111,728**	170,455

26. 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 of the Group, 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 retail and commercial segment

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.

26. OPERATING SEGMENTS (continued)

In RM'000	2013					2012				
Business Segments	**Retail**	**Commercial**	**Others**	**Elimination**	**Group**	**Retail**	**Commercial**	**Others**	**Elimination**	**Group**
Revenue	**14,640,481**	**17,689,500**	**11,941**	**–**	**32,341,922**	13,529,498	15,941,945	43,520	–	29,514,963
Operating expenditures:										
Depreciation and amortisation	**251,595**	**63,639**	**1,566**	**–**	**316,800**	234,049	55,906	3,660	–	293,615
Finance costs	**14,629**	**4,577**	**–**	**–**	**19,206**	8,637	1,997	–	–	10,634
Operating profit	**478,372**	**411,529**	**26,009**	**(175)**	**915,735**	581,578	381,826	16,950	–	980,354
Other income	**171,329**	**19,308**	**6,712**	**(7,297)**	**190,052**	119,257	–	63,920	–	183,177
Share of profit after tax of associates and joint ventures					**3,654**					1,640
Profit before taxation					**1,109,441**					1,165,171

Geographical segments

There is no disclosure on geographical segment information as the results of the Group's operations outside of Malaysia are not material during the year under review.

Major customers

No disclosure on major customer information as no customer represents equal or more than 10 percent of Group's revenue.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

(i) Loans and receivables ("L&R"); and

(ii) Loans and borrowings ("L&B");

Group	Note	L&R/ L&B RM'000	Total carrying amount RM'000
2013			
Financial assets			
Trade and other receivables	9	**4,011,603**	**4,011,603**
Cash and cash equivalents	10	**358,633**	**358,633**
		4,370,236	**4,370,236**
Financial liabilities			
Borrowings	14	**582,638**	**582,638**
Trade and other payables	17	**4,465,124**	**4,465,124**
		5,047,762	**5,047,762**
2012			
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

27. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company	Note	L&R/ L&B RM'000	Total carrying amount RM'000
2013			
Financial assets			
Trade and other receivables	9	**3,962,713**	**3,962,713**
Cash and cash equivalents	10	**278,574**	**278,574**
		4,241,287	**4,241,287**
Financial liabilities			
Borrowings	14	**400,000**	**400,000**
Trade and other payables	17	**4,084,196**	**4,084,196**
		4,484,196	**4,484,196**
2012			
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			
Borrowings	14	300,000	300,000
Trade and other payables	17	4,143,415	4,143,415
		4,443,415	4,443,415

27. 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.

Trade and Other Receivables

Credit evaluations are performed on an on-going basis where customers' credit worthiness are evaluated using a list of qualitative and quantitative weighted criteria.

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. 98.8% (2012: 97.4%) 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 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% (2012: 32%) of the total trade receivables of the Group, 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 95% (2012: 96%) of the total other receivables of the Group 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.

27. FINANCIAL INSTRUMENTS (continued)

Fund and Other Investment

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund and investment activities comprising primarily money market placement and investments in bonds, and trade facilities. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function undertakes a credit risk management activities similar to the credit management and monitoring procedures for receivables.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

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 suitable sources of funding for the Group's and Company's business activities may not be available. 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. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and the Company.

27. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (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
2013							
Loans and borrowings							
Unsecured Islamic Financing Facility							
Floating rate	**112,243**	**3.85**	**129,208**	**17,516**	**17,585**	**52,755**	**41,352**
Unsecured Revolving Credit Floating rate	**429,640**	**3.53**	**431,049**	**431,049**	**—**	**—**	**—**
Secured Term Loan Fixed rate	**40,755**	**2.42**	**45,685**	**—**	**22,081**	**23,604**	**—**
Trade and other payables	**4,465,124**		**4,465,124**	**4,465,124**	**—**	**—**	**—**
	5,047,762		**5,071,066**	**4,913,689**	**39,666**	**76,359**	**41,352**
2012							
Loans and borrowings							
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	3.54	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

27. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (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
2013							
Loans and borrowings							
Unsecured Revolving Credit Floating rate	**400,000**	**3.55**	**401,323**	**401,323**	**–**	**–**	**–**
Trade and other payables	**4,084,196**		**4,084,196**	**4,084,196**	**–**	**–**	**–**
	4,484,196		**4,485,519**	**4,485,519**	**–**	**–**	**–**
2012							
Loans and borrowings							
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	–	–	–

27. 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 are exposed to include interest rates and foreign currency exchange rates that could adversely affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

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' policies and guidelines.

