



PETRONAS

PETRONAS DAGANGAN BERHAD

Quarterly Report

For Second Quarter Ended 30 June 2020

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

The Board of Directors of PETRONAS Dagangan Berhad ("PDB" or "the Company") is pleased to announce the following Unaudited Condensed Consolidated Financial Statements for PDB Group for the second quarter ended 30 June 2020 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 21.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 30 June 2020	As at 31 December 2019
ASSETS			
Property, plant and equipment		3,993,028	4,134,901
Investments in associates		1,562	1,456
Investments in joint ventures		20,006	21,561
TOTAL NON-CURRENT ASSETS		4,014,596	4,157,918
Trade and other inventories		514,030	796,819
Trade and other receivables		1,133,928	1,565,011
Fund investment		-	51,004
Cash and cash equivalents		2,397,192	3,425,500
TOTAL CURRENT ASSETS		4,045,150	5,838,334
TOTAL ASSETS	B1	8,059,746	9,996,252
EQUITY			
Share capital		993,454	993,454
Reserves		4,512,153	4,982,490
Total Equity Attributable to Shareholders of the Company		5,505,607	5,975,944
Non-controlling interests		35,335	35,451
TOTAL EQUITY	B1	5,540,942	6,011,395
LIABILITIES			
Borrowings	B8	123,700	168,653
Deferred tax liabilities		95,865	100,318
Other long term liabilities and provisions		28,485	28,473
TOTAL NON-CURRENT LIABILITIES		248,050	297,444
Trade and other payables		2,115,515	3,440,211
Borrowings	B8	115,936	165,502
Taxation		39,303	81,700
TOTAL CURRENT LIABILITIES		2,270,754	3,687,413
TOTAL LIABILITIES	B1	2,518,804	3,984,857
TOTAL EQUITY AND LIABILITIES		8,059,746	9,996,252
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.54	6.02

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(EXPENSE)

In RM'000	Note	Individual quarter ended		Cumulative quarter ended	
		2020	30 June 2019	2020	30 June 2019
Revenue	B1	2,931,750	7,606,229	9,485,661	14,692,134
Operating profit/(loss)		5,667	240,369	(8,613)	627,863
Finance cost		(3,952)	(5,008)	(8,524)	(10,462)
Share of (loss)/profit after tax of equity accounted associates and joint ventures		(549)	2,267	(124)	3,213
Profit/(Loss) before taxation	B1	1,166	237,628	(17,261)	620,614
Taxation	B6	505	(63,249)	(8,766)	(152,651)
PROFIT/(LOSS) FOR THE PERIOD	B13	1,671	174,379	(26,027)	467,963
Other comprehensive (expenses)/ income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statements of foreign operations		(110)	2,899	2,628	635
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		1,561	177,278	(23,399)	468,598
(Loss)/ Profit attributable to:					
Shareholders of the Company		3,510	172,751	(25,911)	463,947
Non-controlling interests		(1,839)	1,628	(116)	4,016
PROFIT/(LOSS) FOR THE PERIOD		1,671	174,379	(26,027)	467,963
Total comprehensive income/(expense) attributable to:					
Shareholders of the Company		3,400	175,650	(23,283)	464,582
Non-controlling interests		(1,839)	1,628	(116)	4,016
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD		1,561	177,278	(23,399)	468,598
Earnings/ (Loss) per ordinary share - basic (sen)	B11	0.4	17.4	(2.6)	46.7

