PERFORM
REVIEW

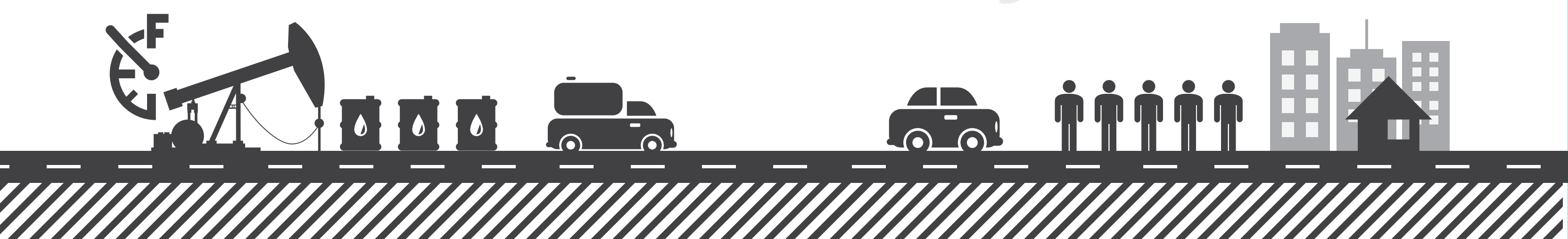

ANCE

MISSION

Value driven fuels marketing with market leadership in Malaysia

To be the **Brand of 1st choice**

we are committed to deliver quality fuel products and reliable services to our consumers nationwide via our reliable network of facilities and business partners. This market leadership is achieved with focus on value, and driven by high performance culture, operational and HSE excellence, and prudent risk and corporate governance practices.



THE STRATEGIES ARE BUILT UPON

- Superior Performing Assets with continuous HSE, Operational and ICT Excellence
- Prudent Risk and Cost Management, Entrepreneurship and Sound Governance
- Empowered Leaders promoting team work with Clear Ownership and Accountability
- Business Savviness with Excellent Competencies to Deliver Value
- Performance Driven Culture and Customer-Focused Mindset

RETAIL

- We constantly strengthen our **product branding and marketing** through superior delivery of **customer experience** by being effective and consistently delivering services that matter most to our consumers.
- We focus on **value-driven network expansion and portfolio management** to improve network efficiency.

LPG

- We strive to **maximise value via cost optimisation** through efficient supply and distribution.

COMMERCIAL

- We continue to strive for **value improvement through cost optimisation** and maximising volume from high yield market segments.

LUBRICANTS

- We constantly **pursue market growth** via enhanced network channels in key target segments and leverage on **brand equity enhancement** via PETRONAS Fluid Technology Solutions™ and superior product range.

GROUP FINANCIAL REVIEW

As the leading domestic marketing arm of petroleum products in Malaysia, PETRONAS Dagangan Berhad (PDB) is committed to upholding 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 2014 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

The Retail segment operates in a regulated environment as the prices of petroleum products such as diesel, mogas, and LPG sold in the retail sector are set by the Government. The Malaysian Government had implemented a managed float pricing mechanism in which the retail pump price moves in tandem with Mean of Platts Singapore (MOPS). The Automatic Pricing Mechanism (APM) elements remain intact under this managed float mechanism.

Retail Segment

	FY2014 (RM'000)	FY2013 (RM'000)
Revenue	**15,707,397**	14,722,890
Operating Profit	**291,367**	669,298

The Retail segment's consolidated revenue increased by 6.7% or approximately RM984.5 million was mainly due to an increase in the average selling price of subsidised mogas and diesel as announced by the Government in September 2013 and October 2014, despite a decrease in sales volume by 2%. The decrease in sales volume was mainly attributed to lower diesel volume, in line with the contraction in industry demand in the current period.

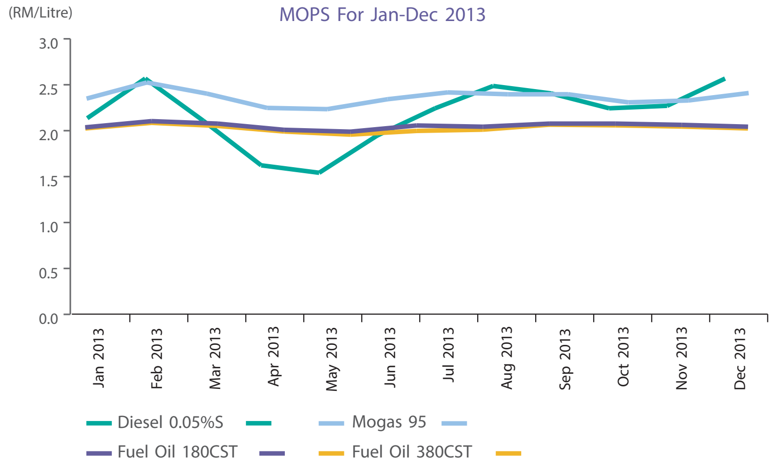
Operating Profit decreased by 56.5% mainly due to lower gross profit. This was mainly as a result of margin compression due to the sharp decline in selling price in line with the fall in MOPS prices in the second half of the year.

COMMERCIAL SEGMENT

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

Commercial Segment

	FY2014 (RM'000)	FY2013 (RM'000)
Revenue	**16,616,168**	17,606,259
Operating Profit	**411,243**	429,340



continued

The Commercial segment's consolidated revenue decreased by 5.6% or around RM990.1 million, which was due to lower sales volume for fuel oil and aviation fuel.

Operating Profit decreased by 4.2% mainly due to lower gross profit arising from reduced margin attributed to the sharp decline in MOPS prices in the second half of the year.

OPERATING EXPENDITURES

For the financial year ended 31 December 2014, our operating expenditures increased by 6.5% mainly due to higher manpower expenses, Information Technology related expenses, and depreciation and amortisation.

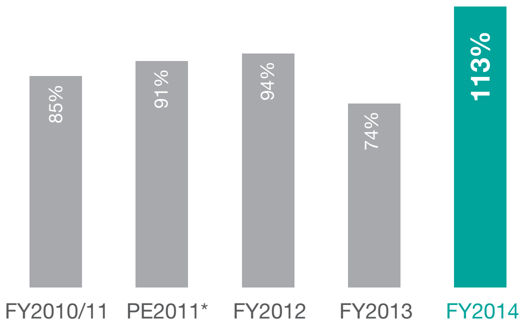
OTHER INCOME

Other income increased by 7.5% compared to the corresponding period last year driven by a rise in Mesra income after additional contribution from the 27 new Kedai Mesra that were opened during the year under review.

DIVIDEND

For the financial year ended 31 December 2014, the Board of Directors has declared a total interim dividend of 60.0 sen per ordinary share, which represents a dividend pay-out of 113.0%. This includes a special interim dividend of 22.0 sen per ordinary share declared in Quarter 4 2014.

SUMMARY OF NET DIVIDEND PAYOUT



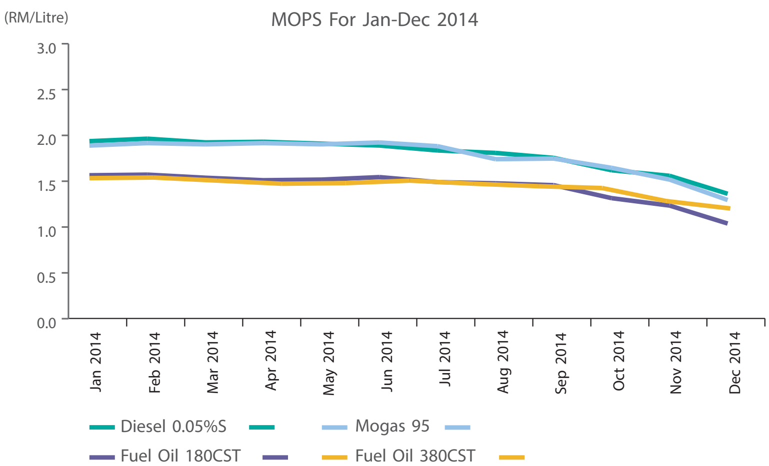
** Based on a nine-month financial period ended 31 December 2011.*

TOTAL ASSETS

Total assets decreased by 6.2% compared to the previous year mainly contributed by decrease in subsidy receivables by RM1,360.0 million arising from removal of subsidy under the Managed Float System for Retail segment, and decrease in trade receivables by RM709.6 million arising from lower product prices and sales volume in FY2014 compared to FY2013. This was partially offset by increase in cash and cash equivalent.

TOTAL LIABILITIES

Total liabilities decreased by 11.0% from RM5,337.8 million to RM4,748.7 million for the year ended 31 December 2014. The decrease was mainly due to lower trade and other payables by 10.4% in line with the decline in petroleum product prices.

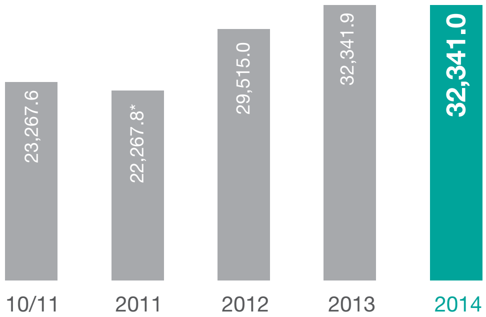


PERFORMANCE HIGHLIGHTS

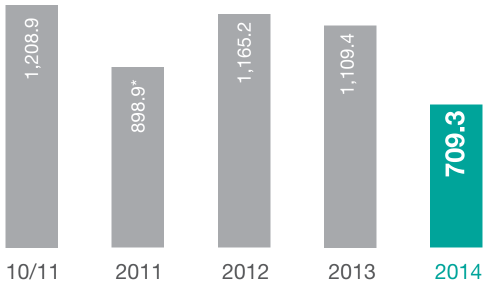
	FY2010/11	PE2011*	FY2012	FY2013	FY2014
OPERATING RESULTS (RM MILLION)					
Revenue	23,268	22,268	29,515	32,342	**32,341**
Operating Profit	1,209	906	1,174	1,125	**728**
Profit before taxation	1,209	899	1,165	1,109	**709**
Profit after taxation attributable to shareholders	870	655	837	812	**502**
KEY BALANCE SHEET DATA (RM MILLION)					
Property, plant and equipment	3,583	3,616	3,766	3,892	**4,031**
Total assets	8,485	9,801	9,924	10,167	**9,541**
Total borrowings	16	1,073	464	583	**494**
Total liabilities	3,654	4,989	5,078	5,338	**4,749**
Share capital	993	993	993	993	**993**
Shareholders' equity	4,795	4,779	4,810	4,790	**4,752**
SHARE INFORMATION					
Per share (sen)					
Basic earnings	87.5 sen	65.9 sen	84.2 sen	81.7 sen	**50.5 sen**
Gross dividend	100 sen	80 sen	105 sen	70 sen	**60 sen**
Share price as at financial year end (RM)	16.50	17.80	23.50	31.44	**17.12**
FINANCIAL RATIOS					
Return on Revenue	3.8%	3.0%	2.9%	2.5%	**1.6%**
Return on Equity	18.1%	13.7%	17.4%	16.9%	**10.6%**
Return on Total Assets	10.3%	6.7%	8.5%	8.1%	**5.3%**
Debt to Equity Ratio	0.3%	22.5%	9.6%	12.2%	**10.4%**
Dividend Payout	84.8%	91.3%	94.0%	74.1%	**113.0%**

** Based on a nine-month financial period ended 31 December 2011.*

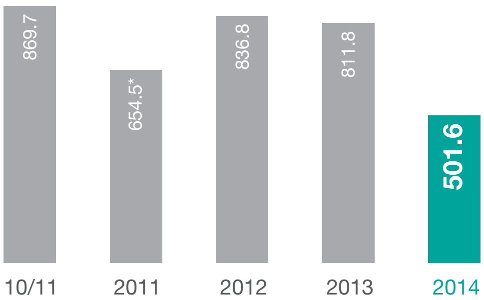
REVENUE (RM Million)



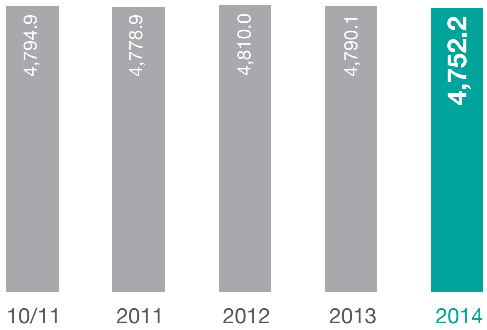
PROFIT BEFORE TAXATION (RM Million)



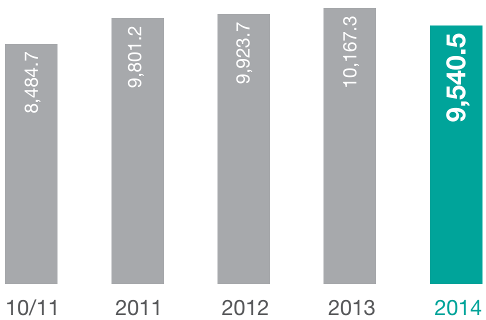
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS (RM Million)



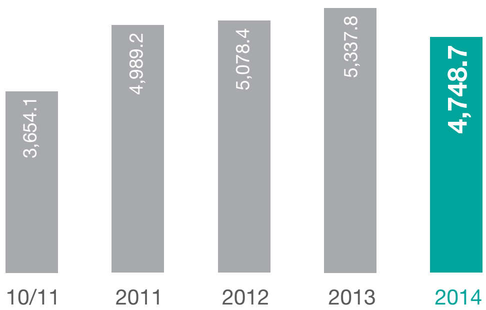
EQUITY ATTRIBUTABLE TO SHAREHOLDERS (RM Million)



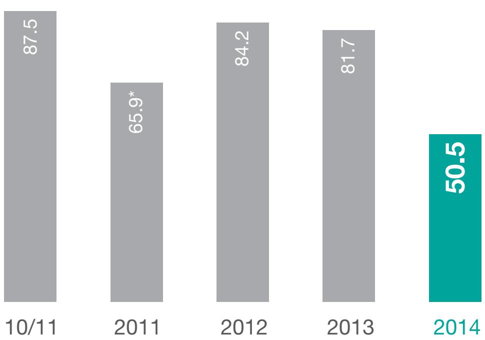
TOTAL ASSETS (RM Million)



TOTAL LIABILITIES (RM Million)



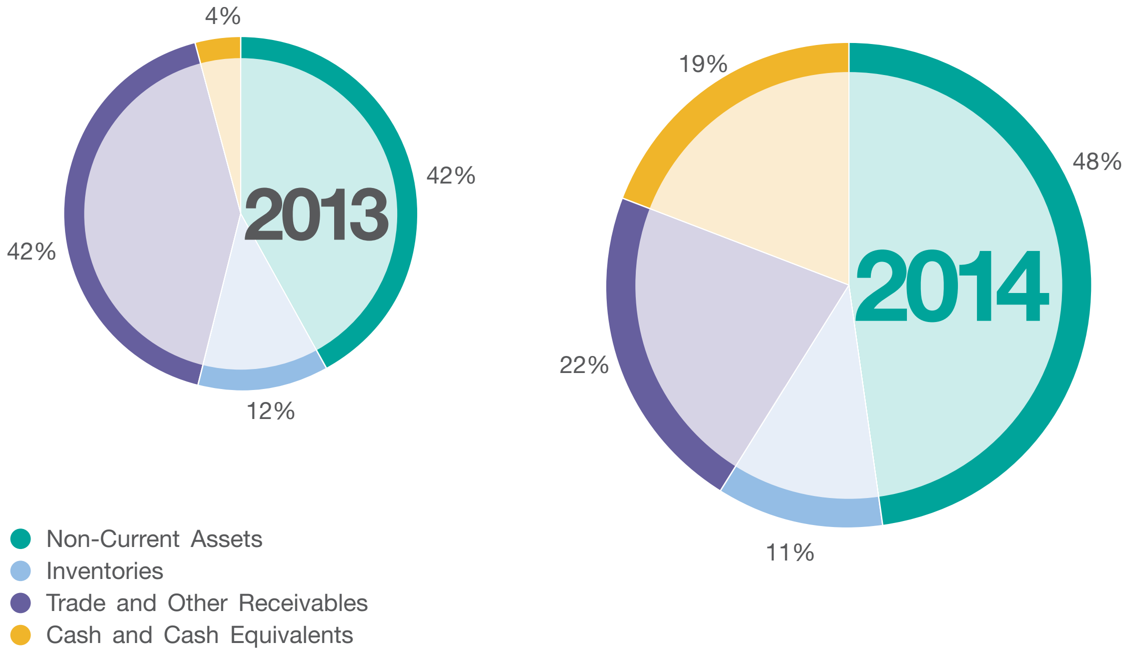
EARNING PER SHARE (Sen)



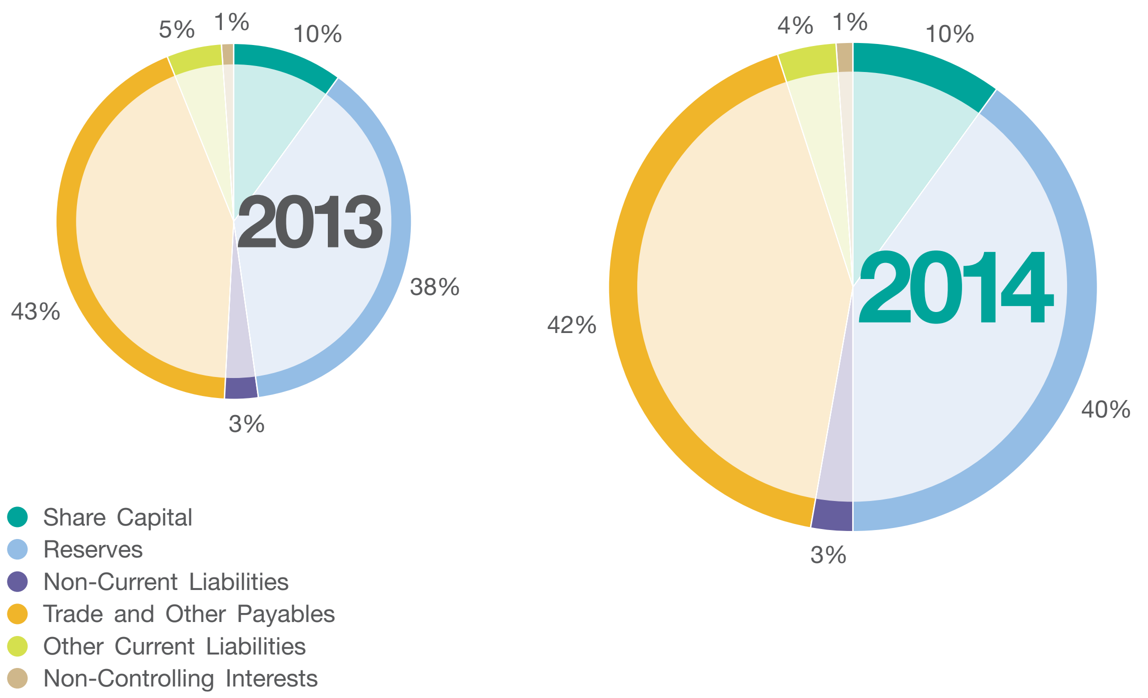
** Based on a nine-month financial period ended 31 December 2011.*

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS

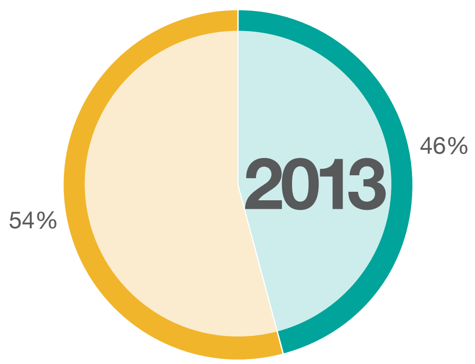


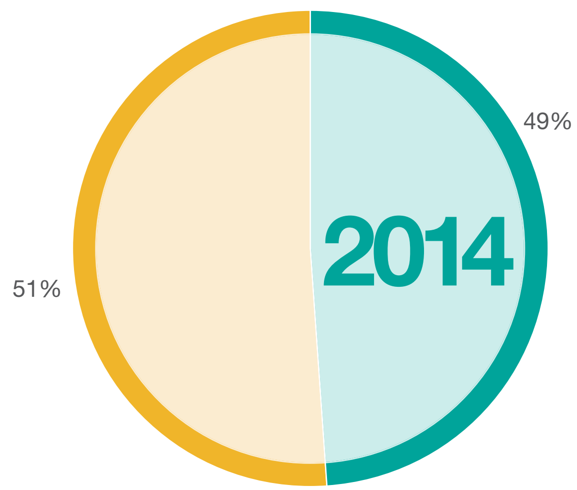
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY



SEGMENTAL ANALYSIS

REVENUE





Retail
Commercial

GROUP QUARTERLY FINANCIAL PERFORMANCE

2014

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FY2014
Revenue	8,294	8,368	8,227	7,453	**32,341**
Operating profit	229	253	231	16	**728**
Profit Before Tax	223	251	224	12	**709**
Earnings per share (sen)	15.6	18.7	16.2	0.04	**50.5**
Dividend per share (sen)	12.0	14.0	12.0	22.0	**60.0**

2013

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FY2013
Revenue	7,619	7,925	8,412	8,386	**32,342**
Operating profit	332	277	315	201	**1,125**
Profit Before Tax	327	273	316	194	**1,109**
Earnings per share (sen)	23.9	19.8	22.8	15.2	**81.7**
Dividend per share (sen)	17.5	17.5	17.5	17.5	**70.0**

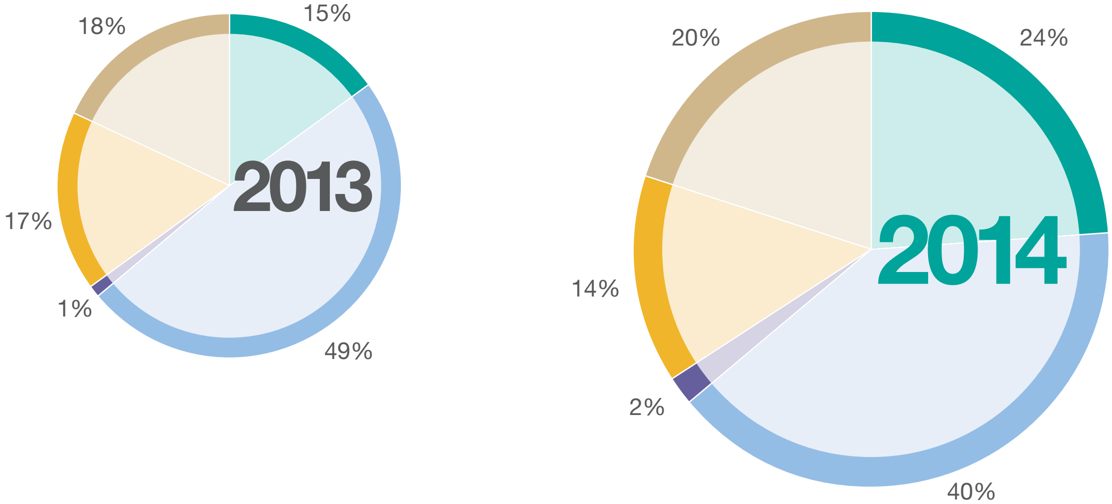
STATEMENT OF VALUE ADDED

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 future growth.