As at 31 December 2013, 93.0% (2012: 94.2%) of the interest bearing financial liabilities of the Group are floating rate instruments.

Profit Margin Risk Sensitivity Analysis

As at 31 December 2013, it is estimated that any general increase/decrease of 100 basis points 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

The Group is exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and/or when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars. The Company mitigates its foreign currency exposure through forward foreign currency contract.

27. FINANCIAL INSTRUMENTS (continued)

Market Risk (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:

	2013		2012	
	USD'000	**RM'000**	**USD'000**	**RM'000**
Group				
Financial assets				
Cash and cash equivalents	**15,940**	**52,444**	11,782	36,083
Trade and other receivables	**39,746**	**130,764**	189,742	581,087
	55,686	**183,208**	201,524	617,170
Financial liabilities				
Trade and other payables	**105,636**	**347,542**	39,615	121,237
Net exposure	**(49,950)**	**(164,334)**	161,909	495,933
Company				
Financial assets				
Cash and cash equivalents	**13,681**	**45,010**	11,676	35,756
Trade and other receivables	**28,873**	**94,992**	189,742	581,087
	42,554	**140,002**	201,418	616,843
Financial liabilities				
Trade and other payables	**58,767**	**193,343**	12,835	39,308
Net exposure	**(16,213)**	**(53,341)**	188,583	577,535

Currency risk sensitivity analysis

The following table demonstrates the indicative post-tax effects on the profit of applying reasonably foreseeable market movements in the currency exchange rates:

	2013		2012	
	Appreciation in foreign currency rate %	**Effect on profit or loss RM'000**	**Appreciation in foreign currency rate %**	**Effect on profit or loss RM'000**
Group				
USD	**5**	**(6,163)**	5	18,598
Company				
USD	**5**	**(2,000)**	5	21,658

27. FINANCIAL INSTRUMENTS (continued)

Currency risk sensitivity analysis (continued)

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.

Fair value information

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

The financial instruments are carried at amortised costs, which are not materially different from their fair values.

Income/(expense), net gains and losses arising from financial instruments

	Net gain/(loss)	
Group	**2013 RM'000**	**2012 RM'000**
Financial instruments through profit and loss	**(4,789)**	1,201
Loans, receivables and payables	**(25,114)**	7,723
Total	**(29,903)**	8,924

28. 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 shareholders' value and to ensure compliance with shareholders' agreements and regulatory requirements, if any.

The debt equity ratio of the Group as at 31 December 2013 is 2.9:100 (2012: 2.9:100).

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.

29. HOLDING COMPANY

The holding company is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

30. SUBSIDIARIES AND ACTIVITIES

	Effective ownership and voting interest 2013	2012	Principal Activities
Companies incorporated in Malaysia			
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	**65%**	65%	Operation of aviation fuelling at Kuala Lumpur International Airport, Sepang.
Lub Dagangan Sdn. Bhd.	**100%**	100%	Marketing and distribution of lubricants.
PETRONAS Aviation Sdn. Bhd.	**100%**	100%	Sales and marketing of aviation fuel and technical consultancy service.
Company incorporated in Netherlands			
*PDB (Netherlands) B.V.	**100%**	100%	Investment holding company.
Company incorporated in Philippines			
**PETRONAS Energy Philippines, Inc.	**100%**	100%	Buying, selling, storing, distributing and marketing of liquefied petroleum gas (LPG) and other petroleum products.
Company incorporated in Thailand			
**PETRONAS International Marketing (Thailand) Co., Ltd.	**100%**	100%	Marketing and distribution of lubricants.
Companies incorporated in Vietnam			
**PETRONAS (Vietnam) Co., Ltd.	**100%**	100%	Store, process and distribute LPG.
**Thang Long LPG Company Limited	**100%**	100%	To liquefy petroleum gas, sell and maintain LPG transmission system and lease jetty.