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income/(Expense) should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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FOR SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company						Total Equity
	Non- Distributable		Distributable		Total	Non-Controlling Interests	
In RM'000	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits			
At 1 January 2019	993,454	(18,204)	(18,732)	4,886,040	5,842,558	31,026	5,873,584
Exchange difference arising from translation of financial statements of foreign operations	-	635	-	-	635	-	635
Total other comprehensive expense for the period	-	635	-	-	635	-	635
Profit for the period	-	-	-	463,947	463,947	4,016	467,963
Total comprehensive income for the period	-	635	-	463,947	464,582	4,016	468,598
Dividends paid	-	-	-	(397,382)	(397,382)	-	(397,382)
At 30 June 2019	993,454	(17,569)	(18,732)	4,952,605	5,909,758	35,042	5,944,800
At 1 January 2020	993,454	(18,935)	(18,732)	5,020,157	5,975,944	35,451	6,011,395
Exchange difference arising from translation of financial statements of foreign operations	-	2,628	-	-	2,628	-	2,628
Total other comprehensive income for the period	-	2,628	-	-	2,628	-	2,628
Loss for the period	-	-	-	(25,911)	(25,911)	(116)	(26,027)
Total comprehensive income/(expense) for the period	-	2,628	-	(25,911)	(23,283)	(116)	(23,399)
Dividends paid	-	-	-	(447,054)	(447,054)	-	(447,054)
At 30 June 2020	993,454	(16,307)	(18,732)	4,547,192	5,505,607	35,335	5,540,942

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	Cumulative quarter ended	
		2020	30 June 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit before taxation		(17,261)	620,614
Adjustments for:			
Depreciation and amortisation		255,393	224,455
Net impairment of impairment loss on trade and other receivables		6,309	215
Share of loss/(profit) after tax of equity accounted associates and joint ventures		124	(3,213)
Net loss/ (gain) on disposal of property, plant and equipment		300	(17,866)
Interest income		(37,797)	(55,690)
Finance cost		8,524	10,462
Net inventories (written-back)/ written off		(638)	79
Other non-cash items		(2,079)	22
Operating profit before changes in working capital		212,875	779,078
Inventories		283,427	34,729
Trade and other receivables		424,774	501,442
Trade and other payables		(1,323,085)	836,865
Cash (used in)/ generated from operations		(402,009)	2,152,114
Taxation paid		(56,592)	(136,694)
Net cash (used in)/ generated from operating activities	B1	(458,601)	2,015,420
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		37,797	55,690
Net withdrawal/ (placement) of fund investment		51,004	(1,004)
Purchase of property, plant and equipment		(113,694)	(197,127)
Proceeds from disposal of property, plant and equipment		-	21,942
Net cash used in Investing activities	B1	(24,893)	(120,499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(447,054)	(397,382)
Net repayment of revolving credit facility	B8	(5,549)	(6,326)
Repayment of Islamic financing facilities	B8	(9,795)	(9,391)
Repayment of lease liabilities	B8	(79,974)	(53,802)
Interest paid on revolving credit	B8	(27)	(49)
Profit margin paid for Islamic financing facilities	B8	(532)	(1,063)
Interest paid on lease liabilities	B8	(7,965)	(9,350)
Net cash used in financing activities	B1	(550,896)	(477,363)

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FOR SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net (decrease)/ increase in cash and cash equivalents	(1,034,390)	1,417,558
Net foreign exchange differences	6,082	143
Cash and cash equivalents at beginning of the period	<u>3,425,500</u>	<u>2,187,891</u>
Cash and cash equivalents at end of the period	<u>2,397,192</u>	<u>3,605,592</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 BASIS OF PREPARATION

The condensed financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting, MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They should be read in conjunction with the Audited Financial Statements and the accompanying notes for the year ended 31 December 2019. The explanatory notes attached to the condensed financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2019.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in its associates and joint ventures as at and for the quarter ended 30 June 2020.

A2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for the year ended 31 December 2019.

As of 1 January 2020, the Group has adopted the following amendments to MFRSs ("pronouncements") which are effective for annual years beginning on or after 1 January 2020.

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

The initial application of the above pronouncements did not have any material impact to the consolidated financial statements of the Group.

The Group has also early adopted the Amendment to MFRS 16 Leases (Covid-19 Related Rent Concessions) issued by MASB in June 2020, in response to the Covid-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The adoption of these pronouncements did not have a significant impact to the Group's consolidated financial statements.