	Group	
	2014 RM'000	**2013 RM'000**
Revenue	**32,340,998**	32,341,922
Less Purchase of goods and services	**(31,115,241)**	(30,807,233)
Value added	**1,225,757**	1,534,689
Other income	**204,348**	190,052
Financing costs	**(21,009)**	(19,206)
Share of net profit of associates	**1,906**	3,654
VALUE CREATED	**1,411,002**	1,709,189

DISTRIBUTION OF VALUE ADDED

VALUE DISTRIBUTION



- Employees
- Providers of equity (net dividends)
- Providers of debt (interest expense)
- Government (taxation)
- Retained for reinvestment and future growth

FINANCIAL CALENDAR

6 FEBRUARY 2014	Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2013
11 MARCH 2014	Date of payment of the interim dividend for the 4th quarter ended 31 December 2013
6 MAY 2014	Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2014
11 JUNE 2014	Date of payment of the interim dividend for the 1st quarter ended 31 March 2014
7 AUGUST 2014	Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2014
5 SEPTEMBER 2014	Date of payment of the interim dividend for the 2nd quarter ended 30 June 2014
4 NOVEMBER 2014	Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2014
5 DECEMBER 2014	Date of payment of the interim dividend for the 3rd quarter ended 30 September 2014
12 FEBRUARY 2015	Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2014
23 MARCH 2015	Date of Notice of 33rd Annual General Meeting and date of issuance of FY2014 Annual Report
27 MARCH 2015	Date of payment of the special interim dividend for the 4th quarter ended 31 December 2014
15 APRIL 2015	33rd Annual General Meeting

INVESTOR RELATIONS REPORT

2014 proved to be a challenging year for the Investor Relations Unit in view of the ever changing external operating environment and volatile macro-economic conditions. PDB had to contend with various external factors including the crude oil price and weakened industry demand.

OVERVIEW

In 2011, PDB adopted the Investor Relations Policy and Guidelines (IRPG) to ensure that the Company adheres to the best practices amongst the 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, and the activities are led by PDB's Managing Director/Chief Executive Officer, Mohd Ibrahimnuddin Mohd Yunus, Chief Financial Officer, Puteri Liza Elli Sukma and Head of Strategic Planning Department, Raja Zera Raja Zaib Shah, as well as other senior management team members. They are supported by the Investor Relations team.

With external developments continuing to be volatile, PDB had intensified its IR efforts to reach out further and more frequently to the stakeholders to ensure they were constantly kept abreast of the Company's latest developments and performance.

PDB has always remained focused on value creation for its shareholders, and continuously ensures that key institutional investors are given the opportunity to engage with the senior management team who actively runs the business.

COMMITMENT TO SHAREHOLDERS

In seeking to maintain our credibility over our public reporting and IR activities, we continue to be consistent, transparent and regularly provide updates and reports on our operations, business and financial performance.

For the year under review, PDB declared and paid total net dividend of RM596.1 million as a testament of the Company's commitment to its shareholders.

PDB remains committed in keeping the market informed of relevant information, enabling both existing and potential shareholders to evaluate our business, performance and prospects. In 2014, the IR Unit engaged actively with the investment community and financial markets, through our participation in numerous activities such as in-house meetings, roadshows and Corporate Days.

Our strong commitment to communicate with the investment community not only enhances investors' understanding of PDB's business, but we also leverage on these platforms to obtain feedback from investors and understand better the shareholders' expectations of PDB.

ANALYST BRIEFINGS

PDB conducted four (4) briefings for analysts during the announcement of its quarterly financial results. We ensure that the financial results and analyst briefing presentations are made available immediately on the IR section of the PDB's website as part of the Company's efforts to provide timely information dissemination of quarterly results.

The quarterly results announcement and analyst briefings for the year under review were made on:

- 7 February 2014
- 7 May 2014
- 8 August 2014
- 5 November 2014

INVESTOR ENGAGEMENTS

In light of the challenging industry and business landscape in 2014, we saw an increase in requests for investor meetings with senior management as various stakeholders sought greater clarity on PDB's operational, financial and business strategies as the year progressed. During the year, 70 engagement sessions were conducted with analysts and fund managers, which took place in the form of one-on-one meetings, small group meetings and conference calls.

PDB also participated in several corporate conferences and roadshows as part of the Company's overall effort to provide better understanding of its performance, development and future direction. Some key events during the year included:

Venue	Event	Date	Organiser
Kuala Lumpur	CIMB 6th Annual Malaysia Corporate Day	6 January 2014	CIMB
Kuala Lumpur	RHB Oil & Gas Day	5 March 2014	RHB
Kuala Lumpur	Invest Malaysia	9-10 June 2014	CIMB
Singapore	RHB Annual Corporate Day	26-27 June 2014	RHB

Additionally, the Company had organised a plant familiarisation visit to one of its facilities in Melaka Terminal, Sungai Udang, Melaka on 2 October 2014 to enhance understanding and appreciation of the Company's operations amongst the analysts. In total, 13 representatives from seven (7) research houses participated in the visit.

ANNUAL GENERAL MEETING (AGM)

PDB's 32nd AGM was held on 16 April 2014 at Sapphire Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

CREDIT RATING

Malaysian Rating Corporation Berhad (MARC) has affirmed its ratings of MARC-*1IS/AAAIS* on 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 strong financial profile, underpinned by its sound liquidity and favourable leverage position.

WEBSITE

In our efforts to enhance stakeholders' access to the Company, the IR Unit maintains a portal on PDB's corporate website www.mymesra.com.my which serves as an excellent platform of communication and source of information for shareholders and the general public. Amongst others, the portal contains the Company's annual reports, analyst briefing presentations and capital structure information.

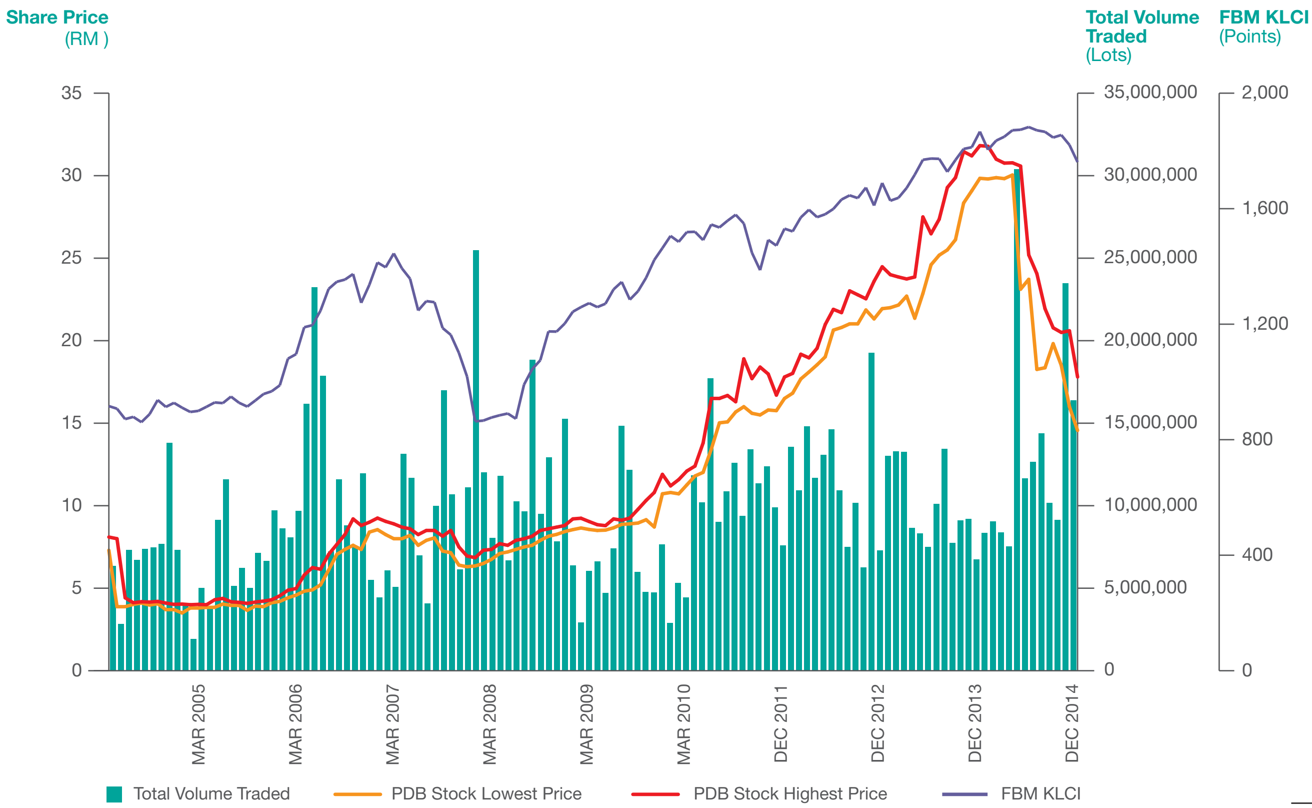
FEEDBACK

PDB recognises and highly values feedback from the investing community. This is to ensure that we constantly meet their requirements while further improving our relationship with our stakeholders through direct communication. To further enhance our IR function, we continuously seek constructive ideas through ongoing engagement with stakeholders as well as provide an avenue through which they may communicate with the team via www.mymesra.com.my

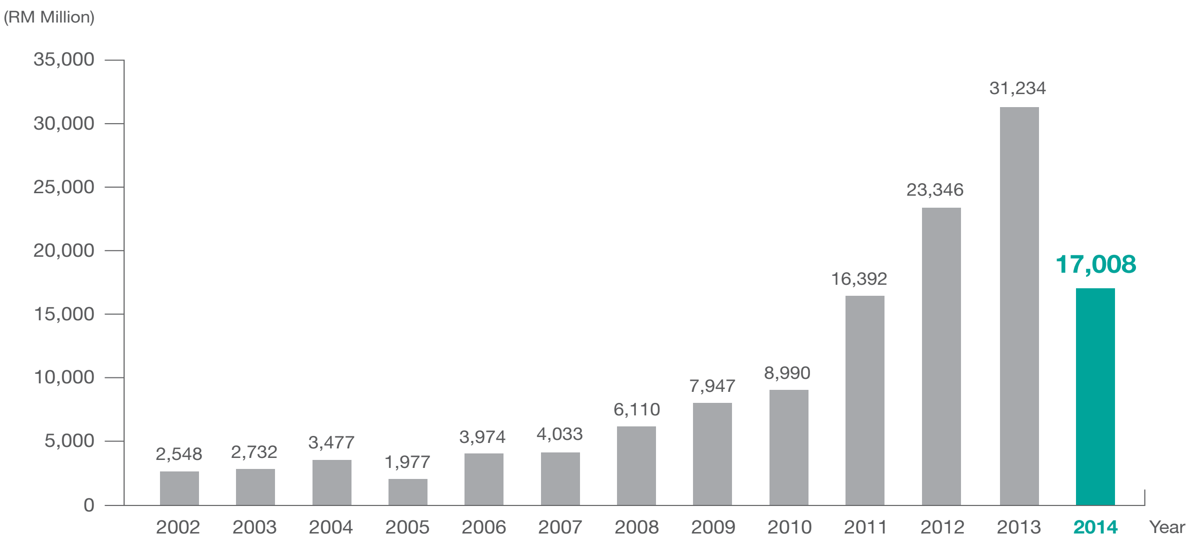
Generally, in 2014, the local bourse market sentiment remained cautious due to several factors including a weaker ringgit, lower commodity prices and slowing down of economic growth in China and the Eurozone which kept investors mostly on the sidelines. The slump in crude oil price from the middle of the year also triggered sharp falls in oil and gas related counters due to withdrawal of some foreign shareholders from the market.

During the year, PDB's share price was affected by these external sentiments as well as internal factors. PDB's share prices were hovering in the RM30 range from January to May 2014. Thereafter, the downward momentum in PDB's share price started, exacerbated by the fall in oil prices. The Company's share price closed at RM17.12 on 31 December 2014 with volume traded at 16.3 million units during the year.

SHARE PERFORMANCE



MARKET CAPITALISATION



BUSINESS OVERVIEW

RETAIL
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COMMERCIAL
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LPG
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LUBRICANTS
pg.100

RETAIL

LPG

COMMERCIAL LUBRICANTS

FUELLING GROWTH

As the largest petrol station network in Malaysia, we are able to reach out to a wider consumer base, thus strengthening our market position in a competitive environment. To further drive growth, we will continue to generate innovative ideas and ramp up our marketing initiatives to ensure we remain in the forefront with quality products and value-added services.

RETAIL

RETAIL

▶▶ With its strong PETRONAS station network throughout Malaysia, this has enabled the Company to **REACH OUT** to a wider customer base thus, **STRENGTHENING** its **market position in Malaysia's** highly competitive market environment.

BUSINESS OPERATIONS

The Retail Business drives the sales of fuel and non-fuel products for the Company, providing a one-stop centre convenience that delivers exceptional customer experience at its stations.

With its strong PETRONAS station network throughout Malaysia, this has enabled the Company to reach out to a wider customer base thus, strengthening its market position in Malaysia's highly competitive market environment.

FINANCIAL PERFORMANCE

For the year under review, the Retail Business contributed close to 50% of the Company's overall margin and over 30% of the Company's net profit. Despite the challenging market environment in 2014 due to regulatory enforcement by the Government, volatile oil prices and the implementation of the Managed Float pricing mechanism, the Retail Business posted a revenue of RM14.3 billion, an increase of 8% against corresponding period last year. The strong performance was mainly driven by higher pump prices for Mogas and Diesel as well as the growth in volume as compared to the previous year.

The Business' non-fuel segment continues to be a significant contributor, recording a growth of 10% against corresponding period last year and almost 14% of the Business total margin. Through the extensive Kedai Mesra network, the Company had reached more than RM1.0 billion chargeable sales since the Kedai Mesra concept was introduced in 1996.

Through the extensive **KEDAI MESRA** network, the Company had **reached more than RM1.0 billion** chargeable sales since the **Kedai Mesra concept** was introduced in 1996.

KEY PRODUCTS AND SERVICES

PETRONAS Station

For the year under review, the Company added 25 new stations to further complement the strong network of over 1,000 stations nationwide, enabling the Business to extend its reach to customers throughout Malaysia.

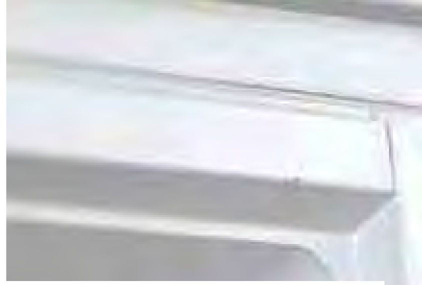
By doing so, it indirectly contributed towards the development of entrepreneurship and business opportunities for Malaysians, via the appointment of station dealers, business partners, and Small and Medium Enterprises (SMEs) to market their products.

Kedai Mesra

The Company currently has the largest network of convenience stores at petrol stations with more than 750 Kedai Mesra nationwide. The Kedai Mesra network is further complemented with ATMs (1,369 ATM terminals), Touch 'n Go facilities (656 reload terminals) and e-Pay terminals (1,025 terminals).

Complementary Business

Kedai Mesra's extensive network nationwide is further complemented with various offerings available under one roof, ranging from food-to-go items to various business partner facilities that include quick-serve restaurants (QSR), banking facilities, courier services and other conveniences. To date, the Company has 95 QSR outlets and more than 70 other business partners to enhance the customer experience at the stations.



The Retail Business remains **committed in growing** the business further to become the domestic **RETAIL MARKET LEADER, LEVERAGING** on its extensive PETRONAS station network nationwide.

For the year under review, Retail Business successfully brought on-board a new strategic partner, InPost Malaysia Sdn Bhd, a company providing an innovative courier services known as InPost Terminal which has added value and further enhanced customer experience at the stations.

Card Business

PETRONAS Mesra Loyalty Programme (Kad Mesra)

The PETRONAS Mesra Loyalty Programme is PDB's loyalty programme through which members can earn points using their PETRONAS Kad Mesra during refuelling at PETRONAS stations nationwide and purchasing products at the Kedai Mesra. In addition, loyal customers will enjoy on-going discounts, promotions and other privileges offered at participating PETRONAS stations as well as the growing number of merchants of PETRONAS Kad Mesra.

For the year under review, the Company further extended the card's benefits and privileges through new strategic partnerships. Current merchants include AirAsia BIG, Automobile Association of Malaysia (AAM), Kopetro Travels & Tours, Astute Xperience (travel services), Pryxious.com (travel channel management), Mooshicar (temporary car replacement service), PETRONAS Twin Towers Gift Shop, Twin Towers Fitness Centre, Petrosains, San Francisco Coffee, Burger King, Sunway Lagoon, Sunway Lost World of Tambun and Reebonz (online luxury handbag website).

PETRONAS SmartPay

The PETRONAS SmartPay is a corporate fleet 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.

During the year under review, the Company continuously engaged with potential and current customers through various programmes such as product showcases, fraud mitigation sessions, festive celebrations, sporting and leisure activities.

PROSPECTS

The Retail Business remains committed in growing the business further to become the domestic retail market leader, leveraging on its extensive PETRONAS station network nationwide. To achieve this target, the Retail Business will continue to provide innovative products and differentiated services, supported by improved marketing initiatives that not only reach out to customers, but also reward existing and potential customers throughout Malaysia.


Mesra
Diesel
RM/Liter

GOING FURTHER

We deliver competitive advantage to the various economic sectors in the nation via our product mix. We will continue to leverage on our extensive supply, distribution and logistics system to ensure timeliness of delivery as well as competitiveness of our products and services.

COMMERCIAL

Malaysia Airlines' A380-800 Aircraft

COMMERCIAL

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.

BUSINESS OPERATIONS

The Commercial Business drives sales and marketing of bulk petroleum products to various economic sectors in Malaysia including manufacturing, oil and gas exploration, aviation, power generation, construction, agriculture, fishery and transportation. It practices a high standard of operations and services, which is demonstrated by its ability to maintain the ISO9002 certification in 2014, a credential held since 2008. The Business is strongly supported by the Company's extensive supply, distribution and logistics system throughout the country, which ensures reliability, timeliness, competitiveness and quality of its products and services.