* Not audited by member firms of KPMG International
** Audited by member firms of KPMG International

31. ASSOCIATES AND ACTIVITIES

	Effective ownership and voting interest		
	2013	**2012**	**Principal Activities**
Companies incorporated in Malaysia			
*IOT Management Sdn. Bhd.	**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.
*Tanjung Manis Oil Terminal Management Sdn. Bhd.	**20%**	–	To 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.
*Assar Chemicals Dua Sdn. Bhd.	**–**	20%	To 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.
Company incorporated in Philippines			
**Duta, Inc.	**40%**	40%	To buy, invest and sell securities (leasing of its properties to PETRONAS Energy Philippines, Inc.).

* Not audited by member firms of KPMG International

** Audited by member firms of KPMG International

32. JOINT VENTURES AND ACTIVITIES

	Effective ownership and voting interest		
	2013	**2012**	**Principal Activities**
Companies incorporated in Malaysia			
PS Pipeline Sdn. Bhd.	**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%	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.

33. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2013, the Group and the Company adopted the following pronouncements that have been issued by the MASB as listed below:

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 (revised)*
MFRS 127, *Separate Financial Statements*
MFRS 128, *Investments in Associates and Joint Ventures*
Amendments to MFRS 1, *First–time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
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*
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)*

33. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

The principal changes in accounting policies and their effects are set out below

i. **MFRS 10, *Consolidated Financial Statements***

MFRS 10 introduces a new single control model to determine which investees should be consolidated. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. MFRS 10 replaces the guidance on control and consolidation in MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*.

The adoption of this MFRS does not have material impact to the Group.

ii. **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. A Joint venture arises when the joint venturer has rights to the net assets of the arrangement, while a joint operation arises when a joint operator has rights to the assets and liabilities relating to the arrangement. Interest in joint venture is accounted for using the equity method whilst interest in joint operation is accounted for using the applicable standards relating to the underlying assets, liabilities, income and expense items arising from the joint operation.

Upon adoption of MFRS 11, certain of the Group's previously equity-accounted jointly controlled entities are now classified as joint operations or joint ventures. The adoption of this MFRS does not have material impact to the Group.

iii. **MFRS 12, *Disclosure of Interests in Other Entities***

MFRS 12 establishes improvement to the disclosure of a reporting entity's interest in other entities. Upon adoption of MFRS 12, the Group disclosed information about the nature and risks of interests in subsidiaries, associates, joint arrangements and structured entities and the effects of those interests on financial position, performance and cash flows.

The adoption of this MFRS does not have material impact to the Group.

34. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

The following 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 2014

Amendments to MFRS 10, *Consolidated Financial Statements*
Amendments to MFRS 12, *Disclosure of Interests in Other Entities*
Amendments to MFRS 127, *Consolidated and Separate Financial Statements*
Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136, *Recoverable Amount Disclosures for Non-financial Assets*
Amendments to MFRS 139, *Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21, *Levies*

34. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT (continued)

MFRSs, Interpretations and amendments 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 Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The Group and the Company is currently assessing the impact of adopting the above pronouncements. Key highlights are as follows:

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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

35. RETAINED EARNINGS

The breakdown of the retained earnings of the Group and the Company as at 31 December 2013, into realised and unrealised profits, pursuant to the directive by Bursa Malaysia Securities Berhad, is as follows:

	Group		**Company**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained profits				
– realised	**4,044,992**	4,005,357	**3,923,267**	3,917,508
– unrealised	**(147,392)**	(145,016)	**(142,725)**	(133,656)
	3,897,600	3,860,341	**3,780,542**	3,783,852
Total retained profits of associates attributable to the Group				
– realised	**6,043**	5,237	**—**	—
– unrealised	**—**	(26)	**—**	—
Less: Consolidation adjustments	**(62,108)**	(6,981)	**—**	—
Total retained profits	**3,841,535**	3,858,571	**3,780,542**	3,783,852