A3 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2019.

A4 SEASONAL OR CYCLICAL FACTORS

The Group's operations in relation to sales volume are not significantly affected by seasonal or cyclical fluctuations of the business/industry.

A5 EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2019 that may have a material effect in the current quarter results.

A7 CAPITAL COMMITMENTS

Outstanding capital commitments in respect of capital expenditure at financial position date not provided for at the end of each reporting period are as follows:

In RM'000	As at 30 June 2020	As at 31 December 2019
Approved and contracted for	119,614	34,209
Approved but not contracted for	530,024	215,258
	<u>649,638</u>	<u>249,467</u>

A8 DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review, except as disclosed in note B8.

A9 DIVIDENDS PAID

During the 6 months period ended 30 June 2020, the following dividend payments were made:

1. An interim dividend of 25 sen per ordinary share amounting to RM248.4 million and a special dividend of 15 sen per ordinary share amounting to RM149.0 million for the quarter ended 31 December 2019 to shareholders on 26 March 2020 (Quarter 1 2019: an interim dividend of 25 sen per ordinary share amounting to RM248.4 million for the quarter ended 31 December 2018).
2. An interim dividend of 5 sen per ordinary share amounting to RM49.7 million for the quarter ended 31 March 2020 was paid to shareholders on 17 June 2020 (Quarter 2 2019: an interim dividend of 15 sen per ordinary share amounting to RM149.0 million for the quarter ended 31 March 2019).

A10 OPERATING SEGMENTS

The Group's reportable segments comprise of Retail, Commercial and Others. Each reportable segment offers different services and require different marketing strategies.

For each of the reportable segment, the Group's chief operating decision maker which is the Board of Directors of the Company, reviews internal management reports at least on a quarterly basis.

- 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 aviation fuelling services, technical services and and business activities other than retail and commercial segments

Revenues derived from petroleum products are predominately sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segment. In this respect, no further disaggregation of revenue is presented.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Results for quarter ended 30 June

In RM'000 Business Segments	2020			
	Retail	Commercial	Others	Group
Revenue	5,226,150	4,252,307	7,204	9,485,661
Depreciation and amortisation	186,903	51,089	17,401	255,393
Other income	156,211	26,435	2,858	185,504
Operating (loss)/ profit for reportable segments	(59,967)	71,838	(20,484)	(8,613)
Finance cost	(3,627)	(1,248)	(3,649)	(8,524)
Share of loss after tax of equity accounted associates and joint ventures				(124)
Loss before taxation				(17,261)

In RM'000 Business Segments	2019			
	Retail	Commercial	Others	Group
Revenue	7,506,867	7,172,544	12,723	14,692,134
Depreciation and amortisation	167,192	43,732	13,531	224,455
Other income	187,620	24,247	293	212,160
Operating profit for reportable segments	343,294	277,584	6,985	627,863
Finance cost	(4,620)	(1,718)	(4,124)	(10,462)
Share of profit after tax of equity accounted associates and joint ventures				3,213
Profit before taxation				620,614

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

A12 CONTINGENCIES

In RM'000	2020	Group 2019
An award in favour of a subsidiary was issued by the arbitrator in 2018 following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The quantum to be paid following the award as of the financial period date is pending settlement negotiation between the parties.	26,662	26,662

No provision has been made on the above contingency in the quarterly report up to reporting date. There were no material contingent liabilities since the last consolidated statement of financial position as at 31 December 2019.

A13 RELATED PARTY TRANSACTIONS

There were no significant transactions with related party in addition to the related party transactions disclosed in the Audited Financial Statements for the year ended 31 December 2019.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A14 FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to their relative short term nature of these financial instruments.

Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the prevailing rate of interest charged on the respective loans at the end of the reporting period.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the Consolidated Statement of Financial Position.