FINANCIAL PERFORMANCE

The year 2014 has seen increased contribution from Commercial Business to the Company's bottom line. For the year under review, the Commercial Business has recorded a gross profit of RM573.9 million, slightly lower against same period last year by 2.2% due to weakening demand in commercial market. Revenue and profit were achieved through higher yield market focus and integrated cost optimisation.

The Business experienced a slight drop in volume for the year under review due to reduced demand from major commercial sectors such as manufacturing, bunkering and timber segments, displacement of Diesel with natural gas and intense competition from Singapore Bitumen suppliers.

KEY PRODUCTS AND SERVICES

Aviation continues to be one of the key contributors to the Commercial Business, in line with the growth of the Malaysian key economic activities and tourism industry. The opening of KLIA2 on 2 May 2014 also contributed positively to the increase in jet fuel demand, supporting the high growth in the low-cost travel industry in Malaysia. The growth in the aviation industry is expected to continue in 2015 with the upcoming implementation of ASEAN Free Sky Policy, purchases of new aircrafts by local carriers and commitment by foreign carriers to start operation or increase flight frequencies into KLIA and other local airports. In November 2014, the Company once again was awarded the Best Regional Jet Fuel Marketer in Asia Pacific for the second consecutive year at the IATA Fuel Forum held in Dubai.

This award reflects the Company's sustained efforts and commitment towards establishing itself as the preferred into-plane refuelling provider in Asia Pacific.

During the year 2014, the industry demand for Diesel has recorded a decline amidst increasing replacement of Diesel as source of fuel for power generation industries in Peninsular Malaysia. Moving forward, despite a matured market and wide availability of cheaper alternatives, Diesel will continue to be one of the main contributors to the bottom line of Commercial Business. Equipped with a strong team located throughout Malaysia, Commercial Business is ready to further unlock value in the Diesel business especially in major growth areas in the Southern region, Sabah and Sarawak.

With regards to its Fuel Oil portfolio, Commercial Business continues to demonstrate its capability in fulfilling customers' requirements despite operating in a relatively mature market. It maintained its high success rate in tenders to supply Fuel Oil to the power sector, reflecting the Company's ability to stay competitive notwithstanding the current adverse market conditions. High quality products and services as well as supply continuity to the sector were paramount in ensuring effective support to the sector, especially during the critical natural gas shortage periods seen in 2014.

2014 was a challenging year for the Bitumen portfolio which saw intense competition from Singapore-based suppliers entering the domestic market. Despite this challenge, Commercial Business successfully strengthened its logistics capabilities by establishing a new supply point in Prai, with the capability to handle two different grades of Bitumen as well as drumming facilities for Bitumen. It continued to undertake effective supply optimisation for Bitumen in Peninsular Malaysia, Sabah and Sarawak resulting in higher per litre yield. The efforts to strengthen the Company's position in the Bitumen business are expected to be accelerated throughout 2015.

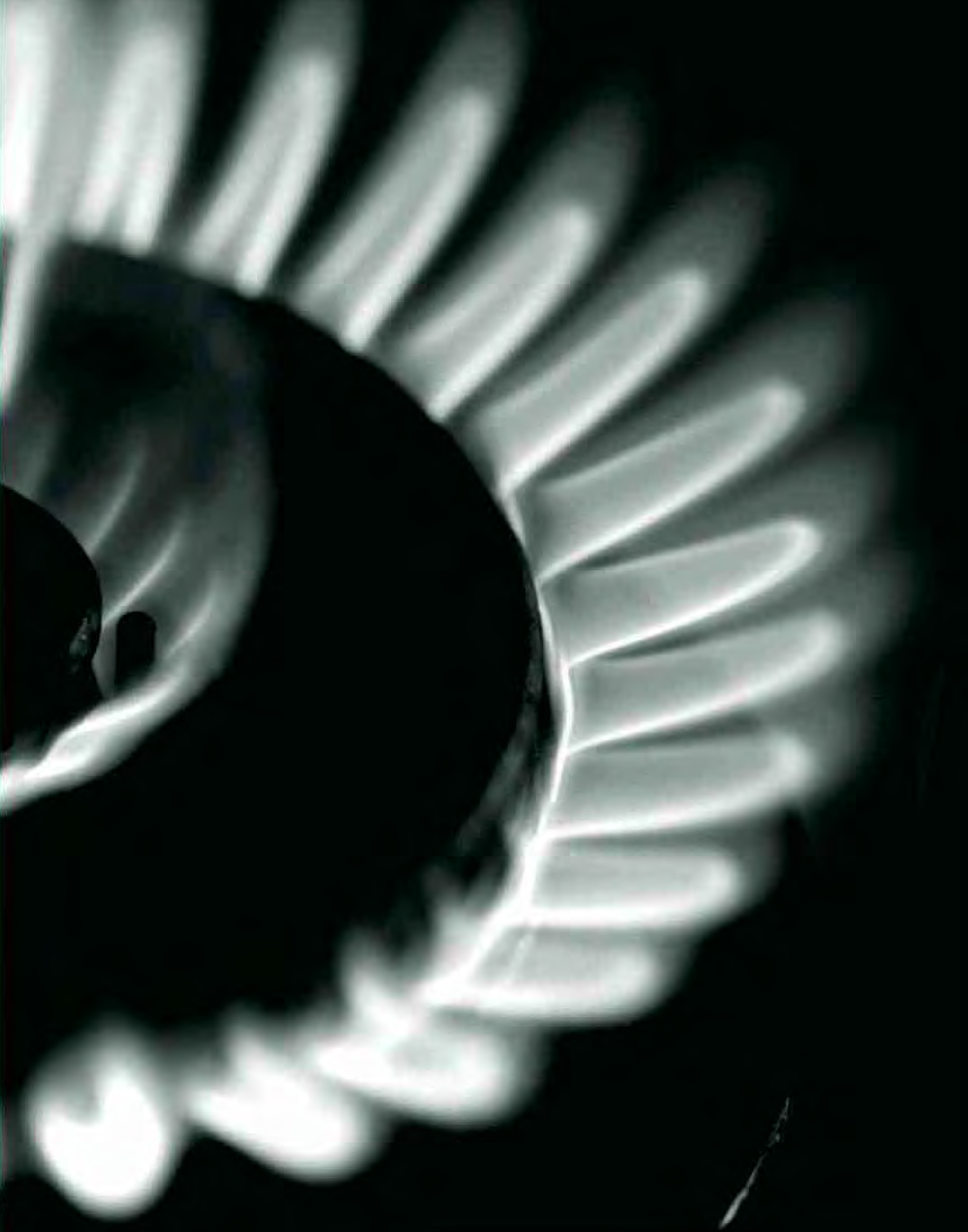
The efforts to strengthen the Company's position in the Bitumen business are expected to be accelerated throughout 2015.

PROSPECTS

The Commercial Business will continue to leverage on its extensive, fully-integrated supply and logistics strength, providing personalised services and differentiated offerings to sustain its market leadership while enhancing value. Backed by a solid foundation and innovative workforce, the Commercial Business remains steadfast in driving synergies and optimisation efforts in a bid to unlock its hidden value, despite the hurdles of a maturing commercial market. Continuous focus and efforts are also ongoing to capitalise on the growth potential within the Diesel, Aviation, Bitumen and Fuel Oil businesses, which are expected to drive the Business to a new level of performance.

DELIVERING VALUE

We are well poised to continue being a leader in the domestic LPG industry in the country. As a market leader, we are passionate about delivering value and quality services to our customers.



LPG

LPG Business pursued value driven **GROWTH STRATEGY** by focusing on cost optimisation and improving efficiency across its vast distribution network, continued to sweat asset to **MAXIMISE VALUE** from household segment and enhanced its competitive edge in the commercial segment through superior customer service.

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 (3) cylinder sizes of 12kg and 14kg suitable for household use, 50kg and bulk LPG (range from 200kg to 32,000kg tank size) for both Small and Medium Industries (SMI) and industrial customers.

Through its 'Value Driven Growth' strategy, the LPG Domestic Business has successfully defended Gas PETRONAS' position as Malaysia's No.1 Cooking Gas.

FINANCIAL PERFORMANCE

For the year under review, the LPG Domestic Business recorded revenue of RM2,005.9 million, an increase of 2.6% against corresponding period last year.

KEY PRODUCTS AND SERVICES

12kg and 14kg Cylinders

The subsidised household sector, comprising 12kg and 14kg cylinders, achieved sales volume growth of 2% as compared to corresponding period last year. This growth was attributed to the increase in demand from urban areas particularly in Central and Southern regions and this was further supported by value-driven initiatives through sweating of assets and focusing on high cylinder turn around areas.

50kg Cylinders and Bulk Sales

The sales volume for the commercial segment recorded a decrease of 10% as compared to corresponding period last year due to aggressive expansion of natural gas distribution, particularly in the Central, Northern and Southern regions. However, this was cushioned through the bulk LPG sustainability initiatives, which identified several key strategies to mitigate the impact from natural gas expansion by focusing on niche market such as SMIs and the tourism and hospitality sector.

COST OPTIMISATION INITIATIVES

In the pursuit of achieving greater cost efficiency, the LPG Business initiated cost optimisation initiatives which focused on improving contract management performance compact value exchange programmes and reduction of idle non-working cylinders at all LPG Terminals, as well as better management of new cylinders injection based on portfolio analysis.

These initiatives cushioned the high-cost impact of product importation.

PROSPECTS

The LPG Business is focused on reinforcing its position not only as Malaysia's No.1 Cooking Gas but also as the overall leader in the nation's LPG industry, whilst delivering value and continuously enhancing its services to its valued customers.

INTERNATIONAL BUSINESS

The LPG Business is a key segment of the Philippines and Vietnam downstream oil and gas industry. As a widely used fuel commodity in both countries, the LPG business sector is highly competitive in a deregulated market condition.

In the Philippines, PETRONAS Energy Philippines Inc (PEPI) serves its customer base in Mindanao, Visayas and Luzon via its established logistics support system, infrastructure and continuously expanding network of distributors. PEPI has the second largest market share in the Visayas and Mindanao regions where its business covers household, commercial, autogas and bulk industrial LPG segments. The completion of its jetty facilities in Iligan (Mindanao) and the Naga import terminal and bottling plant (Visayas) in October 2013 and November 2013, respectively would continue to bode well for PEPI's profitability in the future. The business focus for PEPI is continuing growth in the high margin household segment, prudent inventory management, risk management and provision of differentiated services to industrial customers.

With terminal assets located in the port cities of Go Dau (southern Vietnam) and Hai Phong (northern Vietnam) and a network of distributors and direct customers, PETRONAS Vietnam Co Ltd (PVL) competes in the household, commercial, bulk industrial and bulk wholesale segments spanning entire Vietnam. The business focus has been on increasing sales in the more lucrative household and bulk industrial sectors amidst a competitive landscape.

In both countries, PEPI and PVL are committed to product quality and safety. Both companies are also embarking on initiatives to improve operations and supply logistics costs. Other on-going initiatives include the enhancement of processes and frameworks on corporate governance guided by PDB Group's stringent policies and guidelines.

DELIVERING INNOVATION

We are passionate about performance and constant innovation helps us stay ahead of the game. Our product portfolio is the result of focused collaboration with the best in motorsports. Our combined experience and technical expertise have been translated onto the roads for motorists via top tier fuels and lubricants that guarantee exceptional performance.

LUBRICANTS

▶▶ The Lubricants Business **RECORDED A REVENUE** of RM582.9 million which marks an **increase of 5%** against corresponding period last year.

BUSINESS OPERATIONS

The Lubricants Business retained its market position in a robust and competitive industry. The Business continued to grow as seen in the aggressive 4% growth, against corresponding period last year. Driven by the Company's aspiration to achieve market leadership in the near future, the Business underwent a transformation strategy which propelled business growth, particularly in the highstreet segment.

Leveraging on the extensive range of lubricant products, the Business caters to a wide market covering Passenger Vehicles, Motorcycles, Commercial Vehicles, as well as Industrial and Marine segments.

FINANCIAL PERFORMANCE

The Lubricants Business recorded a revenue of RM582.9 million which marks an increase of 5% against corresponding period last year as a result of continuous aggressive sales and marketing initiatives to sustain growth and extend market reach.

KEY PRODUCTS AND SERVICES

Passenger Car Motor Oils (PCMO) caters to the lubricant needs of Passenger Vehicle 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 PETRONAS Syntium range include Proton, Naza KIA, Peugeot, Citroën, Mercedes-Benz and BMW. Also included in our product offerings are PETRONAS Mach 5 premium mineral grade, PETRONAS NGV Lube and PETRONAS M-Plus.

Motorcycle Oils (MCO) is our product offering that caters to the requirements of motorcycles segment. We have two brands under this segment which are PETRONAS Syntium Moto and PETRONAS Sprinta. PETRONAS Syntium Moto offers products from the semi-synthetic to fully synthetic grades while PETRONAS Sprinta offers mineral grades.

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

Industrial and Marine Lubricants (IML) offers products targeted to industrial and marine segment. We have a full range of lubricants to meet the consumer requirements from compressor, circulation, hydraulic, turbine, gear oil and marine products.

PROSPECTS

With stiff competition and emergence of new players in the industry, the Lubricants Business will continue its aggressive growth strategy and strive towards establishing its market leadership.

As part of an overall initiative to grow PDB's Lubricants business, transformation initiatives have been implemented to address key areas of Route to Market for the high-street indirect business in Peninsular Malaysia and deployment of sales teams managing Direct Key Accounts to their respective regions. This has enhanced the reach and improved our level of customer service to both customers and consumers alike.

As part of an overall initiative to grow PDB's Lubricants business, **TRANSFORMATION INITIATIVES** have been implemented to address **key areas of Route to Market** for the high-street indirect business in **PENINSULAR MALAYSIA** and **DEPLOYMENT** of sales teams managing **Direct Key Accounts** to their respective regions.

The transformation journey continues with the initiation and implementation of 'Project LIFE' which focuses on consolidating the indirect and direct lubricants businesses of PDB into a single entity to garner synergies to achieve an improved speed to market, focused execution and talent development.

INTERNATIONAL SUBSIDIARIES

The lubricants market 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 securing direct industrial and commercial key accounts.

During the year under review, PIMTCL managed to enhance its distribution capability covering all networks and at the same time realign its overall Route to Market approach. The realignment also involved reconfiguring the organisation to enhance internal capability development required to undertake this new approach.

With this new approach, PIMTCL will be able to better pursue opportunities for business growth in all segments especially in highstreet and OEM while increasing its value added services.

SUPPLY AND DISTRIBUTION

BUSINESS OPERATIONS

The Supply and Distribution Division (SDD) supports PDB's business lines in delivering high performance and quality-guaranteed oil and gas products to the end users via its extensive network of 38 terminals in operations for LPG, Aviation and Fuel, covering both Peninsular and East Malaysia.

KEY ROLES AND RESPONSIBILITIES

The Division's main roles and responsibilities include product sourcing, distribution, infrastructure planning and engineering services. These functions ensure adequate and reliable operational facilities for business sustainability.

This Division is responsible for sourcing and procuring cost competitive oil and gas products to meet market demand, thus supporting PDB's business lines with reliable and cost effective product delivery. This is achieved via robust supply networks, extensive coverage of terminals and effective distribution channels.

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.

With strong commitment to promote Health and Safety working environment, PDB bagged two Gold Class 1 Awards at the Malaysian Society for Occupational Safety & Health (MSOSH) Awards 2014.

KEY PROJECTS AND INITIATIVES

SDD has embarked on various initiatives to improve its capability and commitment as enabler and support division to business lines. In 2014, SDD has initiated the following initiatives to cater to business requirements:

LPG Flexspeed System at Prai LPG Terminal

Following the completion of PDB's first LPG Flexspeed System at its Melaka LPG Terminal in 2013, SDD has extended the initiative to the Prai LPG Terminal to cater for increasing market demand in northern Peninsular Malaysia. The project is expected to improve LPG cylinder production as it has the capacity to produce 3,600 cylinders per hour. The project is expected to be completed and will be in operational by second half of 2015.

New LPG Mounded Bullet Tank at Sepangar Bay

SDD's Facilities Engineering Department has started the construction of an additional 1,000MT LPG mounded Bullet Tank on top of existing 1,000MT LPG tanks at Sepangar Bay in 2013 to cater to increasing demand for PETRONAS LPG within Sabah region. The construction of the new storage facility was commissioned in Quarter 4, 2014. The additional storage capability will support the LPG business growth within the region beyond 2030.

Sabah and Sarawak Biodiesel Implementation

Subsequent to the Government's direction to promote the use of renewable energy and to reduce national dependency on fossil fuel as well as to foster the palm oil agricultural industry, the implementation of Biodiesel has been extended to East Malaysia. Supporting this initiative, the Division completed the Biodiesel facility in Sepangar Bay, Sandakan, Labuan and Miri Fuel Terminals in Quarter 4, 2014.

Underground Fuel Hydrant Pipeline

To support the growth of the Low Cost Carrier (LCC) segment in the evolving aviation industry, an additional 13km of underground pipelines equipped with Distributed Control System (DCS) to provide fuel supply to KLIA2 was successfully constructed and commissioned by SDD on 18 April 2014.

On 2 May 2014, the SDD Aviation Operations at KLIA proudly refuelled the Cebu Pacific Airlines flight which became the first airline to depart from KLIA2 to Manila at 3.15am, a key milestone for PDB as market leader of Aviation Fuel sales in Malaysia.

MSOSH Award 2014 – Gold Class 1

With strong commitment to promote Health and Safety working environment, SDD which represented PDB at the Malaysian Society for Occupational Safety & Health (MSOSH) Awards 2014, bagged two Gold Class 1 Awards. PDB participated for the first time in 2014 and was represented by Prai Fuel & LPG Terminals and Kerteh LPG Terminal from the Northern and Eastern regions, respectively.

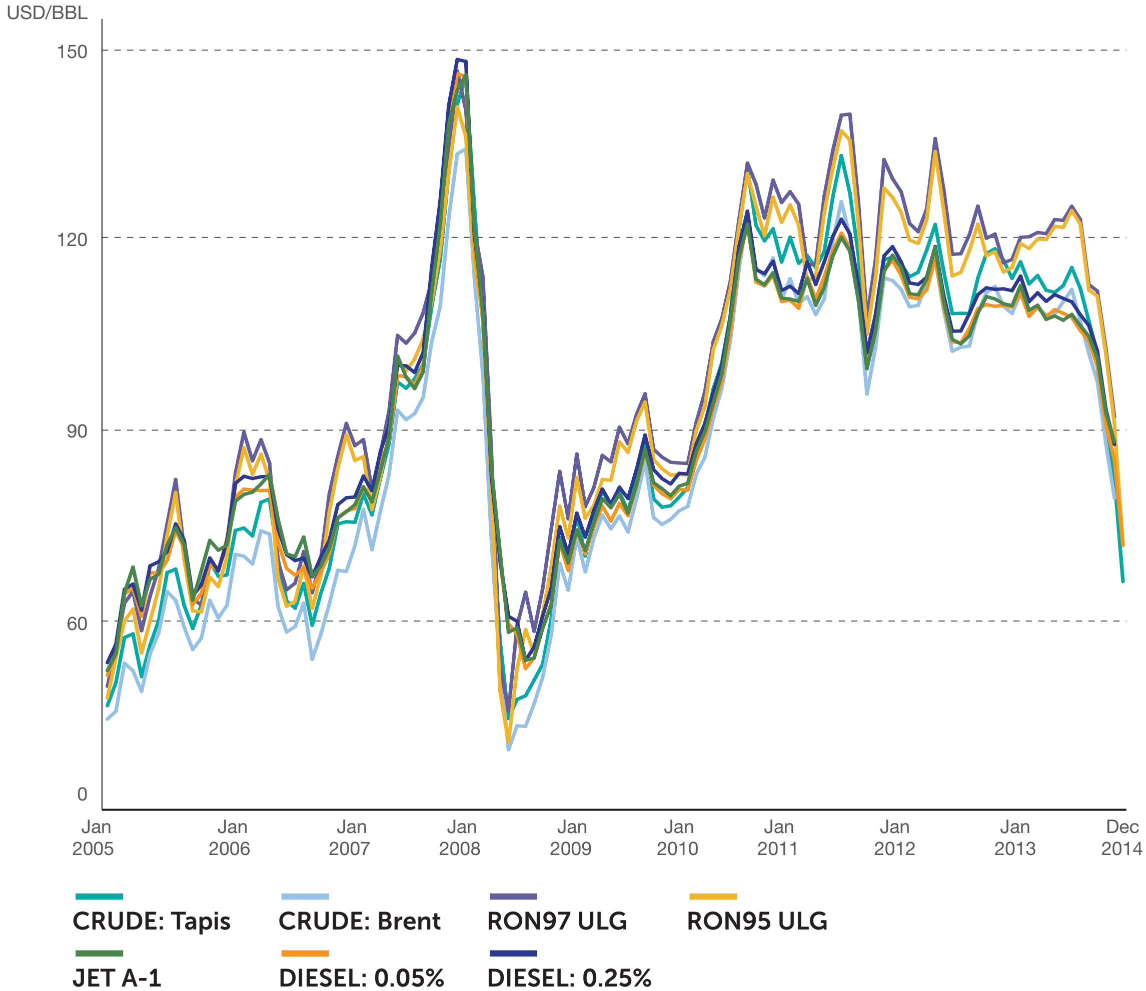
Prai and Kerteh Terminals each took home Gold Class 1 Awards for the Oil & Gas sector, competing against 119 other companies from various sectors nationwide.