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 2013 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 160 to 221.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in the Note 30 to the financial statements.

c) 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.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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 35 on page 221 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirement and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, 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 Requirement, 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

KPMG DESA MEGAT & CO
Firm Number: AF 0759
Chartered Accountants

CHONG DEE SHIANG
Approval Number: 2782/09/14(J)
Chartered Accountant

Petaling Jaya,
Date: 6 February 2014

SHAREHOLDER'S INFORMATION

ANALYSIS OF SHAREHOLDINGS

AS AT 14 FEBRUARY 2014

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid-up Share Capital	:	RM993,454,000 comprising 993,454,000 ordinary shares of RM1 each
Class of Shares	:	Ordinary Shares of RM1 Each
Voting Rights	:	One Vote Per Ordinary Share (On A Poll)

ANALYSIS OF SHAREHOLDINGS

as at 14 February 2014

Size of Holdings	No. of Holders	% of Total Shareholders	No. of Shares	% of Total Shares
Less than 100	122	1.69	1,022	0.00
100 - 1,000	1,501	20.82	1,113,763	0.11
1,001 - 10,000	4,871	67.57	13,102,411	1.32
10,001 - 100,000	500	6.94	16,159,688	1.63
100,001 to less than 5% of issued shares	213	2.95	212,074,516	21.35
5% and above of issued shares	2	0.03	751,002,600	75.59
	7,209	100.00	993,454,000	100.00

CLASSIFICATION OF SHAREHOLDERS

as at 14 February 2014

Category	No. of Holders		No. of Shares		% of Total Shareholding	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
• Individual	5,874	67	18,811,763	384,224	1.89	0.04
• Corporate Body						
a. *Banks/Finance Companies*	82	0	111,908,300		11.26	0.00
b. *Investment Trusts/ Foundation/Charities*	2	0	3,400	0	0.00	0.00
c. *Other types of companies*	192	6	5,098,600	930,000	0.51	0.09
• Government Agencies/ Institution	6	0	7,544,100	0	0.76	0.00
• Nominees	581	399	792,697,940	56,075,673	79.79	5.65
	6,737	**472**	**936,064,103**	**57,389,897**	**94.22**	**5.78**

LIST OF SUBSTANTIAL SHAREHOLDERS
as at 14 February 2014

		Direct		Indirect	
		No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
1.	CIMB Group Nominees (Tempatan) Sdn Bhd *(Exempt AN for Petroliam Nasional Berhad)* *(Exempt AN for Petroliam Nasional Berhad (PRF))*	694,004,000	69.86	200,900*	0.02
2.	Employees Provident Fund Board	62,024,000	6.24		

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

LIST OF DIRECTORS' SHAREHOLDING
as at 14 February 2014

	Name	No. of Shares in PETRONAS Gas Berhad	% of Shareholding
1.	Nuraini binti Ismail	5,000	0.00

	Name	No. of Shares in PETRONAS Chemicals Group Berhad	% of Shareholding
1.	Datuk Wan Zulkiflee bin Wan Ariffin	20,000	0.00
2.	Dato' Dr. R. Thillainathan**	17,000	0.00
3.	Vimala V R Menon	20,000	0.00
4.	Nuraini binti Ismail	10,000	0.00
5.	Mohd. Farid bin Mohd. Adnan	15,000	0.00
6.	Mohd Ibrahimnuddin bin Mohd Yunus	6,000	0.00

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

	Name	No. of Shares in MISC Berhad	% of Shareholding
1.	Mohd. Farid bin Mohd. Adnan	5,000	0.00

	Name	No. of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad	% of Shareholding
1.	Datuk Wan Zulkiflee bin Wan Ariffin	10,000	0.00
2.	Mohd. Farid bin Mohd. Adnan	15,000	0.00