In RM'000	Fair value of financial instruments not carried at fair value	
	Level 3	Carrying amount
Group		
30 June 2020		
Financial Liabilities		
Islamic financing facilities	19,164	19,961
Group		
31 December 2019		
Financial Liabilities		
Islamic financing facilities	28,131	29,756
Revolving credit facility	5,312	5,466
	33,443	35,222

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 FINANCIAL PERFORMANCE

(a) Highlight on Consolidated Statement of Financial Position

In RM'000	As at 30 June 2020	As at 31 December 2019	Variance (%)
Total assets	8,059,746	9,996,252	(19)
Total equity	5,540,942	6,011,395	(8)
Total liabilities	2,518,804	3,984,857	(37)
Return on equity (%)	(0.9)	14.0	(>100)

Total assets decreased by RM1,936.5 million, mainly due to lower cash and cash equivalents by RM1,028.3 million and trade and other receivables by RM RM431.0 million, in line with lower cash and credit sales and also special dividend payment in Q1 2020.

Total liabilities decreased by RM1,466.0 million, mainly due to lower trade and other payables in line with decrease in demand and lower purchase prices following declining MOPS prices trend which started from March and continued until April.

(b) Highlight on Consolidated Statement of Profit or Loss and Other Comprehensive Income/(Expense)

In RM'000	Cumulative quarter ended		Variance (%)
	2020	30 June 2019	
Revenue	9,485,661	14,692,134	(35)
(Loss)/ Profit before taxation	(17,261)	620,614	(>100)

The Group experienced challenging market conditions in Q2 2020, due to impact of COVID 19 pandemic globally as well as the implementation of Movement Restrictions Order ("MCO") by the government of Malaysia.

Group revenue decreased by RM5,206.4 million to RM9,485.7 million as overall sales volume declined by 22% in both Retail and Commercial segments particularly in the months of April and May. In addition, the reduction in average selling prices by 17% has further impacted the revenue.

The Group recorded a loss before taxation ("LBT") of RM17.3 million as compared to a profit before taxation ("PBT") of RM620.6 million mainly due to lower revenue, offset by lower operating expenses contributed by lower advertising and promotion activities.

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FOR SECOND QUARTER ENDED 30 JUNE 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

(b) Highlight on Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

(ii) In RM'000	Individual quarter ended		Variance (%)
	2020	30 June 2019	
Revenue	2,931,750	7,606,229	(61)
Profit before taxation	1,166	237,628	(>100)

Group revenue decreased by RM4,674.4 million to RM2,931.8 million due to decrease in sales volume by 39% and lower average selling prices of 37%.

The Group recorded a decrease in PBT of RM236.5 million mainly due to lower revenue, offset by lower operating expenses primarily contributed by lesser advertising and promotion activities and transportation costs respectively.

(c) Highlight on Consolidated Statement of Cash Flows

In RM'000	Cumulative quarter ended		Variance (%)
	2020	30 June 2019	
Net cash (used in)/ generated from operating activities	(458,601)	2,015,420	(>100)
Net cash used in investing activities	(24,893)	(120,499)	(79)
Net cash used in financing activities	(550,896)	(477,363)	15

Net cash used in operating activities was lower by RM2,474.0 million due to lower cash sales by RM5,002.0 million following lower volume as well as lower subsidy received by RM898.0 million. The decrease was offset by lower purchases of RM4,074.0 million.

Investing activities recorded lower cash outflow by RM95.6 million mainly due to lower capital expenditure incurred by RM83.4 million, decrease in fund investment of RM52.0 million, offset by nil proceeds from disposal of property, plant and equipment as compared to RM21.9 million recorded in the corresponding period.

Financing activities was higher by RM73.5 million mainly due to higher cash outflow following payment of special dividends to shareholders in Q1 2020.