The awards were conferred to both terminals after a series of documentation audits as well as site verification audits by a panel of auditors from MSOSH, consisting of OSH practitioners and experts from various sectors.

PROSPECTS

In 2015, SDD 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, the annual average price of global crude oil benchmark, Dated Brent averaged at USD98.95/bbl, almost USD10/bbl lower compared to average price of USD108.66/bbl recorded in 2013.

Year 2014 was a year of two halves whereby during the first half, price hovered above USD100/bbl, whilst during the second half, Dated Brent price plunged from highest daily average of USD115.32/bbl recorded in June 2014 to USD54.98/bbl in end December 2014. This steep reduction was attributed to sustained increase in global oil supply due to the ease in geopolitical tensions in Iraq and Libya, as well as in response to US crude oil production.

On the oil demand side, persisting sluggish demand recovery in the Eurozone and moderating economic growth in China as the economy transformed from export-driven to domestic consumption focused, contributed to the bearish sentiments in the oil market.

Petroleum products average prices in 2014 were broadly lower as compared to 2013, ranging from USD8.00/bbl to USD11.00/bbl. In 2014, prices for RON97 ULG, RON95 ULG and Diesel 0.05% averaged at USD112.00/bbl, USD110.97/bbl and USD112.69/bbl, respectively.

ECONOMIC OUTLOOK AND PROSPECTS

For the year 2014, the Malaysian economy grew by **6.0%** as compared to **4.7%** in **2013**, **strongly driven** by the private sector, for both consumption and investment.

Uneven global recovery continued largely due to weaker-than-expected global activity in the first half of 2014 and the growth forecast for the world economy has been revised downward to 3.3% for 2014. Following this, the global growth projection for 2015 was lowered to 3.8%.

Growth in Asia remained steady at 5.4% in 2014 and is projected at 5.5% in 2015. External demand is set to pick up alongside the recovery in advanced economies, and domestic demand should remain solid across most of the region. With the expected upcoming tightening of global liquidity, Asia will face higher interest rates and potential bouts of capital flow and asset price volatility. Nevertheless, despite some tightening, financial conditions should remain supportive, underpinned by still-accommodative monetary policies, strong credit growth, and exchange rates that remained weaker than they were a year ago.

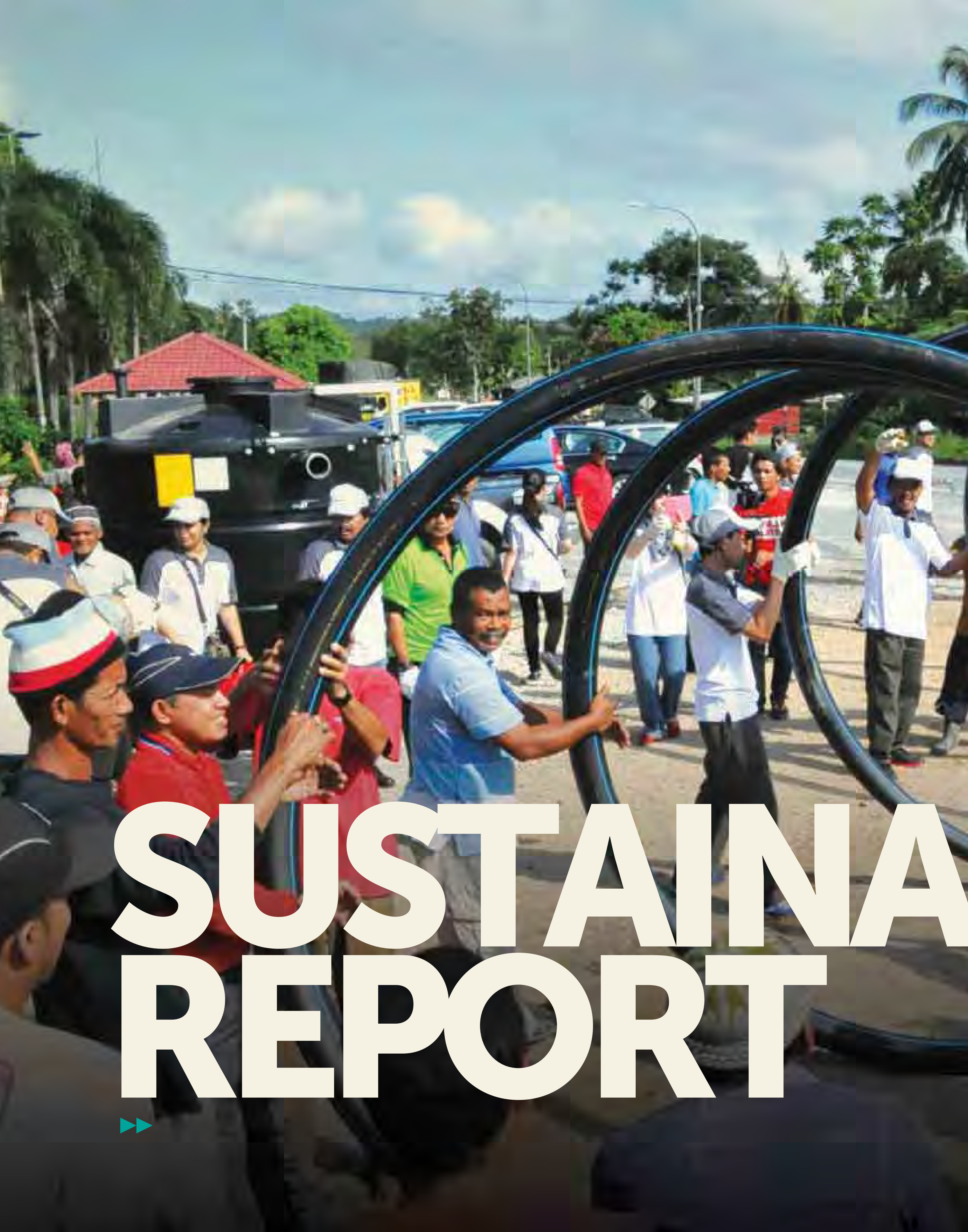
For the year 2014, the Malaysian economy grew by 6.0% as compared to 4.7% in 2013, strongly driven by the private sector, for both consumption and investment. Net exports continued to remain strong but weaker imports, particularly on the intermediate goods, could jeopardise future exports.

As such, export demand contribution to the forecasted real GDP growth of between 4.5-5.5% in 2015 is predicted to be weaker. Therefore, domestic demand is forecasted to be stronger in 2015 as public consumption and investment are expected to pick up the slack of the somewhat weaker private counterparts.

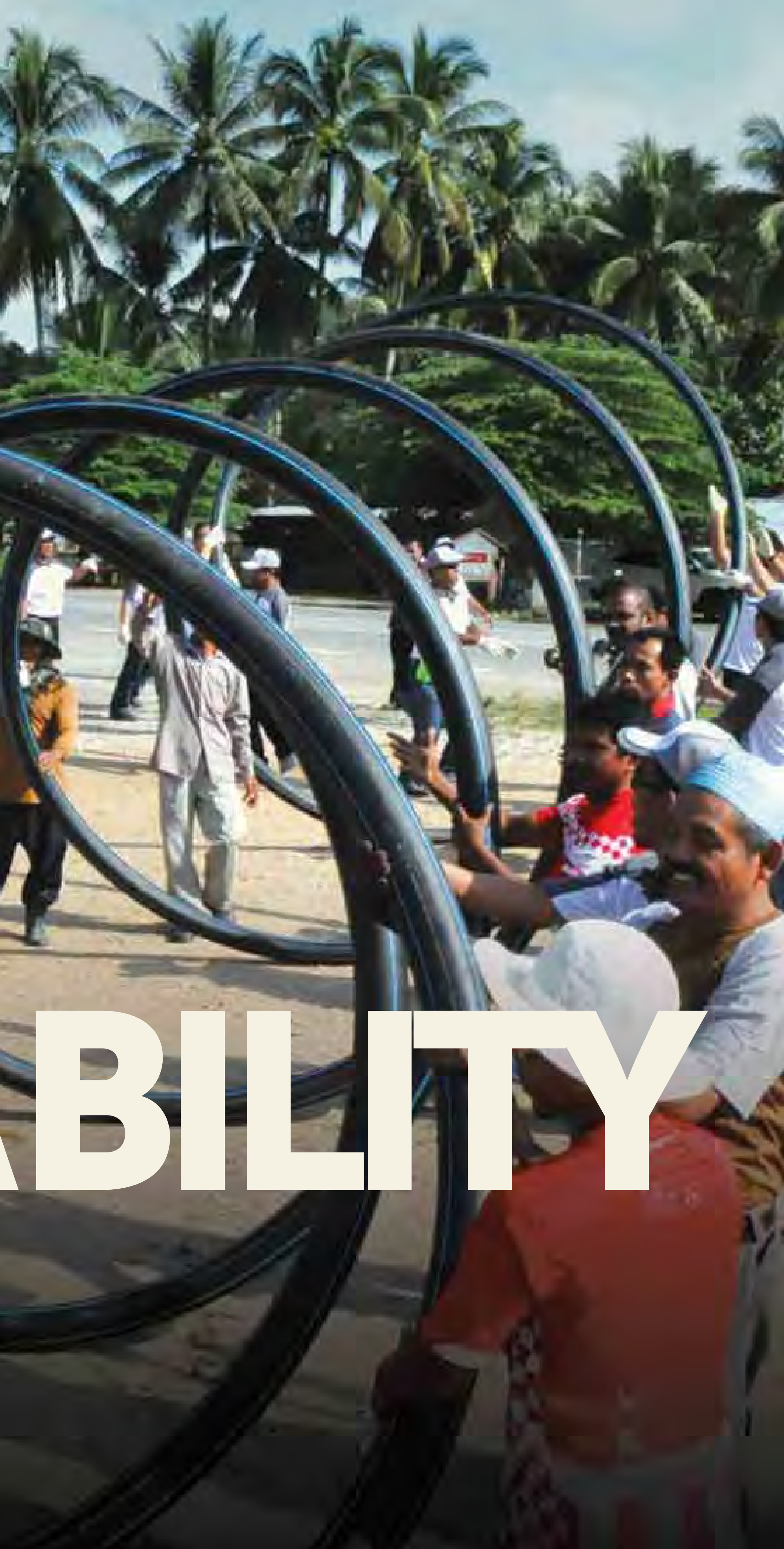
Notwithstanding the dynamic and challenging current external environment, PDB has aligned its business strategy to boost its overall market share and add value to its businesses by defending and strengthening its market leadership. Furthermore, PDB will also continue to ensure superior performing assets, build on its innovative customer-centric mindset in order to achieve the Brand of 1st Choice.

UPLIFTING LIVES

We care about our stakeholders, community and the environment as they form an interconnected link in our business. Our programmes and initiatives reflect our commitment to deliver meaningful change wherever we operate.



SUSTAINA
REPORT


BILITY

SUSTAINABILITY IN PDB

Sustainability has always been at the core of the Company's operations and is part of the Company's commitment to ensure sustainable business growth that also benefits the present and future generations.

For the Company, sustainability entails carrying out its business in a socially responsible and holistic manner. The Company has developed key strategies alongside robust governance structures, corporate policies and codes of conduct that are instrumental in integrating the elements into our everyday operations.

Many of our initiatives shared a common thread in creating better lives for the stakeholders – be it enhancing life quality, delivery product innovation and developing new opportunities. In 2014, we achieved a commendable success in our effort by embarking on these initiatives. These success stories are highlighted in the following pages.

INNOVATION

Fuel

PDB's flagship fuel, the New PETRONAS PRIMAX 95 with Advanced Energy Formula was introduced in May 2014. The new fuel, developed from the Company's experience in Formula One, further delighted customers with its ability to provide superior fuel efficiency to Malaysian motorists. This year, the PETRONAS PRIMAX fuel was awarded the Putra Brand Gold Award under the Automotive – Fuel and Lubricant Category, an award that it won together with PETRONAS Syntium. The win is a testament of PETRONAS brand's strong presence and affinity amongst Malaysian consumers as the winners were chosen by the public.

New PETRONAS PRIMAX 95 with Advanced Energy Formula

Innovation can be viewed as the application of better solutions that meet new requirements or existing market needs. This is accomplished through more effective products, processes, services, technologies or ideas. Hence, to be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need.

In the automotive industry, the vehicle engine has gone through significant evolution since the discovery of modern internal combustion engine. During 1970s and 1980s we had the carburettor engine with was followed by port fuel injection in 1990s. Today, the engine has become far more advanced with the introduction of direct injection, in which the fuel is injected directly into the combustion chamber. This technology enables the engine to run leaner with higher compression ratio and more power while using less amount of fuel. Hence, less polluted emission will be produced by the vehicle. This complex new engine technology requires fuel to evolve at similar phase.

On 26 May 2014, PDB had introduced its new revolutionary fuel comprehending the needs of having superior fuel to complement the new engine technology on the road. The New PETRONAS PRIMAX 95 with Advanced Energy Formula was developed based on our experience in developing Formula One fuel through the Fluid Technology Solutions platform. This new fuel benefited the end users by giving superior engine cleanliness that will create a finer fuel spray enhancing the fuel combustion. In addition, it will also reduce the engine friction minimising energy loss for superior fuel economy.

KEY INI

Lubricants

On the lubricants front, PETRONAS' range of premium automotive lubricant products, the PETRONAS Syntium brand has evolved 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, who is also the PETRONAS PRIMAX and PETRONAS Syntium Technical Performance Consultant. This year, the Company introduced PETRONAS Syntium 7000 into the Malaysian market. This fully synthetic lubricant promises to deliver ultimate lubrication performance that minimises engine wear and tear, even under the most extreme driving conditions.

PETRONAS Syntium 7000

PETRONAS Syntium 7000 is the result of the knowledge, technology know-how and innovation obtained from providing solutions to Formula One engines. A further testimony to its efficacy, PETRONAS Syntium 7000 is the only approved engine oil currently used as the first fill of the Mercedes AMG M133 engine, the world's most powerful four-cylinder series production engine. Reinforcing commitment to deliver only the best for Malaysian and global drivers, PETRONAS Syntium 7000 was certified not only to exceed international lubricants standards, but also obtained approval from various world-renowned automotive makers. This innovation definitely brings totally refreshing experiences on engine drivability and has provided indisputable benefits for our customers.

Car Care Solutions

To further enhance customer experience, PDB has introduced its 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.

Alternative Energy

Today, after more than three decades, PETRONAS stations have evolved to be energy-efficient and also a popular meeting place. PETRONAS created the country's first energy-efficient stations called the PETRONAS Twin Stations, situated along the Plus (Southbound) and Besraya (Sungai Besi-bound) highway. Both stations (PETRONAS Solaris Putra and PETRONAS Solaris Serdang) have four key energy-efficient elements – Photovoltaic (PV) Solar Panel, LED lighting, rainwater harvesting system and Emerson Technology (or Energy Management System).

The PV panels generate half the electricity requirement needed for the stations to operate. These solar panels are able to generate 194.34 kilowatt of energy per hour. In a year, the panels can produce 233,000 kilowatt of energy, enough to power 90 households.

The PV Project paves the way for PETRONAS to continue to explore opportunities in renewable energy to reduce Greenhouse Gas (GHG) as part of its efforts towards sustainable development.

HUMAN CAPITAL

Capability Development in PDB

Succession Management

PETRONAS' Leadership Development vision is to consistently bring leaders and opportunities together in a way that results in the right leaders at the right place and at the right time to produce breakthrough performance.

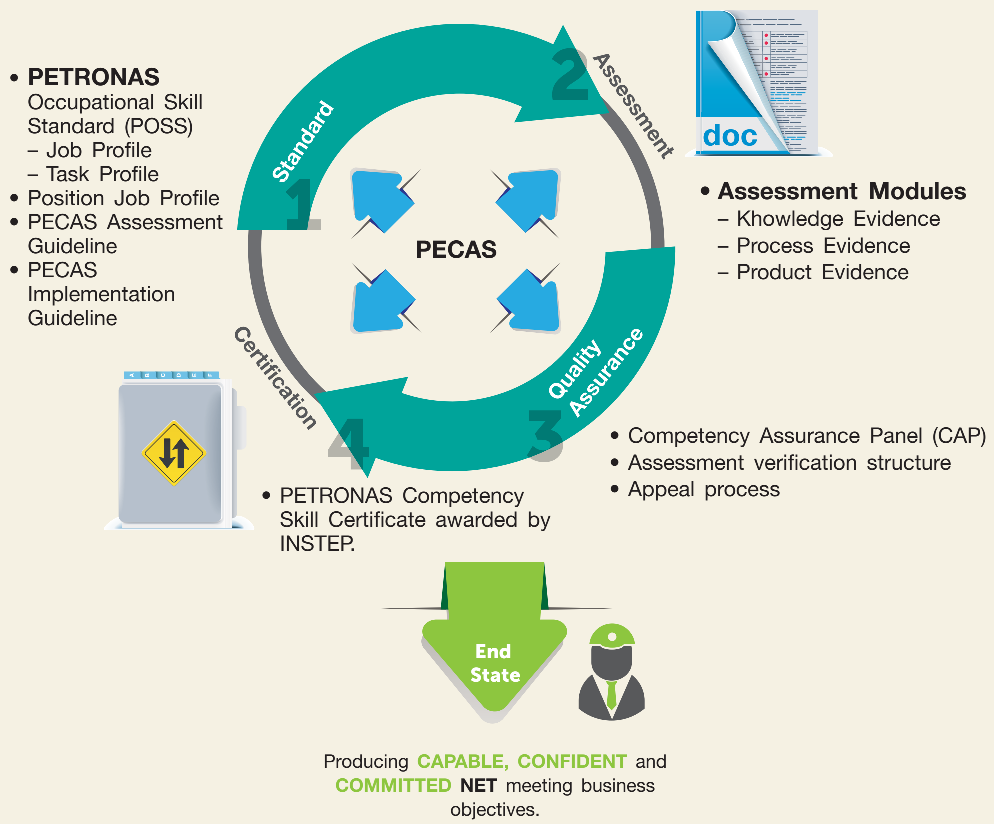
In order to match leaders with the right opportunities to deliver breakthrough performance, a Succession Management Framework had been adopted to identify critical positions within the organisation and list of successors are identified and developed to eventually succeed the positions.

In order to find the right leaders to match against the critical positions, a talent identification exercise was conducted in 2014 to increase the top talent pool based on the staff potential assessment results, a total of 15 potential leaders and top talents were identified. Subsequently, a succession planning exercise was conducted to identify suitable talents to succeed these positions. This resulted in the ratio of identified Ready Now Successors to PDB Critical Positions to be 2.3:1. The succession plans is reviewed annually to ensure its validity and implementation is done as and when the critical positions are vacated.

Capability Development Initiative for Non-Executive Technical (NET)

PETRONAS Competency-based Assessment System (PECAS) is a structured skill assessment system introduced to PETRONAS group wide in 2006 for Non-Executive Technical staff.

The purpose of PECAS is to confirm the competency of our Technicians and Operators (NET) through a structured assessment process covering elements of knowledge, skills and attitude against PETRONAS' Occupational Skill Standard (POSS).



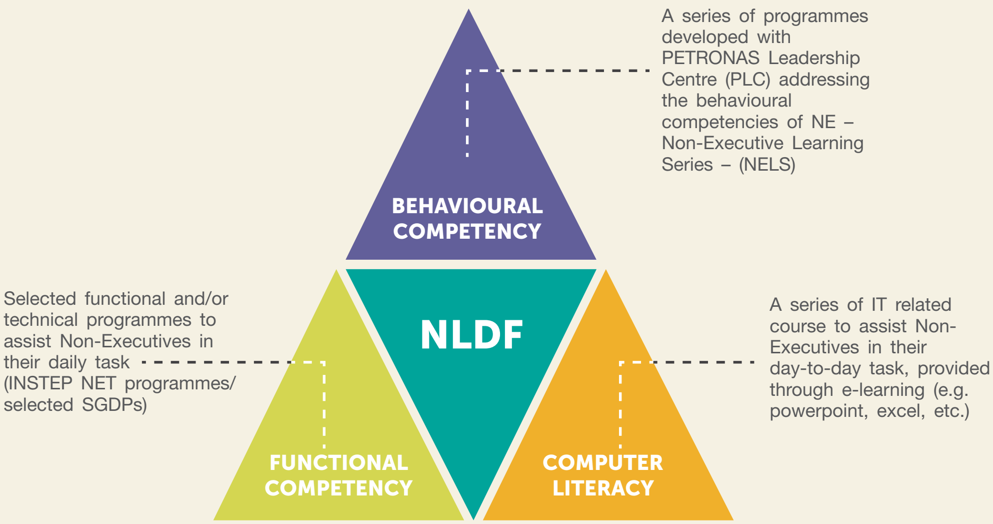
In 2014, a number of initiatives were conducted to strengthen PECAS implementation in the Company:

- Through collaboration with INSTEP, eight (8) PECAS training sessions were conducted for PECAS candidates and two (2) sessions of PECAS IA/IV training for the Internal Assessors/Internal Verifiers.
- Assignment of PECAS KPIs to the stakeholders to enforce implementation.
- Engagement and communication sessions throughout the regions to share on PECAS implementation and assessment guidelines as well as to identify issues at the line for resolutions.
- PECAS focal persons were appointed at the regions who act as the conduit in providing guidance on PECAS assessment and portfolio preparation for the candidates.