LIST OF TOP 30 SHAREHOLDERS

LIST OF THIRTY LARGEST SHAREHOLDERS

Registered as at 14 February 2014

	Name	No. of Shares	% of Total Shares
1.	CIMB Group Nominees (Tempatan) Sdn Bhd (Exempt AN For Petroliam Nasional Berhad)	694,004,000	69.86
2.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	56,998,600	5.74
3.	Amanahraya Trustees Berhad (Skim Amanah Saham Bumiputera)	23,314,100	2.35
4.	Amanahraya Trustees Berhad (Amanah Saham Wawasan 2020)	21,373,100	2.15
5.	Kumpulan Wang Persaraan (Diperbadankan)	10,781,600	1.09
6.	Amanahraya Trustees Berhad (Amanah Saham Didik)	10,507,700	1.06
7.	Amanahraya Trustees Berhad (Amanah Saham Malaysia)	10,165,100	1.02
8.	Malaysia Nominees (Tempatan) Sendirian Berhad (Great Eastern Life Assurance (Malaysia) Berhad (Par 1))	8,751,100	0.88
9.	Cartaban Nominees (Asing) Sdn Bhd (Exempt AN for State Street Bank & Trust Company (West CLT OD67))	7,841,001	0.79
10.	Amanahraya Trustees Berhad (Public Islamic Dividend Fund)	6,088,100	0.61
11.	HSBC Nominees (Asing) Sdn Bhd (BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund)	5,629,000	0.57
12.	Amanahraya Trustees Berhad (AS 1Malaysia)	4,636,700	0.47
13.	AMSEC Nominees (Tempatan) Sdn Bhd (AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI))	4,529,100	0.46
14.	Permodalan Nasional Berhad	4,365,800	0.44
15.	Amanahraya Trustees Berhad (Public Islamic Equity Fund)	2,861,400	0.29
16.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.))	2,655,752	0.27
17.	Cartaban Nominees (Tempatan) Sdn Bhd (Exempt AN for Eastspring Investments Berhad)	2,626,600	0.26
18.	Amanahraya Trustees Berhad (Public Islamic Select Enterprises Fund)	2,611,200	0.26

	Name	No. of Shares	% of Total Shares
19.	Maybank Nominees (Tempatan) Sdn Bhd (Maybank Trustees Berhad for Public Ittikal Fund (N14011970240))	2,500,000	0.25
20.	Pertubuhan Keselamatan Sosial	2,458,700	0.25
21.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.))	2,288,200	0.23
22.	HSBC Nominees (Asing) Sdn Bhd (TNTC for Fidelity Series Emerging Markets Fund (Fid Inv TST))	2,090,200	0.21
23.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (CIMB Prin))	2,040,000	0.21
24.	Foh Chong & Sons Sdn Bhd	2,014,000	0.20
25.	Maybank Nominees (Tempatan) Sdn Bhd (Setiausaha Kerajaan Pulau Pinang)	2,000,000	0.20
26.	State Financial Secretary Sarawak	2,000,000	0.20
27.	Amanahraya Trustees Berhad (Sekim Amanah Saham Nasional)	1,997,400	0.20
28.	Cartaban Nominees (Asing) Sdn Bhd (GIC Private Limited for Government of Singapore (C))	1,988,100	0.20
29.	State Secretary Kedah Incorporated	1,930,800	0.19
30.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend))	1,503,400	0.15

NET BOOK VALUE OF LAND AND BUILDINGS OF PDB COMPANY

	Freehold			Leasehold			Total Land			Building
	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	382,619	112	8,915,046	265,668	84	3,664,957	648,287	196	12,580,003	329,925
Northern Region	191,854	88	3,757,276	47,364	38	3,578,693	239,218	126	7,335,969	188,557
Southern Region	277,938	95	3,903,321	57,659	26	981,877	335,597	121	4,885,198	139,108
East Coast Region	58,530	38	1,479,730	27,185	42	1,554,174	85,715	80	3,033,904	112,193
Western Region	90,488	51	1,885,973	20,183	19	566,362	110,671	70	2,452,335	61,559
Sarawak	2,125	3	81,302	28,573	36	1,581,176	30,698	39	1,662,478	60,166
Sabah	2,794	7	185,613	26,086	24	2,216,395	28,880	31	2,402,008	52,909
Headquarter	28,571	1	36,603,280	–	–	–	28,571	1	36,603,280	3,200
Grand Total	**1,034,919**	**395**	**56,811,541**	**472,718**	**269**	**14,143,634**	**1,507,637**	**664**	**70,955,175**	**947,617**