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FOR SECOND QUARTER ENDED 30 JUNE 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B2 REVIEW OF GROUP PERFORMANCE

a) Performance of the current quarter against the corresponding quarter last year

In RM' Mil	Group			Individual quarter ended			Commercial		
	June	June	Var	June	June	Var	June	June	Var
	2020	2019	%	2020	2019	%	2020	2019	%
Revenue	2,931.8	7,606.2	(61)	1,827.8	3,874.1	(53)	1,102.8	3,726.1	(70)
Profit/ (Loss) before taxation	1.2	237.6	(>100)	22.5	112.3	(80)	(2.9)	130.2	(>100)

Retail Segment

Retail Segment revenue decreased by RM2,046.3 million mainly due to lower sales volume of 32% in tandem with low demand due to the implementation of MCO, as well as lower average selling prices by 30%.

PBT for the quarter was lower by RM89.8 million mainly due to decrease in revenue from Mogas and Diesel following declining MOPS prices, offset by lower operating expenditure contributed by lesser advertising and promotion activities.

Commercial Segment

Commercial Segment recorded decrease in revenue of RM2,623.3 million due to lower average selling prices by 44% and volume by 47% respectively following lesser demand.

LBT for the quarter was RM2.9 million compared to PBT of RM130.2 million mainly due to lower margins and volume from Jet A1 and Diesel.

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FOR SECOND QUARTER ENDED 30 JUNE 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B2 REVIEW OF GROUP PERFORMANCE

b) Performance of the current period against the corresponding period last year

In RM' Mil	Cumulative quarter ended								
	Group			Retail			Commercial		
	June 2020	June 2019	Var %	June 2020	June 2019	Var %	June 2020	June 2019	Var %
Revenue	9,485.7	14,692.1	(35)	5,226.2	7,506.9	(30)	4,252.3	7,172.5	(41)
(Loss)/ Profit before taxation	(17.3)	620.6	(>100)	(63.6)	338.7	(>100)	70.6	275.9	(74)

Retail Segment

Retail Segment revenue decreased by RM2,280.7 million due to lower sales volume of 19% in tandem with lesser demand as well as decrease in average selling prices by 14%.

LBT for the period was RM63.6 million compared to PBT of RM338.7 million, a decrease of RM402.3 million mainly due to lower revenue from Mogas and Diesel following the sharp decline in MOPS prices. This was offset by lower operating expenditure contributed by lesser advertising and promotion activities.

Commercial Segment

Commercial Segment recorded a decrease in revenue of RM2,920.2 million due to decrease in average selling prices by 20% and lower sales volume by 26% mainly due to lesser demand.

PBT decreased by RM205.3 million in line with lower gross profit from Jet A1 and Diesel following decrease in MOPS prices.

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FOR SECOND QUARTER ENDED 30 JUNE 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B3 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

In RM' Mil	Quarter ended		
	June 2020	Mar 2020	Var %
Revenue	2,931.8	6,553.9	(55)
Profit/(Loss) before taxation	1.2	(18.4)	>100

Group revenue for the quarter ended 30 June 2020 decreased by 55% compared to the preceding quarter mainly due to lower sales volume of 35% and decrease in average selling prices of 32%.

PBT for the quarter was recorded at RM1.2 million compared to LBT of RM18.4 million in the preceding quarter contributed by lower operating expenses following decrease in advertising and promotion activities. This was offset by lower margins mainly from Commercial segment by RM76.4 million due to lower sales volume and average selling prices.

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FOR SECOND QUARTER ENDED 30 JUNE 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B4 COMMENTARY ON PROSPECTS

The Group continued to experience challenging market conditions in Q2 2020 due to COVID 19 pandemic and implementation of Movement Control Order (“MCO”) by the government of Malaysia. This has led to reduction in Group’s sales volume and revenue mainly from mid-March to April 2020, with gradual recovery in early May 2020 onwards.