As a result of all of the above interventions, in 2014, 74 PECAS candidates were certified as competent with average of 1.5 Non Conformance Report on the Portfolio Verification. PECAS implementation will be pursued as competencies of PDB NET staff are important to ensure safety of PDB operations.

Capability Development Initiative for Non-Executive Non-Technical (NENT)

PETRONAS Non-Executives Learning and Development Framework (NLDF) provides the overall capability development mechanisms to develop the Non-Executives Non-Technical staff in PDB.



For 2014, a total of 52 Non-Executives attended the NENT Assessment where they were assessed on Behavioural Competencies and Computer Literacy. Based on the results, 45 of them (87%) passed the assessments whilst the remaining had to re-sit the relevant assessments in the subsequent year. Prior to them attending the assessments, series of upskilling programmes were conducted, i.e. Microsoft Solution and English for Business Communication programmes.

Learning & Capability Building

An Enhanced Career Path for Skill Group (SKG) 16.1 Operations Management (PDB Operations) Executives.

In 2014, the Company established an enhanced career path for SKG 16.1 Operations Management (PDB Operations) technical executives with the inclusion of the Operations Management function in Aviation Techno-Commercial. With this inclusion, it will provide broader opportunities for SKG 16.1 Technical Executives to acquire new competencies. This career path will also facilitate staff mobility within the fraternity.

Capability Framework for International Subsidiaries

This initiative was first rolled-out in 2013 focusing only on SKG 03 (Marketing & Sales) Executives at International Subsidiaries such as PEPI, PVL and PIMTCL. In 2014, the roll-out continued in PVL but the focus was only for the Enabler's functions, i.e. SKG 01 (Finance & Accounts), SKG 03 (Supply Operations), SKG 04 (Supply Chain Management) and SKG 06 (HRMD). For PEPI and PIMTCL, their focus in 2014 were on gap closures of their Marketers based on the capability roll-out which was done last year.

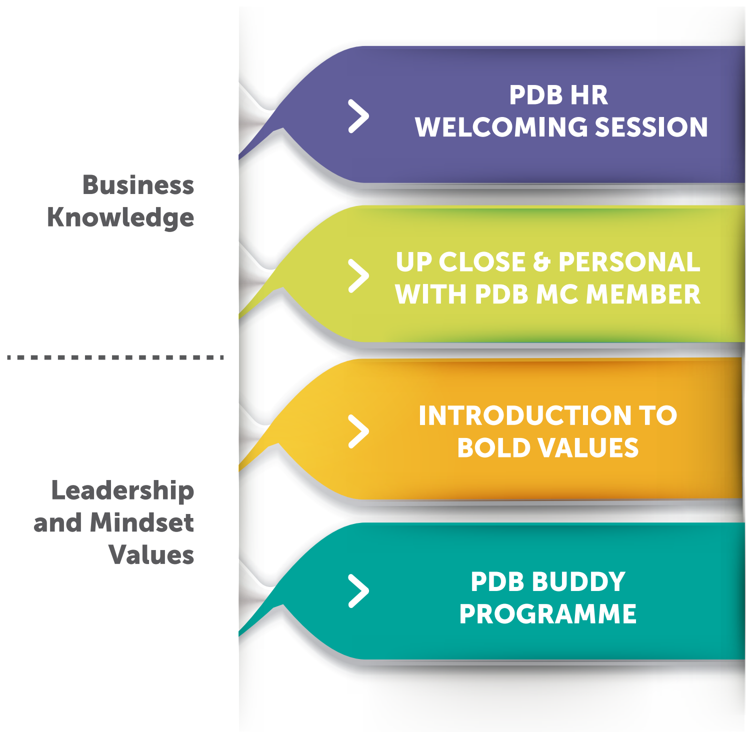
PDB Management Trainee Programme

The PDB Management Trainee Programme was approved by the PDB People Development Committee (PDC) in 2012, with the pilot programme conducted among the newly joined Technical Executives of Supply & Distribution Division (SDD) and SKG 03 Executives of Retail Business Division.

The two-year programme ended in early 2014 and it was decided that a post-mortem be held to refine and revisit the contents and framework prior to the subsequent roll-out.

On-Boarding Programme

In 2013, PDB People Development Committee endorsed the On-Boarding Programme Framework for implementation which is as follows:



Amongst the topics include:

The Company's organisation structure, the Management Team, Corporate Briefing, HSE Briefing, Introduction to BOLD Values and Introduction to PDB Buddy Programme.

In 2014, six (6) sessions of PDB On-Boarding Programme were conducted which were attended by PDB new recruits, transfer-in staff, contract staff and interns. The programme received good responses from the participants and the sharing session by selected PDB MC Members was an eye-opener whereby they have the opportunity to meet them in person and listen to their leadership journeys in the organisation for them to learn and internalise.

PDB Internship Programme

The PDB internship programme is designed to provide undergraduate students with the practical experiences which are related to their academic backgrounds for a duration specified by their academic institutions.

During the year under review, a total of 133 students underwent their internship programme at PDB.

Training for Rakan Niaga and Krew PETRONAS

The PDB Training Centre (PDBTC) is responsible for providing continuous training to Rakan Niaga. Throughout the years, various training modules on Operations and HSE have been developed and implemented. HSE trainings are crucial to develop competency amongst Rakan Niaga thus, eliminating HSE incidents due to incompetence. One of the training provided was the Fuel Offloading Practical Programme which was conducted on 25 Jun 2014 to ensure all Rakan Niaga and Krew PETRONAS have sufficient understanding on the Product Off-Loading procedure. This practical training was intended to furnish the participants with the important knowledge, increase their confidence level and arm them with the skills to avoid contamination of products in future.

First Aider at PETRONAS Stations

We are committed to ensuring a safety culture is being practiced at all levels, especially by the front-liners of the business – Rakan Niaga and Krew PETRONAS. All PETRONAS stations are required to have competent first aid provider. Numerous first-aid training sessions were conducted to prepare Krew PETRONAS to be certified in providing first aid. In total, four (4) CPR courses were conducted at the PDB Training Centre (PDBTC) and four (4) First Aid Training sessions with the Malaysian Red Crescent Society (MRCS) were done during ASAS programme for Station Managers.

The production of the video featuring Dato' Chef Wan as the main actor, demonstrated on how to handle their cooking gas safely based on the eight safety tips on **safe handling of LPG cylinders**.

CUSTOMER CENTRIC

Safety at PETRONAS Station

As customers' trust is a key element in running daily business operations, PDB has been continuously engaging with the local police for consistent roll-call at stations. During the year under review, we piloted an installation of roller shutters at the PETRONAS station at Jalan Jelatek, Kuala Lumpur to minimise robbery cases, especially during off-peak hours.

This initiative will be rolled-out to another 300 selected stations that are located within identified crime-prone areas. With this, we believe that customer confidence will improve, in line with our aspiration for our stations to be a one-stop service centre.

Experience to Believe

A convoy known as Experience to Believe was also conducted to educate and improve customer awareness on the benefits of the new product and understand customer expectations.

Xpedisi Dynamic PETRONAS

Xpedisi Dynamic PETRONAS was carried out in Kuala Terengganu (17-18 October 2014) and Kelantan (23 August 2014) to improve customers' perception via on-ground interaction through a Diesel Awareness Programme. Among the supporting activities conducted during the expedition included product testing, product briefing and demo car by the local 4x4 vehicle club.

Various marketing and promotional activities were initiated by the Company to educate Malaysian motorists on the benefits of its superior products, specifically its flagship product, the New PETRONAS PRIMAX 95 with Advanced Energy Formula. Among the activities conducted in 2014 include:

- **#Like2savefor campaigns** (15 December 2013-31 January 2014) at 70 identified stations in Klang Valley, Penang and Johor.
- **SmartPay CNY Luncheon** at Hilton Kuala Lumpur (13 February 2014).
- **F1-themed Campaign** at Suria KLCC and Sepang International Circuit (22-30 March 2014).
- **Multiply 10X PETRONAS Kad Mesra point** (14 April-25 May 2014).

- **Formula Win Wednesday** (between April-July 2014).
- **Program Konvoi PETRONAS PRIMAX 95 Baharu dengan Advanced Energy Formula** (between 28 May-6 November 2014) at selected locations in Central, Southern and Northern regions.
- **Discover New PETRONAS PRIMAX 95** with Advanced Energy Formula (17 July 2014) for all PETRONAS staff in KLCC.
- **PETRONAS Free Limited Edition Umbrella** (20 July-15 September 2014) – A redemption programme that encourages the collection of 10 PETRONAS stamps upon purchase of fuel products in order to redeem a limited edition umbrella.
- **CIMB PETRONAS Win Petrol Campaign** (4 August-12 October 2014).
- **Maybank PETRONAS Catch the Race Live in Abu Dhabi** (13 August-31 October 2014).
- **'Fill Up & Fly Free' Campaign** (1 October-30 November 2014) – A collaboration between PDB and AirAsia for the members of PETRONAS Mesra Loyalty Programme as well as AirAsia BIG Loyalty Programme.
- **Communication in Action (CIA)** (between 7 November to 23 November 2014) at three (3) selected locations within the Klang Valley to increase public awareness on the New PETRONAS PRIMAX 95 with Advanced Energy Formula and acquisition of new members for PETRONAS Kad Mesra. The three (3) locations are PS Pandan Indah (7-9 November 2014), PS Batu 1 Jalan Semenyih (14-16 November 2014) and PS USJ 2 (21-23 November 2014).
- **NST Autoshow 2014** at Matrade Convention Centre (14-16 November 2014).
- **Visa Campaign at PETRONAS stations** (5 December-28 February 2015).

Gas PETRONAS Safety Video with Dato' Chef Wan.

Gas PETRONAS continued its initiative in promoting safe cooking practices among society with the production of Safety Video with renowned culinary expert, Dato' Chef Wan. The video was creatively crafted depicting normal day-to-day life of Malaysian homemakers in their kitchen.

The video is aimed at educating the society at large on safe cooking habits, especially at home. The production of the video featuring Dato' Chef Wan as the main actor, demonstrated on how to handle their cooking gas safely based on the eight (8) safety tips on safe handling of LPG cylinders. The video has been promoted via social media such as Youtube, Facebook, Twitter and had reached more than 378,000 viewers in less than two months.

The LPG Business embarked on a Customer Satisfaction Survey (CSS) aimed at gauging customers' satisfaction level towards its products and services. Focused on commercial customers, the CSS commenced from 16 July to 3 September 2014. A total of 122 customers participated. The findings indicated that the customer satisfaction level towards Gas PETRONAS products and services was at 72.3%, higher than the industry average. Encouraged by this, Gas PETRONAS will strive even harder in its commitment and deepen efforts towards delivering quality products to its customers.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

We remain committed to safeguard our people, the environment and business assets. With the guidance of PDB HSE Policy, HSE Management System (HSEMS), HSE Mandatory Control Framework and Technical Standards, we enforced stringent safety requirements in all of our activities to reduce risks to as low as reasonably practicable (ALARP) level.

Governance

HSE Policy

Underpinning our determination to continuously improve health and safety performance as well as our commitment to environmental stewardship is our PDB Policy Statement on Health, Safety and Environment (HSE). The statement includes our commitment to HSE excellence in all our activities wherever we operate and the proactive steps taken towards the conservation of the environment.

New Policies:
During the year under review, the following policies were rolled-out and implemented:

a. Substance Misuse
b. Sexual Harassment

HSE Management System and Standards (HSEMS)

HSEMS is a system that facilitates our implementation of policies for managing health, safety and environmental risks across our operations. All domestic facilities have implemented HSEMS and we are in the process of standardising its implementation for international operations.

PDB HSE Committee

The PDB Corporate HSE Committee, chaired by MD/CEO has continuously been responsible for setting the right course in managing HSE risks in the company. Heads of Divisions including the Human Resource Management Division were appointed as Committee members to ensure commitment from senior management. The members have been providing sound recommendations on HSE intervention plans proposed via quarterly Committee Meetings for the year under review. During each quarterly sitting, HSE incident statistics were presented to ensure the Committee was kept well-informed on the HSE Performance Scorecard. Major incident investigation reports were also presented before

the Committee to highlight on the root cause(s) and subsequently, secure their endorsement to proceed with recommendations for improvement.

Safety

We remain committed to safeguard our employees, the environment and business assets. With the guidance of PDB HSE Policy, HSEMS, HSE Mandatory Control Framework and Technical Standards, we enforced stringent safety requirements in all of our activities to reduce risks.

Risk Management

As part of managing health and safety of PDB business, we must control the risks in our workplace. To do this, we need to think about what might cause harm to our people and decide whether we are taking reasonable steps to prevent these occurrences.

PDB had embarked on the Hazard and the Effect Management Process (HEMP) as one of Risk Assessment tools to ensure a consistent approach to risk management and continuous improvement.

HEMP is a structured methodology for the identification of HSE hazards and assessment of the associated risks; and development of the control and recovery measures to reduce HSE risks to ALARP.

HEMP shall be applied to analyse health, safety and environmental hazards and risks throughout the life cycle of a facility from conceptual design to engineering, construction, commissioning, start-up, operations and abandonment.

HEMP studies must be undertaken and implemented in a timely manner so that the results can be proactively incorporated without incurring rework and related costs. They should be documented in a manner where the key information and decisions made are transparent and traceable for future reference.

All recommended actions arising from HEMP studies shall be recorded and tracked for closure. Any decision to override recommended actions arising from HEMP shall be assessed and will undergo the approval process to ensure that all risks are adequately mitigated.

Process Safety Management

PDB had implemented Process Safety Management programmes to manage safety risks associated with its facilities and processes, under its HSEMS. Implementation strategies and detailed work plans have been established, including comprehensive operation procedures on process safety.

The Supply and Distribution Division (SDD) facilities have implemented HSEMS and the Company is in the process of standardising its implementation for Retail and LPG operations.

Chemical Health Risk Assessment (CHRA)

During the year under review, the Company conducted a Chemical Health Risk Assessment (CHRA) review for 12 Terminals.

The objective of this assessment was to identify, evaluate and conclude chemical hazards as well as recommend appropriate control measures to prevent or reduce risk. All assessments were conducted using PETRONAS HRA Methodology, approved by the Department of Safety and Health (DOSH).

PDB has embarked on the **Hazard and Effect Management Process (HEMP)** as one of Risk Assessment tools to ensure a consistent approach to risk management and continuous improvement.

HSE Assurance

The Tier 1 Corporate HSE Assurance was carried out in March-June 2014 at all the six (6) regions within the Company's organisation namely Central, Southern, Eastern, Northern, Sabah and Sarawak. The scope covers all business activities within the control of PDB which include terminals, LPG dealers, retail stations, International Subsidiaries and management of contractors covering both fleet and construction contractors. The reasonable sample size of each activity was made to ensure adequate coverage and representation of PDB's business activities and taking into consideration the HSE-related risks as well as ensure that the HSE Management System is covered.

To ensure compliance on HSE regulatory and effective HSE Management System implementation in PDB, the Tier 2 Assurance headed by Downstream Operational Division (DOD) is currently carried out at PDB facilities. The assurance was conducted at International Subsidiaries in February 2014 and followed by Supply and Distribution Division (SDD) and Retail Business Division (RBD) from November 2014 to February 2015 which covered selected regions namely Northern, Southern, Sabah and Sarawak.

The Tier 3 HSE Assurance led by Group HSE & Operational Excellence (OE) was also conducted at PDB facilities which covered International Subsidiaries in Philippines, Vietnam and Thailand in November 2014.

QMS ISO 9001:2008

In ensuring Governance and Internal Control is duly exercised, LPG Business has been consistently monitoring its control process and compliance to governance which is part of the requirement for ISO 9001:2008. The Business has been certified with ISO9001:2008 since 2007 with implementation of Quality Management System which fulfil the requirements on process, procedure and compliance to governance on marketing and sales of LPG products to industrial and domestic customers through channels members. Audit activities were carried out internally and by SIRIM annually to ensure continuous compliance to all processes and procedures.

Emergency Preparedness

Emergency Response

Emergency response exercises, including for our international operations, were conducted to continually enhance our preparedness in managing emergencies.

Emergency response exercises, including for **our international operations,** were conducted to continually enhance our preparedness in managing emergencies.

This exercise involved our contractors, business partners, and local authorities. The exercises improved the team's overall coordination as well as communication in managing crisis and emergencies.

Tier 2/MKN Level 1 Security Emergency Response Exercise "Ex-Primax"

PDB marked another milestone on 16 January 2014, with the successful completion of Ex-Primax (Tier2/MKN20 Level 1) – Table Top Security Emergency Exercise at Sandakan, Sabah, in collaboration with PETRONAS Corporate Security Division (CSD) and the National Security Council.

This exercise was a simulation of an actual security threat situation, based on the Sulu invasion incident at Lahad Datu, Sabah in February 2013. It truly tested the level of preparedness of the emergency response plan, including the business continuity and communications with multiple agencies.

The exercise was carried out with the aim of strengthening the working relationship between the relevant Government Agencies and PETRONAS as a whole in managing security crisis as per MKN (Majlis Keselamatan Negara) 20 Protocol Directive and to enhance the level of readiness of PDB's Emergency Management Team (EMT) in managing such incident.

International Subsidiaries Emergency Exercise

PVL Tier 2 Table Top Walkthrough Exercise was conducted in PETRONAS Vietnam Limited (PVL) on 25 June 2014. The Emergency Exercise involved PVL Top Management and PVL EMT Members.

The objective of the exercise was to develop PVL Management capability in handling crisis and disasters.

PETRONAS Energy Philippines Inc (PEPI) Tier 2 Table Top Exercise was conducted on 22 October 2014 at Iligan Plant. The Table Top Exercise involved PEPI Top Management including PEPI EMT and PEPI Emergency Response Team (ERT). PEPI Crisis and Disaster Management was assessed throughout the exercise. A post-mortem was also conducted after the exercise to address gaps and improvements.

Oil Spill Preparedness

We conducted the Oil Spill Response Exercise on a yearly basis. The main goal is to enhance the understanding of roles and responsibilities of the Oil Spill Response Team (OSRT) and EMT.

Oil Spill Response Exercise at Pontoon Operations, Harbour Park at Langkawi 2014

In collaboration with HSE Department, Commercial Regional Sales (North) had conducted Oil Spill Response Exercise at Pontoon Operations, HP Park at Langkawi with Commercial Pontoon Operator in Langkawi – Miru Enterprise Sdn Bhd.

The exercise saw the involvement of several agencies, namely, Jabatan Laut Wilayah Utara, Jabatan Bomba dan Penyelamat Malaysia (JBPM), Department of Environment (DOE), Jabatan Pertahanan Awam Malaysia (JPAM) and Telaga Harbour.

The objective of the exercise was to test the Oil Spill Response Plan (OSRP) developed for the pontoon operations since the completion of the facility. It also ensures effective mitigation is undertaken by PDB for any emergencies related to our operations as it will affect PETRONAS' image and reputation as well as Langkawi's status as a UNESCO Geopark.


Mesra
Air Mineral

CORPORATE RESPONSIBILITY

MARKETPLACE

PDB's commitment to leadership, innovation and sustainability of its products and services has made it the clear Brand of 1st Choice.

Business lines, products & services

An overall market leader of the downstream oil and gas sector, PDB continues to lead the Commercial and LPG sectors while the Retail and Lubricants Businesses successfully sustained robust growth within a competitive marketplace.

PDB's Retail Business has grown to become Malaysia's largest petroleum retail network with over 1,000 stations and more than 750 Kedai Mesra throughout the country. PDB continues to expand the network of its retail stations, incorporating the one-stop convenience centre concept of fuelling, dining, shopping, banking, car spa and other services, all under one roof, making it the preferred choice for Malaysian motorists.

PDB's commitment to leadership, innovation and sustainability of its products and services has made it the clear Brand of 1st Choice. The passion and desire to continuously improve and excel in whatever it does has cemented the Company's commitment in delivering innovative products and differentiated services to its customers.