USAGE OF LAND PROPERTIES*

	Bulk Depot	Klang Valley Distribution Terminal	LPG Storage & Bottling Plant	Multi Product Pipeline	Service Station**	Shophouse	Training Centre & Service Station	Warehouse	Vacant Land	Grand Total
Central Region	–	2	–	–	186	–	1	–	7	196
Northern Region	3	–	–	–	112	1	–	–	10	126
Southern Region	–	–	–	–	112	–	–	–	9	121
East Coast Region	–	–	1	–	74	–	–	1	4	80
Western Region	–	–	–	–	64	–	–	–	6	70
Sarawak	3	–	–	–	35	–	–	–	1	39
Sabah	3	–	–	–	27	–	–	–	1	31
Headquarter	–	–	–	1	–	–	–	–	–	1
Grand Total	**9**	**2**	**1**	**1**	**610**	**1**	**1**	**1**	**38**	**664**

* 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-Second (32nd)** Annual General Meeting of PETRONAS Dagangan Berhad ("the Company") will be held at the **Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur** on **Wednesday, 16 April 2014** at **10.00am** for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect Nuraini binti Ismail who retires in accordance with Article 93 of the Company's Articles of Association and, being eligible, offers herself for re-election. **(Resolution 2)**

   Dato' Dr. R. Thillainathan who retires in accordance with Article 93 of the Company's Articles of Association has expressed his intention not to seek re-election. Hence, he will retain office until the conclusion of the Thirty-Second (32nd) Annual General Meeting.

3. To re-elect the following Directors pursuant to Article 96 of the Company's Articles of Association:-
   (a) Mohd. Farid bin Mohd. Adnan **(Resolution 3)**
   (b) Mohd Ibrahimnuddin bin Mohd Yunus **(Resolution 4)**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2013. **(Resolution 5)**

5. To appoint Messrs. KPMG, having consented to act, as the Company's Auditors in place of the retiring Auditors, Messrs. KPMG Desa Megat & Co, who will hold office until the conclusion of the next Annual General Meeting, and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other business for which due notice has been given.

By Order of the Board

NUR ASHIKIN BINTI KHALID (LS 0008025)
YEAP KOK LEONG (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
24 March 2014

Notes:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Second (32^{nd}) Annual General Meeting, the Company shall be requesting the Record of Depositors as at 9 April 2014. Only a depositor whose name appears on the Record of Depositors as at 9 April 2014 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 holding 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Main Market Listing Requirements, appended hereunder are:-

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE THIRTY-SECOND (32ND) ANNUAL GENERAL MEETING OF THE COMPANY

The Director who is standing for re-election pursuant to Article 93 of the Articles of Association of the Company is as follows:-

- Nuraini binti Ismail **Resolution 2**

The Directors who are standing for re-election pursuant to Article 96 of the Articles of Association of the Company are as follows:-

- Mohd. Farid bin Mohd. Adnan **Resolution 3**
- Mohd Ibrahimnuddin bin Mohd Yunus **Resolution 4**

DETAILS OF DIRECTORS STANDING FOR RE-ELECTION AS IN AGENDA 2 AND 3 OF THE NOTICE OF ANNUAL GENERAL MEETING

Nuraini binti Ismail

Age	:	51
Nationality	:	Malaysian
Qualification	:	Fellow member of the Association of Certified Chartered Accountants (ACCA) United Kingdom
Position in the Company	:	Non-Independent Non-Executive Director
Date first appointed to the Board	:	18 November 2011
Membership of the Board Committees	:	• Board of Directors • Audit Committee
Number of Board meetings attended during the year under review	:	6 out of 6
Working experience	:	She joined PETRONAS in 1992 and 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
Directorship in other public companies	:	PETRONAS Group
Securities holdings in the Company	:	Nil
Family relationships with any directors and/or major shareholders of the Company	:	Nil
Conflict of interest with the Company	:	Nil
List of conviction for offences within the past ten (10) years other than traffic offences	:	Nil