The reduction in demand particularly for Mogas and Diesel was also in line with the decrease in Malaysia’s Gross Domestic Product (“GDP”). The GDP recorded a contraction of 17.1% as compared to a growth of 0.7% in Q1 2020. Whilst Consumer Sentiment Index (“CSI”) has increased from 51.1 in Q1 2020 to 90.1 in Q2 2020, it has remained below the 100-point optimism threshold. Closure of non-essential manufacturing and construction businesses has impacted demand for commercial diesel. Meanwhile, demand for Aviation fuel continues to be affected by restricted global traveling.

The Group’s revenue was also impacted by declining product prices which has strong correlation to crude oil prices. Average Brent price in Q2 2020 has decreased by 41.5% to USD29.20/bbl, from USD50.26/bbl in Q1 2020 and the price is expected to remain volatile.

Going forward, the Group’s operations are expected to improve gradually as the government begin to ease the implementation of the MCO and facilitate business resumption except for the aviation sector which is anticipated to take a longer time to recover.

The Group is committed to focus on its business improvement initiatives, strengthen its inventory management, improve its supply and distribution efficiency as well as optimise operating expenditure to ensure the Group remain resilient during this challenging time.

Retail Segment

Retail business will continue to focus on enhancing customer experience through its operational excellence and digital expansion initiatives. This include enabling SETEL mobile application at all stations. Non-fuel business will also continue to enhance its offerings and provide convenience to the customers.

Meanwhile, LPG business will continue to focus on strengthening its distribution channels and Lubricant business is expanding its Auto Expert service centres and to market products on E-commerce platforms such as Lazada and Shopee.

Commercial Segment

Services and Manufacturing sectors are the key drivers for Malaysia’s economic growth. Manufacturing Index in June 2020 showed a growth of 4.7% as compared to de-growth of 4.2% in March 2020. The growth recovery in Manufacturing activities would lead to stronger demand for petroleum products which will provide opportunities for the Commercial Segment.

Commercial business will continue to remain vigilant during this difficult time and provide superior value proposition to its customer through enhancing channel delivery, providing comprehensive product offerings, leveraging on superior logistics and distribution network to sustain existing markets and capture new markets.

(Source: Platts, DOSM, MIER)

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B5 PROFIT FORECAST

Not applicable as the Group does not publish any profit forecast.

B6 TAXATION

Tax expense comprises the following:

In RM'000	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2020	2019	2020	2019
<u>Income Tax:</u>				
Current period	1,561	68,811	14,196	164,439
<u>Deferred Taxation:</u>				
Current period	(2,066)	(5,562)	(5,430)	(11,788)
	<u>(505)</u>	<u>63,249</u>	<u>8,766</u>	<u>152,651</u>

The tax expenses for the quarter and period ended 30 June 2020 were mainly from certain subsidiaries of the Group which are profitable, coupled with higher non-deductible expenses.

B7 STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced as at the date of this report.

B8 BORROWINGS

(a) Particulars of the Group's borrowings are as follows:

In RM'000	As at 30 June 2020	As at 31 December 2019
Non Current		
Secured		
Lease liabilities	122,950	158,694
Unsecured		
Islamic financing facilities	750	9,959
	<u>123,700</u>	<u>168,653</u>
Current		
Secured		
Lease liabilities	96,725	140,239
Unsecured		
Islamic financing facilities	19,211	19,797
Revolving credit facility	-	5,466
	<u>115,936</u>	<u>165,502</u>
	<u>239,636</u>	<u>334,155</u>

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B8 BORROWINGS (CONTINUED)

(a) Particulars of the Group's borrowings are as follows (continued):

In RM'000	As at 30 June 2020	As at 31 December 2019
By Currency		
RM	162,427	226,469
USD	76,782	101,672
THB	427	6,014
	239,636	334,155

The Islamic financing facilities are denominated in Ringgit Malaysia and governed by the Musharakah Mutanaqisah and Commodity Murabahah principles, and bear a profit margin ranging from 3.09% to 4.32% (2019: 4.27% to 4.68%) per annum.