The Company's long term partnership with the Formula One teams has enabled it to showcase PETRONAS Fluid Technology Solutions. This is where the 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 international standard fuel, lubricants, functional fluids and car care solutions.

The Formula One partnership saw great results in the 2014 season where the MERCEDES AMG PETRONAS Formula One Team won the 2014 FIA Formula One World Constructors' Championship.

PETRONAS Stations

Along with its range of superior products and services available at PETRONAS Stations, PDB is a clear leader in offering customers the holistic experience all under one roof. The PETRONAS stations' signature one-stop-centre convenience concept has proven to be a popular one as it was awarded the Malaysia Reader's Digest Trusted Brand Gold Award™ 2014 in the Petrol Station category.

Lubricants Business Transformation

As part of an overall initiative to grow PDB's Lubricants Business, transformation initiatives have been implemented to address key areas of Route to Market for the high-street indirect business in Peninsular Malaysia and deployment of Sales Teams managing Direct Key Accounts to their respective regions. This has enhanced the reach and improved our level of customer service to customers and consumers alike.

The transformation journey continues with the initiation and implementation of 'Project LIFE' which focuses on consolidating the indirect and direct lubricants businesses of PDB into a single entity to garner synergies to achieve an improved speed to market, focused execution and talent development.

Meeting the demand

LPG Flexspeed System at Prai LPG Terminal
Upon completion of the PDB's first LPG Flexspeed system at Melaka LPG Terminal in 2013, SDD has extended the initiative to Prai LPG Terminal to cater for the increasing market demand from the Northern Peninsular of Malaysia. The project is expected to improve LPG cylinders production with the capacity to produce 3600 cylinders per hour. The project is expected to be completed and will be in operations by second half of 2015.

New LPG Mounded Bullet Tank at Sepangar Bay

The Supply and Distribution's Facilities Engineering Department has started the construction of additional 1,000MT LPG mounded Bullet Tank in addition to the existing 1,000MT LPG tanks at Sepangar Bay in 2013 to cater to the increasing demand for PETRONAS LPG within Sabah Region. The construction of the new storage facility was commissioned in Q4 2014. The additional storage capability will be able to support LPG business growth within the region beyond year 2030.

Underground fuel Hydrant Pipeline

To support the growth of Low Cost Carrier (LCC) segment in the evolving aviation industry, an additional 13km underground pipelines equipped with Distributed Control System (DCS) to provide fuel supply to KLIA2 was successfully constructed and commissioned by SDD as the Project Management Team (PMT) on 18 April 2014.

FMD Hauler Forum 2014

PDB organised the third FMD Hauler Forum 2014 from 21 January to 23 January 2014, aimed at promoting awareness on fleet management operational safety. The effort was meant to provide a platform for PDB's haulers, who are also known as Aspiring Professional Haulers (APH) to interact and share ideas amongst themselves and FMD on fleet management matters, especially on HSE working environment that relate to fleet management operations.

FMDrive 2014

FMDrive 2014 was organised successfully in June 2014. The main objectives for the FMDrive 2014 was to advocate a safety culture amongst Rakan Khidmat Penghantar (RKPs). PDB's fuel and LPG tanker drivers underwent rigorous training to ensure that they kept themselves, the public and road tankers safe as they travelled day and night to deliver our products to customers.

Due to the high number of deliveries made by rigid road tankers in the Sabah/Sarawak region, this year's competition was divided into two categories with the introduction of rigid road tanker in addition to the semi-articulated road tankers. To ensure that as many RKP participated in the programme, each APH had conducted their own internal FMDrive to select the winner to represent them at this event. FMDrive is one of the platforms for RKP to test their driving skills as well as providing friendly competition amongst the APH.

Journey Management and Road Accident Preventive Programmes

Another effort to ensure operational safety, we introduced the Global Positioning System (GPS) and Route Hazard Mapping (RHM). The objective of this initiative was to monitor the movement of all pallet lorry by establishing a safe route journey and allowable speed limit.

Defensive Driving Course (DDC)

An accident or even a near miss usually represents a loss of control or lapse in driving skill. In order to minimise this risk, PDB has conducted DDC for 301 LPG pallet/cargo lorry drivers throughout 2014.

The programmes were developed covering every critical aspects of driving attitude, awareness and driving skills which can improve the defensive driving technique for LPG pallet/cargo lorry drivers. This training is compulsory to be attended by all LPG pallet/cargo lorry drivers on an annual basis.

Dealer convention and appreciation night

As a form of appreciation to LPG Channel Members, LPG Business successfully held its annual LPG Dealers Convention and Award Night to recognise Gas PETRONAS Channel Members achievement from 24 to 25 June 2014. This initiative will continue to be an important approach by the Business in the coming years to ensure collective commitment from LPG Channel Members to realise our aspiration "Towards Superior Performance and Strong Compliance Culture".

Launching of New Dealer Store

The year also saw the unveiling of new LPG Dealer premise, PCI Gas Trading Sdn Bhd at Bukit Kemuning, Shah Alam on 1 June 2014. The opening of the new premise which adhered to stringent HSE standards, is in line with the business strategy to enhance its network infrastructure to cover the new housing areas in Bukit Kemuning and Alam Impian, within the Shah Alam vicinity.

LPG Industry Workshop

On 26 November 2014, the Business together with other LPG industry players achieved a significant milestone by successfully conducting an inaugural industry workshop with the Ketua Setiausaha (KSU) of Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan (KPDNKK) together with delegates from Ministry of Finance (MOF) and Economic Planning Unit (EPU) at Cyberjaya. The workshop enabled effective two way engagement between industry players and authorities to address LPG industry matters, and discuss on resolution and way forward.

Learn and Play Experience

In terms of promoting mutually beneficial business partnerships with customers, Commercial Business continues to carry out a series of Customer Relation Management (CRM) activities. A fundamental agenda was to inculcate knowledge and educational programme of which an event was held at Kidzania for our Central region customers in September 2014.

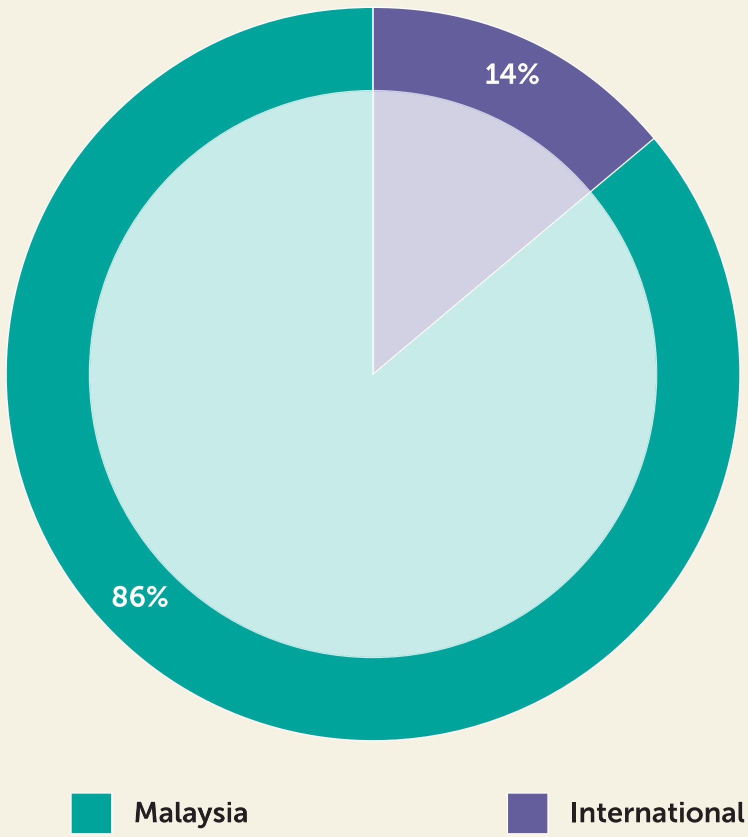
Apart from educational purposes, it is also aimed at strengthening business partnerships with key customers as well as a gesture of appreciation for their significant contribution over the years with Commercial Business.

STRENGTHENING
FUNDAMENTALS

WORKPLACE

PDB remains committed towards promoting diversity and equality among the workforce. The Company sees this element as an asset to the organisation as building a diverse and inclusive workforce will result in improved service to our customers and returns for our shareholders.

Employment Diversity



Our Workforce

PDB Diversity & Equality

Total staff, Malaysia and International Operations

PDB remains committed towards promoting diversity and equality among its workforce. The Company sees this element as an asset to the organisation as building a diverse and inclusive workforce will result in improved service to our customers and returns for our shareholders.

PDB's bench strength consists of 87% Malaysians while the remaining 13% are made up of employees from various nationalities, including Vietnam, Thailand and the Philippines.

Malaysia	International	Total Staff
1,491	247	1,738

Ratio Female and Male

PDB comprises a high percentage of permanent staff, of which 71% are male employees while 29% are female staff.

Turnover

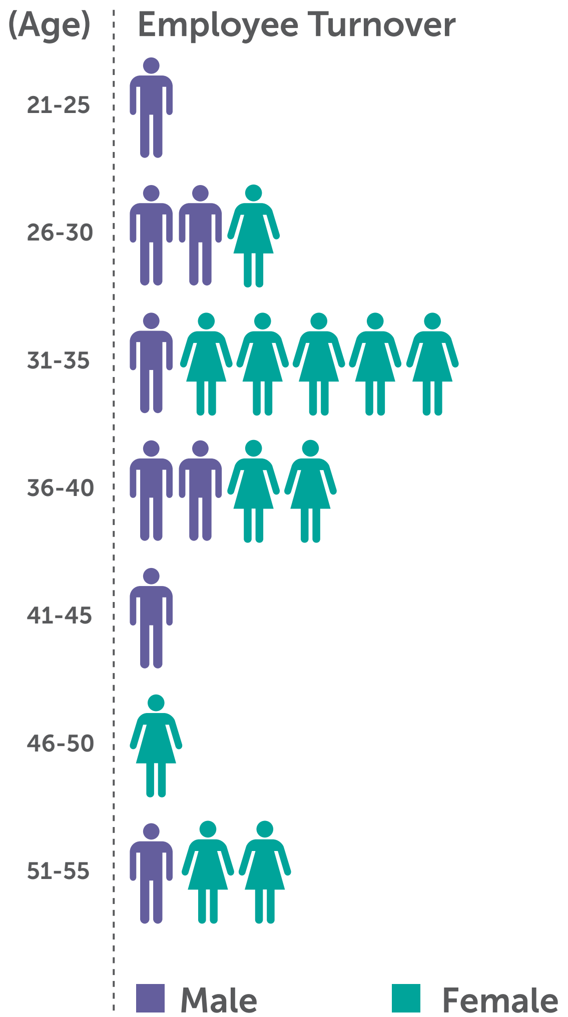
Number of resignations, employee turnover and age group.

Employee-turnover is generally an ongoing challenge in all companies.

At PDB, we are aware of the general factors that contributes to retention which includes organisational commitment, motivational factors and compensation, hence continuous efforts are in place to progressively improve the retention rate to ensure that we are at par with other players in the industry.

PDB strives to enhance talent attraction, engagement and retention strategies.

To engage our employees, PDB has invested in talent management strategies which provide learning and development programmes to up-skill employees and help staff to create meaningful career growth plans that also gives them an ongoing sense of purpose in the Company.



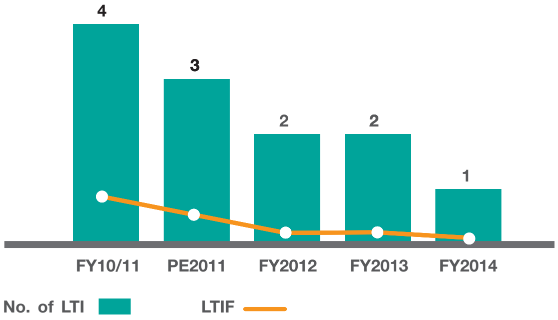
Safety at Workplace

Safety Performance

As we continue to operate our business within stringent safety and health requirements, we are also reducing our risks to a level as low as reasonably practicable to achieve excellent safety and health performance. In 2014, we recorded significant reductions in the following indicators, compared to the corresponding period last year:

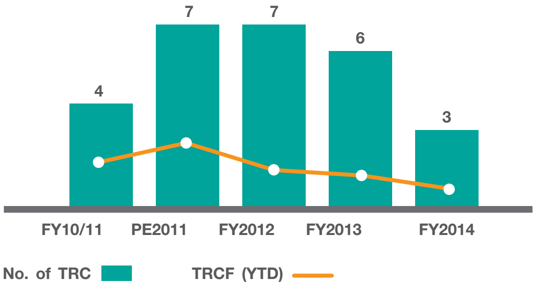
- Lost Time Injury Frequency (LTIF) by 45%

NO. OF CASES PER ONE MILLION MANHOURS



• Total Recordable Cases Frequency (TRCF) by 41%

NO. OF CASES PER ONE MILLION MANHOURS



These achievements were the result of numerous safety and health campaigns organised at Divisional level and attended by staff from Northern, Southern, Eastern, Central, Sabah and Sarawak Region.

Notwithstanding this, we recorded three (3) Major LOPC and one (1) Major Fire incidents as compared to one (1) Major LOPC incidents and one (1) Major Fire incidents in the corresponding period last year. Risk mitigation measures are also ongoing to address the identified gaps i.e. ageing facilities and assets integrity.

A total of four (4) transportation incidents were recorded during the year under review, a tremendous improvement as compared to 11 incidents in the corresponding period last year. As part of the continuous compliance to Incident Management requirements and minimising incident re-occurrence, HSE Alert and Lessons Learnt of all major incidents have been promulgated to PDB Management and staff via email blast.

Transportation Safety

Number of Transport Accident	FY10/11	PE2011	FY2012	FY2013	FY2014
Recordable	11	20	15	11	3
Non-Recordable	31	19	17	20	13

One of the greater risks faced by the workforce is related to transportation of our products to customers. We managed the risk through Fleet Management Department Management System (FMDMS) and mitigated this risk accordingly. We track and monitor transportation safety performance such as total vehicle accident rate, severe vehicle accident rate including accidents that resulted in death, injury, spills and rollover.

Healthy Workforce

We strive to create and maintain a safe and healthy workforce. We believe that a healthy workforce is fundamental towards becoming a productive workforce. Our programmes involve identifying the occupational risk and exposures to the staff at our facilities.

PDB Medical Committee

PDB Medical Committee was established on 29 April 2014. The purpose of the establishment is to facilitate the process of managing staff with medical conditions and to execute the implementation of substance misuse policy.

To further strengthen the Medical Committee establishment, a Service Level Agreement on managing staff with medical conditions was established. A series of programmes was implemented such as Random Testing on Substance Abuse and e-assistance to staff with medical conditions was also provided.

The Committee members comprised of HSE, HRM and selected managers from regional offices.

PDB Management Wellness Programme

In the effort to inculcate a healthy working culture, HSE Department (HSED) organised the PDB Management Wellness Programme. The programme saw participation from 25 staff from PDB Management, including all Management Committee Members.

The objective of this programme was to promote awareness among PDB Management on total well-being comprising health, fitness and stress level.

Blood Donation Drive and HSE Talks

In collaboration with Group HSE Division (GHSED), Pusat Darah Negara and Pusat Perubatan Universiti Malaya, PDB organised two (2) Blood Donation Drives on 19 March and 25 November 2014 as part of its initiative to promote a HSE Culture in PETRONAS. The response was overwhelming as staff from various Units voluntarily participated in the drive. In addition, free health screening and medical advice were also provided by staff from Gleneagles with regards to the basic health check-up.

HSE Talks were conducted to enhance awareness of staff on the topics addressed.

Management of Fatigue

In view of shift work at Aviation Terminals, PDB conducted Management of Fatigue Awareness Programme particularly for Aviation Operators. The aim of this programme is to provide understanding on issues related to fatigue and guidelines on prevention, management and mitigation of fatigue in the workplace. Proper fatigue management at the workplace reduces risks of accidents, injury and illness caused by performance impairment caused by fatigue.

Fitness to Work

PDB Fitness-to-Work Procedure aims to ensure all employees working at the facilities are medically fit for their jobs; and to reduce risks of injury and illness caused by mismatch of physical and mental fitness to job demands. The types of Fitness-to-Work assessments include pre-employment, pre-placement, job specific and for cause health assessment.

Classification, Labelling and Safety Data Sheet of Hazardous Chemicals (CLASS) Awareness Session

In view of the newly-gazetted Occupational Safety & Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013 in October 2013 and the issuance of Industry Code of Practice on Chemical Classification and Hazard Communication in April 2014, HSED had conducted a series of Awareness Sessions at regional level. In PDB's preparedness to comply with this Regulation which is scheduled to be enforced on 16 April 2015 onwards, the Awareness Sessions were focused on educating PDB staff on the requirements of the Regulation as well as to share on PDB's implementation plan.

Staff Engagement

PDB Building Trust & Accountability: Hearts & Minds Culture Survey

We believe that a strong safety culture requires the ownership and participation of employees and management alike, in both health and safety processes. In December 2014, we included HSE into our company-wide employee performance culture tracking survey, with the aim of assessing the extent of integration of HSE values in PDB's working culture.

The HSE Culture Survey featured questions, on safety as a priority, safety awareness, learning culture and competence. As the first survey of its kind in PDB, the HSE Culture Survey will form our baseline for future HSE culture programmes. Gaps identified through this survey will be addressed through the development of specific interventions.

For example, training modules covering all aspects of HSE have been developed for employees at various levels to address the comparatively lower levels of employee satisfaction relating to HSE training. As we expand our operations globally, we recognise that employee participation is vital in ensuring the success of our HSE programmes.

HR & You and Managing Industrial Relations

PDB recognises the importance of industrial relations in ensuring industrial harmony and a conducive working environment within PDB. In strengthening industrial relations at the workplace, a series of people engagement and communication such as HR & You Day and Managing Industrial Relations at the Workplace programmes were executed to provide awareness and ensure consistent understanding on the development of new HR policies and procedures.

The "Managing Industrial Relations at Workplace" programme was customised to equip the line managers and first line superiors with a comprehensive guideline in managing misconduct at the earliest level. This will help the business lines to curb misbehaviour in the PDB working environment.

The focus of the programme was based on the growing trend in misconduct cases trending in PDB for the past three (3) years i.e. absenteeism, work negligence and integrity issues.

Strengthening the Good Governance Culture

The Company embarked on several programmes to strengthen its governance framework and culture. By instilling the culture of professional conduct that is free from corruption, the Company is committed in ensuring that PDB's business is conducted with transparency and accountability to avoid conflicts of interest, abuses of power and misconduct.

To inculcate a culture of high integrity within PDB, the management has agreed to adopt the PETRONAS Anti-Bribery and Corruption Policy & Guidelines (ABC Manual) which came into effect on 1 December 2013. One of the programmes introduced by HR in supporting the new policy is an upskilling programme i.e. Managing Industrial Relations at the workplace. From the four (4) sessions conducted, HR has equipped 49 line managers & superintendents of Supply and Distribution Division with the appropriate knowledge of relevant HR processes and procedures in managing Industrial Relations matters and their subordinates grievance at workplace.

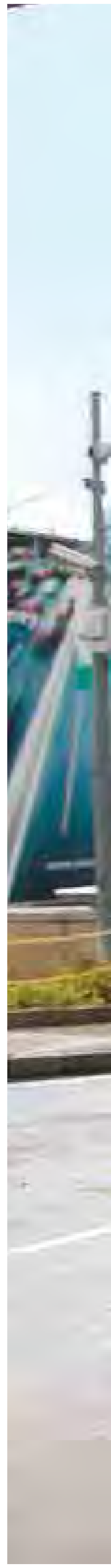
HR also has collaborated with PETRONAS Corporate Integrity Office in conducting a special talk on Integrity Awareness to the employees of PDB. The purpose of the talk is to promote strong ownership and accountability of compliance and ethics at all levels. The Integrity Awareness Talk was conducted during PDB HR & You Day at various locations at the region i.e. Kota Kinabalu, Johor Bahru, Kerteh and Prai.

In ensuring a conducive workplace, the Substance Misuse Policy was announced in 2014 as substance misuse will impair employees' work performance and the safety of one's self and others, which can be a threat to health, safety and environment. The policy states that any unauthorised consumption, possession, distribution, purchase or sale of any Substance of Misuse, or being under the influence of any such Substance of Misuse either within its premises, or while performing work and/or business on behalf of PETRONAS, is prohibited.

PDB Executives Action Team (PDBeat)

In 2014, PDB had established its own Young Executives club, named PDB Executives Action Team which provides platform for young executives to design and lead projects that will result in clear business benefits or desired organizational cultural improvements. This allows for the young executives to sharpen their leadership skills.