Mohd. Farid bin Mohd. Adnan

Age	:	51
Nationality	:	Malaysian
Qualification	:	• Bachelor of Science Degree (BSc) in Chemical Engineering, University of Tennesse, Knoxville, USA • Master of International Business Studies, University of South Carolina, USA
Position in the Company	:	Non-Independent Non-Executive Director
Date first appointed to the Board	:	1 October 2013
Membership of the Board Committees	:	• Board of Directors • Nomination Committee • Remuneration Committee
Number of Board meetings attended during the year under review	:	1 out of 2
Working experience	:	• He has been with PETRONAS for more than 25 years. He had spent most of his professional experience in marketing and trading functions, in various positions across the business including Marketing and Trading, (Oil, Petrochemical and LNG), Corporate Planning as well as Retail Business • He had also spent one (1) year attachment in Houston with Conoco Ltd and four (4) years in South Africa with Engen Ltd
Directorship in other public companies	:	PETRONAS Group
Securities holdings in the Company	:	Nil
Family relationships with any directors and/or major shareholders of the Company	:	Nil
Conflict of interest with the Company	:	Nil
List of conviction for offences within the past ten (10) years other than traffic offences	:	Nil

Mohd Ibrahimnuddin bin Mohd Yunus

Age	:	50
Nationality	:	Malaysian
Qualification	:	Bachelor's Degree in Economics, York University, Ontario, Canada
Position in the Company	:	Managing Director/Chief Executive Officer
Date first appointed to the Board	:	1 February 2014
Membership of the Board Committees	:	• Board of Directors
Number of Board meetings attended during the year under review	:	None
Working experience	:	• He has been with PETRONAS for 27 years and has held a number of Senior Management positions prior to his current appointment • He was previously the CEO of PETRONAS LNG Sdn Bhd and prior to that he was the Head of Compensation & Benefits, Human Resource Management • He was also assigned as the CEO of PT PETRONAS Niaga Indonesia in 2007 • Prior to that, he was the General Manager of PETRONAS' LPG and Petroleum Products Group
Directorship in other public companies	:	Nil
Securities holdings in the Company	:	Nil
Family relationships with any directors and/or major shareholders of the Company	:	Nil
Conflict of interest with the Company	:	Nil
List of conviction for offences within the past ten (10) years other than traffic offences	:	Nil

The profiles of the above Directors who are standing for re-election are set out from pages 48 to 51 of this Annual Report.

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:
Mohd Aaznan Darus

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:
Hamdan Man

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:
Khiril Anuar Abu Bakar

ADMINISTRATIVE DETAILS

PETRONAS DAGANGAN BERHAD 32ND ANNUAL GENERAL MEETING

REGISTRATION

1. Registration will start at 8.15am on 16 April 2014 in front of the Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 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 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 Levels 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 4pm on 16 April 2014. Any additional costs incurred for parking after 4pm 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 2013 is available on:

    http://www.bursamalaysia.com
    http://www.mymesra.com.my

PROXY FORM

Number of Ordinary Shares Held	
CDS Account No.	

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-Second (32nd) 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**, **16 April 2014** at **10.00am** and at any adjournment thereof.

Resolution	*Ordinary Business	For	Against
1.	To receive Directors' Report and Financial Statements		
2.	To re-elect Director under Article 93: Nuraini binti Ismail		
3.	To re-elect Director under Article 96: Mohd. Farid bin Mohd. Adnan		
4.	To re-elect Director under Article 96: Mohd Ibrahimnuddin bin Mohd Yunus		
5.	Approval of Payment of Directors' Fees		
6.	Appointment of Messrs. KPMG as Auditors in place of the retiring Auditors, Messrs. KPMG Desa Megat & Co		

* 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.)

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-Second (32nd) Annual General Meeting, the Company shall be requesting the Record of Depositors as at 9 April 2014. Only a depositor whose name appears on the Record of Depositors as at 9 April 2014 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 holding 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.

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AFFIX STAMP HERE

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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PETRONAS Dagangan Berhad (88222-D)
Level 30-33, Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur
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www.mymesra.com.my