The revolving credit facility is denominated in Thai Baht and bears an interest rate of 2.80% (2019: 2.90%) per annum.

The lease liabilities bear interest at rates ranging from 4.19% to 8.43% (2019: 4.19% to 8.43%) per annum.

(b) Reconciliation of borrowings arising from financing activities

In RM'000	As at 1 January 2020	Cash flows		Non-cash changes		As at 30 June 2020
		Net repayment	Interest expenses	Foreign exchange movement	Others	
Islamic financing facilities	29,756	(9,795)	(532)	-	532	19,961
Revolving credit facility	5,466	(5,549)	(27)	83	27	-
Lease liabilities	298,933	(79,974)	(7,965)	-	8,681	219,675
	334,155	(95,318)	(8,524)	83	9,240	239,636

B9 MATERIAL LITIGATION

There are no material litigations as at the date of this report.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B10 DIVIDENDS

The Board has declared an interim dividend of 5 sen per ordinary share amounting to RM49,672,700 for quarter ended 30 June 2020, payable on 24 September 2020 (Quarter 2 2019: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 24 September 2020 to depositors registered in the Records of Depositors at the close of the business on 10 September 2020. A depositor shall qualify for entitlement to the dividends only in respect of:

- Shares transferred into Depositor's Securities Account before 4.00 pm on 10 September 2020 in respect of ordinary transfers.
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

B11 BASIC EARNINGS PER SHARE

Basic earnings per share is derived based on the profit attributable to shareholders of the Company and based on the number of ordinary shares outstanding as at 30 June 2020.

	Individual quarter ended		Cumulative quarter ended	
	2020	2019	2020	2019
Profit/ (Loss) attributable to shareholders of the Company (RM'000)	3,510	172,751	(25,911)	463,947
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings/ (Loss) per ordinary share (sen)	0.4	17.4	(2.6)	46.7

B12 TRADE RECEIVABLES

In RM'000	As at 30 June 2020	As at 31 December 2019
Trade receivables		
- Third party	1,005,067	1,262,929
- Related companies	61,054	98,430
Less:		
- Impairment loss: specific	(3,963)	(8,049)
- Impairment loss: general	(8,855)	(2,420)
	1,053,303	1,350,890
At net		
Current	880,958	1,281,254
Past due 1 to 30 days	73,681	26,831
Past due 31 to 60 days	35,395	12,389
Past due 61 to 90 days	29,616	10,840
Past due more than 90 days	33,653	13,328
	1,053,303	1,350,890

As at 30 June 2020, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

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B13 PROFIT FOR THE PERIOD

In RM'000	Individual quarter ended		Cumulative quarter ended	
	2020	30 June 2019	2020	30 June 2019
Profit for the period is arrived at after charging:				
Depreciation and amortisation*	126,552	118,289	255,393	224,455
Impairment loss on trade and other receivables	892	696	7,046	774
Net loss on disposal of property, plant and equipment	54	874	300	-
Interest on revolving credit	7	14	27	49
Net unrealised loss on foreign exchange	-	1,200	-	22
Profit margin for Islamic financing facility	220	509	532	1,063
Interest on lease liabilities	3,725	4,485	7,965	9,350
Inventories written-off	28	79	28	79
and after crediting:				
Net gain on disposal of property, plant and equipment	-	-	-	17,866
Inventories written-back	666	-	666	-
Interest income	11,705	28,871	37,797	55,690
Income from rental of premises	111	202	210	432
Net unrealised gain on foreign exchange	682	-	2,079	-
Net realised gain on foreign exchange	179	840	195	1,225
Reversal of impairment loss on trade and other receivables	359	142	737	559
Covid-19 related rent concessions	50	-	50	-

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

* Includes depreciation on rights-of-use assets

BY ORDER OF THE BOARD

Suria Kamarul Baharin (LS0010448)
Yeap Kok Leong (MAICSA 0862549)
Joint Secretaries
Kuala Lumpur
25 August 2020