The projects that were held in 2014 cover three key areas namely education, sports and recreational, and social events. Amongst the projects conducted were the Leadership Build, Own, Learn and Delivery (BOLD) Talk Series, #like2savefor PETRONAS PRIMAX 95 Staff Activation, Lube Can You Do It Challenge?, visit to 3M Innovation Centre and PETRONAS PRIMAX 95 Missions for PETRONAS PRIMAX Race.



PRIMAX Race

PDB, in collaboration with Kelab Sukan dan Rekreasi PETRONAS (KSRP), conducted the PETRONAS PRIMAX Race which was aimed at introducing the New PETRONAS PRIMAX 95 with Advanced Energy Formula to PETRONAS staff. A total of 130 cars and 500 staff participated in the race which was conducted at three locations – Kuala Lumpur, Kerteh and Bintulu.


ETRONAS
et Smart
NS FOR LIFE

COMMUNITY

In continuing our growth journey in the years ahead, we remain fully committed towards incorporating sustainable and responsible practices to achieve greater success.

Since its inception in 1982, PDB has enjoyed a strong growth in its business and operations, reaching out to millions of motorists and their families. In continuing our growth journey in the years ahead, we remain fully committed towards incorporating sustainable and responsible practices to achieve greater success.

Even as the Company focuses on its ambitious targets and dynamic growth plan, corporate responsibility and community engagement will always remain an integral part of PDB's success story.

Water for Life Programme

The 'Water for Life' programme, initiated in partnership with the Malaysian Nature Society (MNS), emphasises the importance of conserving water for the future and seeks to remind the public that the sustainable use of water can only happen if communities and individuals come together to conserve this precious resource.

As such, the "Water for Life" programme was designed as a sustainable and grassroots-based outreach initiative.

The 'Water for Life' activities in 2014 have helped over 500 families by providing them with clean water supply through the installation of appropriate equipment to ensure they receive continuous flow of this basic necessity.

This year, the first phase of the 'Water for Life' campaign was organised at Kampung Pridan, Serian, Kuching while the second phase was conducted at Rancangan Pemulihan Tanah (RPT) Jelawang, Dabong, Kelantan.

In each of the phases, approximately 40 PDB staff and dealers worked hand-in-hand with several MNS officers to install a total of 16 water tanks with proper piping systems at Kampung Pridan and RPT Jelawang. This initiative facilitated the provision of clean and uninterrupted water supply to over 1,600 residents from more than 500 families.

PETRONAS Coffee Break Campaign

PETRONAS Coffee Break Campaign, currently in its 15th year running, is aimed at promoting road safety throughout its 39 PETRONAS Stations located along major highways and trunk roads nationwide during festive seasons.

During the campaign, road-farers were treated to free coffee and snacks to keep them alert during their *balik kampung* journey. This year, the Company introduced the Coffee Break to-go pack which included a can of coffee and snacks packaged in an attractive festive-themed pouch.

PDB also fuelled 50 St John Ambulance Malaysia's vehicles for their 24-hour highway emergency service during the festive seasons. A total of RM40,000 worth of fuel was contributed to the ambulances on patrol this year.

Flood Relief Efforts

PDB's role in assisting the community extends to times when unexpected disaster strikes. The flood that hit the East Coast in Peninsular Malaysia in December 2014 was a natural disaster that gained immense media attention when it struck and was reported as the worst in the history of the country, having displaced more than 100,000 people. The Company stepped in to assist by contributing RM30,000 worth of petrol and diesel to fuel vehicles transporting aid and power generators in hospitals and relief centres. This initiative was part of the PETRONAS Group's continuous effort and long-term commitment to help communities get back on their feet.

PETRONAS Street Smart Campaign

As part of its road safety campaign, the Company once again partnered with Petrosains in the PETRONAS Street Smart Campaign to inculcate road safety practices amongst school children. This year, the programme engaged more than 1,000 students from 19 schools all over the country in fun and interactive half-day workshops on road safety. The workshops covered science-based activities, general knowledge and road safety tips to educate, share and create awareness amongst students on the importance of being safe on the road, both as pedestrians and as future drivers.

Program Sekolah Angkat Padang Tembak

Our commitment on Corporate Social Responsibility (CSR) continued for the third year, in collaboration with the Department of Occupational Safety and Health, Wilayah Persekutuan Kuala Lumpur (DOSHWPKL). The CSR Mentor-Mentee programme between PDB-DOSHWPKL and SMK Padang Tembak (SMKPT) involved engagement between teachers and students at SMKPT throughout the year under review. Following are the list of programmes conducted:

- *Bengkel Kesedaran Kesihatan dan Keselamatan Pekerjaan*
- 5S Programme at School Laboratories and Workshops
- LPG Safety Awareness
- Chemical Register Development Workshop
- First Aid and Fire Emergency Demonstration by BOMBA and Persatuan Bulan Sabit Merah (PBSM) Kuala Lumpur

In addition, PDB also contributed 20 sets of fire extinguishers, 20 sets of LPG gas regulators for "Bengkel Kemahiran Hidup" and six (6) sets of First Aid Kits together with medical supplies which can cater up to 500 persons at a time. Seeing the significance of HSE communication to students and teachers, a dedicated HSE Corner was created at the school compound to relay current news on HSE at school, as well as safety tips for various activities in school and also emergency evacuation procedures, among others. Based on the recent audit conducted by officers from DOSH WPKL, SMKPT has improved tremendously in terms of HSE awareness and risk management according to ALARP as compared to the audit result in 2012.

Program Jelajah Ramadhan

PDB in collaboration with Radio Television Malaysia (RTM), traveled to orphanages and homes for the elderly and the poor all over the country, meeting with local communities as well as providing essential aid to the needy in their preparations to celebrate *Hari Raya Aidil Fitri*. The programme was fuelled with the New PETRONAS PRIMAX 95 with Advanced Energy Formula sponsored by PDB.

The programme which kicked-off on 29 June-27 July in Sabah, travelled throughout the country organising *buka puasa* and *gotong-royong* events as well as providing donations to families and orphanages. During the month-long journey, the team also stopped at selected PETRONAS Stations located along the routes. At these stations, activities such as *bubur lambuk* and *kurma* distribution as well as quizzes, free gifts and other contributions were carried out. Besides supplying the vehicles that travelled the country with the New PETRONAS PRIMAX 95 with Advanced Energy Formula, Gas PETRONAS were also sponsored.

This community outreach initiative provides a solid platform to bring us closer to our customers and the community during this holy season. This initiative will not only promote harmony and unity but will encourage giving and sharing during Ramadhan.

Sponsorship for *Bubur Lambuk* Cooking Events

To reach out to the community, Gas PETRONAS continued its sponsorship of cooking gas cylinders for cooking events throughout the country during the month of Ramadhan. Some of the prominent events included the *Bubur Lambuk Agong* by Masjid Jamek Kampong Baru, Pertandingan Memasak Bubur Lambuk Menara Kuala Lumpur 2014, Bubur Lambuk Amal Media NSTP and Jelajah Ramadhan RTM 1435H. Other cooking competitions sponsored by Gas PETRONAS were *Pertandingan Memasak bersama Adabi – Berita Harian GP Joran, Karnival Makanan Citarasa Sabah* by the Ministry of Tourism and Culture Malaysia and *Pertandingan Memasak Menu Sihat Peringkat Negeri Kedah*.

Sponsor for Uni-Chef 2014 Healthy Cooking Competition

PDB, through its LPG Business, collaborated with the Nutritional Society of Malaysia (NSM) and Geoflex Malaysia Sdn Bhd as the main sponsor for the 'Uni-Chef 2014 Healthy Cooking Competition". The event was the first ever in its nature and conducted via the online platform, involving more than 200 students from public and private institutions of higher education. Themed "Healthy Eating Lifestyle", the competition was aimed at promoting healthy eating lifestyles among members of society, nurturing young talent in culinary industry and educating safe cooking practices among the public. The recipes submitted were then evaluated by the nutrition experts from NSM based on the theme "healthy eating" and voted by the public via *try-masak* online portal. The prize giving ceremony was officiated by Celebrity Chef Dato' Chef Wan and Deputy Education Minister II, YB. P. Kamalanathan.

Safety Talk with LPG Commercial Customers

As an initiative to enhance LPG's commercial customers' understanding and knowledge in managing LPG bulk facilities, a series of nine (9) programmes on LPG product knowledge and safe handling of LPG were conducted at Central, Southern and Eastern Regions with participation from organisations of various industries.

PETRONAS@School

Discover PETRONAS@School was conducted by East 1 region at Sekolah Menengah Sains Tengku Mohamad Faris Petra to promote PETRONAS Education Sponsorship Programme (PESP) and careers in Oil and Gas, amongst students.

ENVIRONMENT

We manage the environmental impact of our operations and projects through our HSE Management System. At PDB, environment indicators are managed through performance management and reported on a monthly basis at company level in the iHSE system.

Environment Management

Environmental Management System-ISO 14001 Certification

PDB is committed in managing the business' environmental impact for the benefit of future generations and business sustainability. This is proven with the certification of ISO 14001 to the PDB Senai Aviation Terminal. The certification benefits the Company as it will reduce costs and improve efficiency within terminal operations.

Environment Risk Assessment

Environment Aspect Impact Assessment (EAIA)

We conducted the Environment Aspect Impact Assessment (EAIA), to identify the environmental aspects of all activities in our operations. The assessment determines the significant environmental impact based on the Environmental Risks quantification and Impact Significance evaluation. Activities that have been identified as significant needs to be addressed in the HEMP initial Risks Assessment for mitigation measures.

Environmental Site Assessment

We recognised that management of soil contamination can be costly and we recommend that in all cases, it is preferable to avoid contamination in the first place. Wherever possible, preventive engineering techniques and technologies should be adopted to eliminate or reduce the occurrence of contamination.

The Environmental Site Assessment was conducted to evaluate risks to the environment with regards to land contamination issues, which translates to potential liability to the company. The environmental site assessment forms the basis for evaluating the risks of potential land contamination. In addition, other means of managing the contamination risks, include risk assessment modelling. Should the risk assessed be deemed unacceptable, remedial action may be included as part of the overall risk management process.

PDB had conducted PETRONAS Site Risk Assessments (PESRA) at 20 stations. It is a desktop assessment with the main objective to rank soil contamination risk at stations. Detailed Environment Site Assessments were conducted at seven (7) high risk stations to assess the actual soil and groundwater contamination at site.

Climate Change

The Challenge

As the demand of energy is growing tremendously, realising Greenhouse Gas (GHG) emissions reduction will be very challenging. Low-carbon technology is very costly, and this will over time, substantially increase product cost.

GHG emissions in PDB varies due to our diversified activities and assets. Our performance management was done through our Environment Performance Reporting and reported in PETRONAS iHSE system.

Biodiesel Implementation in Sabah and Sarawak

Subsequent to the Government's direction to promote the use of renewable energy and to reduce national dependency on fossil fuel as well as to foster the palm oil agricultural industry, the implementation of Biodiesel initiative had been extended to East Malaysia. Following this directive, the Company completed the Biodiesel facilities in Sepangar Bay, Sandakan, Labuan and Miri Fuel Terminals in 2014.

ACCOUNTA


BILITY

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of PETRONAS Dagangan Berhad ("PDB" or "the Company") believes that good Corporate Governance is not a mere statement of compliance but it is an indication of commitment to achieve the highest standards of professionalism and business ethics across PDB's activities. The Board acknowledges that it is a form of self-regulation which is aimed at enhancing business propositions and maximising shareholders' value.

The Board is committed to achieve and apply the best practices in Corporate Governance as promoted by the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") in carrying out its duties and responsibilities.

EFFECTIVE BOARD OF DIRECTORS

PDB 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 and technical. The wide spectrum of skills, experiences and diversity in terms of gender, ethnicity and age has given an added strength in terms of leadership and management.

The Board comprises eight (8) members, one (1) of whom holds an Executive Office, having a dual role as Managing Director as well as Chief Executive Officer. There are three (3) members who are independent and non-executive and four (4) other non-independent and non-executive members, including the Chairman.

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

Executive Director (also the Managing Director/ Chief Executive Officer)	1 out of 8 (12.5%)
Independent Non-Executive Directors	3 out of 8 (37.5%)
Non-Independent Non-Executive Directors (including Chairman)	4 out of 8 (50.0%)

The current composition of the Board is in compliance with Paragraph 15.02 of the MMLR 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 044 to 051. The Board is of the opinion that its current composition and size constitute an effective Board for the Company.

Roles and Responsibilities of the Board

The Board practices 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 plan 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, to incorporate updates and enhancements to the existing rules and regulations as and when necessary. The Board Charter is accessible to the public for reference on PDB's official website. The Board Charter is published on pages 160 to 162 of this Annual Report.

The Board further acknowledges its role in establishing a corporate culture comprising ethical conduct within the Group. The Board has adopted and is guided by the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") 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 the 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 PDB is currently a Non-Independent Non-Executive Director. This is premised on PDB's synergistic business and operational integration with the PETRONAS Group of Companies. PDB 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 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 and safeguards 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 MMLR. For the financial year under review, the Independent Non-Executive Directors have reaffirmed their independence based on the criteria of Independent Directors adopted by PDB.

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 who was appointed as the Senior Independent Non-Executive Director on 25 June 2012 has since retired at the last AGM after serving PDB for more than 9 years. The Board has, on 12 February 2015, appointed Mr Lim Beng Choon as the Senior Independent Non-Executive Director in place of Dato' Dr R Thillainathan.

Mr Lim Beng Choon has fulfilled the criteria under the definition of Independent Director pursuant to the MMLR:

- 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 PDB; and
- he has exercised due care in the interest of PDB and shareholders during his tenure as Independent Non-Executive Director of PDB.

PDB believes that individuals on the Board with diverse backgrounds improve Board functioning and decision making process. Harnessing strength from a variety backgrounds, experience and perspectives allows the Board to bring diverse perspective in its deliberations. Currently, the Board comprises two (2) female Directors, representing 25% of the Board's composition.

The Board has, via the Nomination and Remuneration 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 MMLR, none of the member 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

In accordance with Article 93 of the Articles of Association of the Company, at every Annual General Meeting ("AGM"), one-third of the Directors shall retire from office by rotation and may offer themselves for re-election. The Articles of Association also provide that all Directors are subject to retirement by rotation at least once in every three (3) years and shall be eligible for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the first AGM held following their appointments.

Datuk Wan Zulkiflee bin Wan Ariffin 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-Third (33rd) Annual General Meeting.

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 the Management, advice and services of the Company Secretaries and where independent professional advice is required, external independent experts are engaged at the Group's expense to facilitate their decision making.

Board Meetings

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

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

During the financial year under review, the Board met five (5) 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	4 out of 5 (80%)
2	Mohd Ibrahimnuddin bin Mohd Yunus (MD/CEO) (appointed on 1 February 2014)	5 out of 5 (100%)
3	Vimala A/P V R Menon	5 out of 5 (100%)
4	Lim Beng Choon	5 out of 5 (100%)
5	Nuraini binti Ismail	5 out of 5 (100%)
6	Mohd Farid bin Mohd Adnan	5 out of 5 (100%)
7	Datuk Anuar bin Ahmad (appointed on 1 August 2014)	3 out of 3 (100%)
8	Erwin Miranda Elechicon (appointed on 1 August 2014)	3 out of 3 (100%)
9	Aminul Rashid bin Mohd Zamzam (MD/CEO) (resigned on 1 February 2014)	–
10	Dato' Dr R Thillainathan (retired on 16 April 2014)	1 out of 1 (100%)

Directors' Training

In compliance with the MMLR, all members of the Board for the financial year under review have completed the required mandatory accreditation training programme.

Furthermore, 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 MMLR, 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.

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 2014 are as follows:

Corporate Governance	• Board Dynamics and Governance • Customised Advocacy Session for Directors • 2014 Audit Committee Conference on Stepping Up For Better • Downstream Operational Excellence Forum • Mandatory Accreditation Programme
Oil and Gas Business	• Offshore Technology Conference, Kuala Lumpur • Aviation Industry Outlook presented by representative from Center of Aviation, organised by PDB • Japan Petrochemical Industry Association and Japan Chemical Industry Association Talk • Site visit at Sepangar Bay, Kota Kinabalu, Sabah
Economics, Finance, Capital Market and Exchange	• Directors' Training on Goods and Services Tax (GST), organised by PDB • Directors Breakfast Series: Great Companies Deserve Great Boards

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.

The Directors' fees and meeting allowances for certain Non-Independent Non-Executive Directors who are also employees of PETRONAS and holding positions of Vice President and above are paid directly to PETRONAS. The presence and participation of the Non-Independent Non-Executive Directors who are employees of PETRONAS give the Board a deeper insight into PETRONAS' operations.

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)	Nomination and Remuneration Committee Meeting Attendance Fees^ (RM)	AGM (RM)	Others** (RM)	Total (RM)
Datuk Wan Zulkiflee bin Wan Ariffin	108,000	16,000	Nil	Nil	Nil	Nil	4,000	Nil	128,000*
Mohd Ibrahimnuddin bin Mohd Yunus (appointed on 1 February 2014)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dato' Dr R Thillainathan (Retired on 16 April 2014)	24,000	3,000	2,000	2,000	3,000	Nil	3,000	6,000	43,000
Vimala A/P V R Menon	72,000	15,000	12,000	2,000	Nil	Nil	3,000	6,000	110,000
Lim Beng Choon	72,000	15,000	8,000	3,000	2,000	3,000	3,000	3,000	109,000
Nuraini binti Ismail	72,000	15,000	8,000	Nil	Nil	Nil	3,000	Nil	98,000*
Mohd Farid bin Mohd Adnan	72,000	15,000	Nil	2,000	2,000	2,000	3,000	Nil	96,000*
Datuk Anuar bin Ahmad (appointed on 1 August 2014)	30,000	9,000	Nil	Nil	Nil	Nil	Nil	Nil	39,000
Erwin Miranda Elechicon (appointed on 1 August 2014)	30,000	9,000	Nil	Nil	Nil	2,000	Nil	Nil	41,000
Aminul Rashid bin Mohd Zamzam (resigned on 1 February 2014)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	**480,000**	**97,000**	**30,000**	**9,000**	**7,000**	**7,000**	**19,000**	**15,000**	**664,000**

* Fees paid and payable to PETRONAS

** Others includes petrol/fleet card.

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

The remuneration structure of Non-Executive Directors of the Company is as follows:

- Fees for duties as Director and additional fees for undertaking responsibilities as Chairman of the Board.
- Meeting allowance for each meeting attended.

The fees for Non-Executive Directors are determined by the Board and subject to the approval of the shareholders of the Company at the AGM. Meeting allowance for all the Non-Executive Directors are determined by the Board.

The Managing Director/Chief Executive Officer is an employee of PETRONAS who is seconded to the Company. In consideration for the service, PDB 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, PDB paid RM735,600 as management fee.

Management staff and executives of PDB have also been seconded from PETRONAS. Their training and succession planning are aligned to the PETRONAS' Human Resources Policies and Strategies. The Board ensures that only appropriate personnel with the relevant skills and experiences are appointed to Management positions of PDB.

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

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. The Chairman informs on the availability of poll voting by shareholders on matters raised during the AGM.

Other mediums of communication between PDB and shareholders and/or investors are detailed out in the Investor Relations Report from pages 073 to 076.

Disclosures

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

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

While PDB 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 via Bursa Malaysia. This guide is based on the requirements set out in the MMLR.

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 particular issues and report to the Board their recommendations on the issues. The ultimate responsibility for the final decision lies with the Board.

Board Audit Committee

The Board Audit Committee is formed to operate within the clearly defined terms of reference as stated in pages 167 to 168 of the Annual Report. The Audit Committee comprises two (2) 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 PDB 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.

Furthermore, in accordance with prescribed best practices of Corporate Governance, the Board hereby presents a summary of key activities of the Audit Committee in pages 164 to 165 of the Annual Report to the shareholders.

Nomination and Remuneration Committee

The Nomination Committee and Remuneration Committee have been amalgamated into a single committee and is now known as Nomination and Remuneration Committee ("NRC") with effect from 7 August 2014.

The NRC ensures that the Board comprises members with relevant expertise and experiences drawn from business, financial and technical. The wide spectrum of skills, experiences and diversity in terms of gender, ethnicity and age has added strength in terms of leadership and management.

Furthermore, in accordance with prescribed best practices of Corporate Governance, the Board hereby presents key activities of the Nomination and Remuneration Committee in pages 172 to 173 of the Annual Report to the shareholders.

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 the 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 MMLR.

The Statement of Directors' Responsibilities is enclosed on page 169 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 155 to 159 of the Annual Report.

3. Relationship with the External Auditors

The external auditors from Messrs. KPMG have continued to report to shareholders of PDB 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.

A summary of the activities of the Audit Committee during the year, including the evaluation of independent audit process, are set out in the Audit Committee Report on pages 163 to 166 of the Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 12 February 2015.

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 PDB for the financial year ended 31 December 2014 was RM340,000 (RM217,000 for the financial year ended 31 December 2013).

SANCTIONS AND/OR PENALTIES

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

MATERIAL CONTRACTS

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") which requires the listed issuer to publish in its Annual Report a statement about the state of internal control of the listed issuer as a Group. In addition, principle 6 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") requires public listed companies to establish a sound risk management framework and internal control system to safeguard shareholders' investments and company's assets.

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") although observance to MCCG 2012 is voluntary. In compliance with the MMLR 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. In evaluating the effectiveness of the risk oversight and internal control, the Board considers the business risks that may have impact or are likely to have impact the Group's achievement of its objectives and strategies. The Board also assesses the effectiveness of the risk management and internal control through the Board Audit Committee where presentation on the risk management was deliberated on a quarterly basis.

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 mitigate, 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 MMLR.

MANAGEMENT ROLE

The Management acknowledged that they are responsible and accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. On a quarterly basis, 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 financial material losses incurred during the financial year under review as a result of weaknesses of internal control. The Management will continue to take measures to strengthen the Group's control environment.

RISK MANAGEMENT

The Group has established risk management practices to safeguard its 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 PDB's various stakeholders.

The Group 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. The Group has also implemented the Enterprise Risk Management ("ERM") processes to identify, assess, monitor, report and mitigate risks impacting its business and supporting activities.

The main components of the Group'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 the Group. The Board's role includes approving the Group's critical risks 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.

For PDB, the Board is assisted by the Audit Committee which provides advice to the Board on risk matters. This include, reviewing, endorsing policies and frameworks and other key components of risk management to be implemented within the Company.

The Management oversees the effective implementation of risk policies and guidelines, ERM and institutionalisation of risk management culture within the organisation. The Management through the Risk Management Committee also reviews and monitors periodically the status of the Group's critical risks and their mitigation actions. These are then reported to the Audit Committee and the Board accordingly. In order to support the Risk Management practices, the Group also has in place an appropriate risk operations mechanism covering the areas of system, processes, reporting of risks, knowledge management and assurance activities.

Other risk committees have been established, 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.

During the year under review, PDB established its risk profile based on the ERM concept consisting of several critical risks. The likelihood and impact of the risks have been assessed and evaluated against the PDB's risk appetite and tolerance level while appropriate key risk indicators and mitigation actions have been identified for the risks. The status of the critical risks and mitigations actions are then reported to the PDB Risk Management Committee, the Audit Committee and Board for their deliberation and guidance on a quarterly basis. Risk Assessments were also conducted on investment proposals to support decision making by the Management and Board.

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

- Participated in Business Continuity Management ("BCM") exercise to test the resumption of alternate Critical Business Function ("CBF") staff at Alternate Worksites ("AWS");
- Conducted simulation exercises to test the level of preparedness of the Crisis Management Team ("CMT") during a crisis situation;
- Conducted simulation exercises on the unavailability of the key critical systems which aimed to test the robustness of the Disaster Recovery ("DR") plans;
- Improved the credit risk decision process by adopting the enhanced PETRONAS Credit Risk Rating System ("PCRRS");
- Enhanced the IT Project Management Quality Assurance & Framework Compliance by implementing Project Governance Checklist ("PGC");
- Embarked on the Hazard and Effect Management Process ("HEMP") as one of the risk assessment tools to ensure a consistent approach to risk management and continuous risk reduction;
- Conducted HSE Assurance activities at all the seven regions within PDB's organisation to ensure HSE practices are in place;
- Collaborated with the PETRONAS Downstream Operation Division ("DOD") to review HSE practices and controls at selected Fuel and Aviation Terminals and PETRONAS Retail Stations; and

- Conducted ERM Compliance Assessment ("ECA") exercise and adoption of PETRONAS Credit Risk Guidelines by PDB International Subsidiaries to ensure alignment and consistency of risk management practices.

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

INTERNAL AUDIT

Internal audits are undertaken to provide independent assessments on the Group's internal control systems to evaluate potential risks exposure across key business processes and ensure 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 the PDB Internal Audit Department ("IAD"), which was established on 1 April 2011 with a direct reporting line to the Audit Committee which is in line with the recommendation of principle 6.2 of the MCCG 2012. A key objective of the 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 also put in place 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 which is designed to manage and reduce rather than eliminate risks that will hinder the Group from achieving its goals and objectives 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;

- Budgeting and forecasting exercise are conducted annually which include 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 PETRONAS Corporate Financial Policy which represents PETRONAS' governing principles and policies in the practice of financial risk management in financial management serves as a tool for the Group to manage its finance risks exposure;
- 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 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 for proper measures to be undertaken in a given set of circumstances. The policies and procedures are also reviewed on a regular basis to ensure continued relevance and effectiveness;
- The PETRONAS Code of Conduct and Business Ethics ("CoBE") sets out standards of behaviour and ethical conducts within the Group and with external parties as it is 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 while the PETRONAS Anti-Corruption and Bribery Manual was introduced to instil and propagate a culture of integrity and business ethics throughout the Group;
- Implementation of the Malaysian Personal Data Protection Act ("PDPA") to ensure the privacy of data is well-maintained and protected. It regulates the processing and usage of personal data of an employee by the employer for the purpose of protecting the employees' personal data for employment purposes;
- 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 the PDB's minority shareholders.
- Appointed PricewaterhouseCoopers Consulting Services Sdn Bhd ("PwC") to review the Policies and Procedures ("P&P") pertaining to RPT and Recurring Related Party Transactions ("RRPT") in accordance to MMLR and identify improvements to the RPT and RRPT manual;
- 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 Business Continuity Plan ("BCP") capability is aligned to PETRONAS' BCP to manage emergencies at the operational and PDB level, 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 HSE Management System ("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 Financial Control Framework was established 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; and
- Regular self-assessment of internal controls for key processes by respective divisions based on Risk Control Self-Assessment ("RCSA") process. Based on the RCSA findings, the Head of Division will provide assurance on the level of internal controls within their respective areas to PDB's MD/CEO and CFO.

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 12 February 2015.

BOARD CHARTER

1. INTRODUCTION

This Board Charter ("Charter") has been developed to emphasise PETRONAS Dagangan Berhad's ("PDB") Board of Directors' ("the Board") commitment to high standards of corporate governance. It adopts best practices, applicable rules and regulations, processes and procedures to guide the Board in discharging its duties and functions.

In this Charter, a reference to PDB shall, where applicable, include reference to PDB's subsidiaries and PDB's jointly-operated and associated companies.

2. OBJECTIVE

The Charter sets out the roles and responsibilities, membership and operation of the Board. The powers and authorities of the Board are derived from the Articles of Association of PDB ("Articles"), the Companies Act 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and other regulatory guidelines and requirements that are in force.

3. ROLES OF THE BOARD

The Board's primary commitment is to lead and oversee the business of PDB and to ensure that the conduct of PDB operations promotes business sustainability, integrity and complies with the relevant laws, rules and regulations.

3.1 The Board's roles are:-

i. to review, approve and monitor strategic business plans, goals and key policies proposed by the Management to ensure sustainability and optimisation of long-term returns;

ii. to review and approve financial statements;

iii. to identify, continuously assess and manage principal risks affecting PDB and implement an effective system of internal controls, mitigation measures and risk management;

iv) to oversee the conduct and the performance of the Management as well as PDB Business;

v) to ensure that there is an appropriate succession plan for members of the Board and Management; and

vi) to develop and implement an investor relations programme or shareholders' communications policy.

3.2 Chairman

The Chairman is appointed from a member of the Board. The Chairman leads the Board in the conduct of the Board Meetings and is also responsible for the effective performance of the Board.

There is a clear division of roles and responsibilities between the Chairman and the Managing Director/Chief Executive Officer.

3.3 Managing Director/Chief Executive Officer

The Managing Director/Chief Executive Officer is a member of the Board. He is responsible for the overall operations of the business, organisational effectiveness of PDB and the implementation of the strategies, targets and policies set by the Board. He is assisted by the Management Committee in managing the business on the day to day basis, which he consults regularly.

4. BOARD MEMBERSHIP

4.1 Attributes and Composition

The Board ensures that its composition meets the requirements of PDB to achieve efficient decision-making given the broad range of experience, knowledge, qualifications and expertise available. The composition of the Directors shall at all times comply with the MMLR, the Articles and other relevant laws and regulations.

The Board assesses its performance and that of individual Directors on an annual basis. In addition, the Board also assesses the independence of the independent directors and their ability to bring unbiased and objective judgement to the Board's deliberations.

4.2 Board Appointment and Board Succession Planning

The appointment of a new Director is made upon recommendation from the Nomination and Remuneration Committee whose primary responsibilities are to evaluate, assess and recommend candidates for the Board's approval.

All Directors are expected to commit to their responsibility to PDB, including in the exercise of their fiduciary and leadership roles. The Directors shall inform the Chairman before accepting new directorship in any other public listed company.

4.3 Induction and Training for Board Members

Each newly appointed Director is provided with a Director's dossier to serve as an induction literature on PDB's expectations, business and operations. In addition to the mandatory accredited programme, the Board shall assess further training needs of the Directors on an on-going basis.

5. BOARD COMMITTEES

5.1 The Board may from time to time establish Committees as it considers appropriate to assist in carrying out its duties, responsibilities and allow detailed deliberation on specific issues. The Board currently delegates certain functions to the following Committees to assist in the execution of its responsibilities:-

i. Audit Committee; and
ii. Nomination and Remuneration Committee.

5.2 The Committees shall operate under its respective Terms of Reference. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and minutes of the Committee meetings are made available to all Directors.

6. DIRECTORS' REMUNERATION

Directors' remuneration is generally determined at levels which would continue to attract and retain Directors of high calibre and with the required competence. The Board is assisted by the Nomination and Remuneration Committee in assessing and recommending suitable remuneration for the Directors.

7. BOARD PROCESS

7.1 Board Meetings

The Board meets every quarter with additional meetings convened as and when urgent issues and/or important decisions are required to be taken. Notwithstanding the scheduled Board meetings, any Director may, at any time, and the Company Secretary shall, on the requisition of a Director, convene a meeting of Directors. The Management and the external consultants may be invited to attend Board meetings to present or report on matters relating to their areas of responsibility.

All proceedings in Board Meetings are recorded as minutes of the meeting and signed by the Chairman in accordance with the provisions of the Companies Act 1965.

7.2 Financial Reporting/Non-Financial Reporting

The Board is committed to present a fair and balanced evaluation of PDB's financial position, performance and prospects by ensuring that the financial treatment of the accounts of PDB Group is in compliance with the applicable law, regulations and reporting standards.

7.3 Access to Advice

All Directors have access to the advice and services of the Company Secretaries. The Board is entitled to obtain external independent professional advice on matters relating to PDB's business and operations at PDB's expense.

8. PETRONAS CODE OF CONDUCT AND BUSINESS ETHICS

The Board has adopted the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") that seeks to ensure ethical behaviours and conduct by the Directors, all PDB's employees and external parties liaising with PDB. This Board Charter shall be read in conjunction with the CoBE.

9. STAKEHOLDER COMMUNICATION

The Board recognises the importance of effective communications with PDB's shareholders and other stakeholders including the general public. Information on PDB's business activities and financial performance is disseminated timely through announcements to Bursa Malaysia Securities Berhad, postings on PDB's website, press releases, issuance of the Annual Report and where required, press conferences.

10. RISK MANAGEMENT

The Board acknowledges the importance of maintaining a sound system of internal controls and a robust risk management practice to manage financial and health, safety and environment risks, for good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets.

Approved by the Board on 12 February 2015

BOARD AUDIT COMMITTEE REPORT

OVERVIEW

The Board of Directors of PETRONAS Dagangan Berhad is pleased to present the Board Audit Committee ("BAC") Report for the financial year ended 31 December 2014.

COMPOSITION

The Board has on 3 March 1994 established the BAC. The members of the Audit Committee during the financial year comprised the following Directors:

1. Vimala A/P V R Menon *(Chairman)*
   (Independent Non-Executive Director)

2. Dato' Dr R Thillainathan
   (Independent Non-Executive Director)
   (Retired on 16 April 2014)

3. Lim Beng Choon
   (Independent Non-Executive Director)

4. Nuraini Ismail
   (Non-Independent Non-Executive Director)

In compliance with the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and paragraph 15.09 (1)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all three (3) BAC members are Non-Executive Directors including two (2) Independent Directors who fulfill the criteria of independence as defined in the MMLR.

The Chairman of the BAC, Ms. Vimala A/P V R Menon and Puan Nuraini Ismail are both qualified accountants. Ms. Vimala A/P V R Menon is a member of the Malaysian Institute of Accountants and also a Fellow of the Institute of Chartered Accountants in England and Wales whilst Puan Nuraini Ismail is a Fellow member of the Association of Certified Chartered Accountants, United Kingdom. In this regard, the Company is in compliance with paragraph 15.09(c)(i) under the MMLR which requires at least one (1) member of the BAC to be a qualified accountant.

Mr Lim Beng Choon has been appointed as the senior independent director to act as the representative of the Board, to whom any concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

TERMS OF REFERENCE

The Terms of Reference of the BAC as set out on pages 167 to 168 of this Annual Report are consistent with the MMLR and MCCG 2012. All the requirements under the terms of reference are fully complied with.

MEETINGS

During the financial year, the BAC in discharging its duties and functions as an independent entity within the Company, had held four (4) quarterly meetings. By invitation, the Managing Director/ Chief Executive Officer, the Company Secretaries, the Chief Financial Officer, Head of Risk Management, external and internal auditors were invited to attend BAC meetings to appropriately brief and furnish the members of BAC with relevant information and clarification with regards to the relevant items on the agenda.

At the conclusion of each meeting, recommendations are made for the Management to improve the internal controls, procedures and systems of the Company and the Group, where relevant.

The Audit Committee met four (4) times in 2014 and the attendance of the BAC members are as follows:

No.	Name of BAC Members	Total Meetings Attended by BAC Member
1.	Vimala A/P V R Menon (Chairman)	4 out of 4
2.	Dato' Dr R Thillainathan (Retired on 16 April 2014)	1 out of 1
3.	Lim Beng Choon	4 out of 4
4.	Nuraini binti Ismail	4 out of 4

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

Deliberations during the BAC meetings included performance review of the Company, the proposed annual and interim financial reporting to Bursa Malaysia Securities Berhad, the status of open audit findings together with the agreed corrective actions and risk management activities.

All proceedings of BAC meetings are duly recorded in the minutes of each meeting and signed minutes of each BAC meeting are properly kept by the Company Secretary. It is a common practice that the draft BAC minutes are circulated to the Board members prior to the Board meeting subsequent to the BAC meeting. This assists the BAC Chairman to effectively convey to the Board matters deliberated at the BAC meeting. Minutes of the BAC meeting are tabled for confirmation during the next BAC meeting, after which it is distributed to the Board for notation.

SUMMARY OF ACTIVITIES OF THE BAC

The following activities were carried out by the BAC during the financial year ended 31 December 2014:

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 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 due consideration and recommendation to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 19 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 system 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. The review and discussions were conducted with the MD/CEO and the Chief Financial Officer of the Company.

2. Reviewed the quarterly financial results prior to the approval by the Board, to ensure compliance to the MMLR, the applicable financial reporting standards as well as other relevant legal and regulatory requirements. The review and discussion were conducted with MD/CEO and the Chief Financial Officer of the Company.

3. Reviewed the relevant corporate governance and internal controls statements for the annual report in relation to the audited financial statements, prior to the approval by the Board, to ensure that they were prepared and in compliance to MMLR, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements, in particular, the quarterly and year end financial statements.

Corporate Governance

1. Reviewed the impact of relevant regulatory changes and ensured compliance by the Company and the Group.

2. Reviewed the Company's Board Charter.

3. Revised the Limits of Authority manual for the Company.

4. Reviewed the extent of the Company's observance with the recommendations set out under the MCCG 2012 for the purpose of preparing the Corporate Governance Statement and Statement on Risk Management and Internal Control pursuant to the MMLR.

Related Party Transactions ("RPT")/Recurrent Related Party Transactions ("RRPT")

1. Reviewed the policies and procedures relating to RPTs/RRPT and conflicts of interest situations, with the objective of ensuring that all RPTs/RRPTs are carried out on normal commercial terms and are not to the detriment of the Company's minority shareholders.

2. Ensured that the policies and procedures includes methods and processes to identify, evaluate, monitor, report, approve and disclose accurately and completely, in a timely and orderly manner such situations and transactions.

3. Reviewed RPTs/RRPTs for approval or endorsement by the Board to ensure compliance to the Company's policies and procedures on RPT.

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 ("IAD") of the Company.

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

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

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

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

The total costs incurred for the internal audit function of the Company and the Group for the financial year was RM3,058,948.00.

REPORTING TO THE EXCHANGE

The Board Audit Committee is of the view that the Group is not in breach of the MMLR of Bursa Malaysia Securities Berhad ("Bursa Malaysia") that warrants reporting to Bursa Malaysia.

Vimala A/P V R Menon
Chairman
Board Audit Committee

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

CONSTITUTION

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

MEMBERSHIP

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

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

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

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

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

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

  iii. fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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

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

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

MEETING

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

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

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

AUTHORITY

- The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate 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 on the Management's integrity;

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

  l. to review the audit reports;

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

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

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

  p. to consider other topics, as defined.

REPORTING PROCEDURES

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

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company as set out on pages 180 to 252, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the results of its operations and cash flows for the financial period 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 are consistently applied;
- reasonable and prudent judgments and estimates were made;
- the Companies Act 1965 and Malaysian Financial Reporting Standards have been adhered to; 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 retained by the Group and the Company have been properly kept in accordance with the provisions of the said Companies Act 1965.

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 (BCM)

PDB is committed to ensure business resiliency and protect the Company's brand/reputation and stakeholders in the event of emergencies or crises which may disrupt its business operations. As such, PDB has allocated the necessary resources to implement a Business Continuity Management (BCM) programme, based on the PETRONAS BCM Governance Framework, to achieve this objective.

A key element in the BCM programme is the development of PDB's Business Continuity Strategy which is critical to address the threats or risks faced by the Company, in particular in the areas of information and Communication Technology (ICT) Systems, Domestic Petroleum Product Supply and Office Building. The Continuity Strategy consists of the following elements:

a. A Risk Management Plan which identifies the steps to be undertaken in order to reduce the impact of the risk or prevent it from occurring;

b. An Incident Management Plan which outlines the required response to a risk event/incidences while awaiting for full impact assessment; and

c. A Business Continuity Plan (BCP) which contains the responses and strategies that PDB will undertake for critical business functions and the resource requirements to ensure business continuity during a prolonged emergency/crisis situation. The BCP was developed based on an assessment of PDB's key threats and risks and the impact of these elements to the business.

The BCM programme developed is also tested regularly to ensure its robustness and comprehensiveness. The testing also allows PDB to identify areas for improvement and assess the level of preparedness of the Company when faced with emergency or crisis.

During the year, the Company participated/conducted several simulation tests for the Business Continuity Strategy as follows:

a. A simulation exercise was conducted in August 2014 on disruption of product supply crisis for both PETRONAS and PDB which tested the level of preparedness of the PETRONAS and its Business Units (i.e. PDB) Crisis Management Team in managing reputation, media management and communications during a crisis.

b. A simulation exercise was also conducted in the month of September 2014 on the unavailability of PETRONAS Twin Towers as a work site, testing the level of preparedness of its Critical Business Function (CBF) staff to mobilise to alternate work sites and resume business operations.

c. Another simulation exercise on the unavailability of the SAP system was conducted in November 2014 to test the robustness of the Disaster Recovery (DR) plans for its SAP system.

In summary, PDB recognises that the unexpected can and may happen while the effects of these adhoc events may compromise its ability to meet business expectations and commitments. PDB shall hence adopt proactive measures to enhance and implement its BCM programme to ensure its effectiveness to protect the Company as well as safeguard the interest of PDB's stakeholders.

NOMINATION AND REMUNERATION COMMITTEE REPORT

OVERVIEW

The Board of Directors of PETRONAS Dagangan Berhad ("PDB") is pleased to present the Nomination and Remuneration Committee ("NRC") Report for the financial year ended 31 December 2014 in compliance with paragraph 15.08A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

COMPOSITION

The Board established the Nomination Committee ("NC") and Remuneration Committee ("RC") on 16 February 2011. However, on 7 August 2014, the NC and RC was amalgamated into a single committee and is now known as NRC.

The members of the NC and RC during the financial year prior to amalgamation comprised the following Directors:

NC

1. Dato' Dr R Thillainathan *(Chairman)*
   (Retired on 16 April 2014)
   (Independent Non-Executive Director)

2. Lim Beng Choon
   (Independent Non-Executive Director)

3. Mohd Farid Mohd Adnan
   (Non-Independent Non-Executive Director)

RC

1. Lim Beng Choon *(Chairman)*
   (Independent Non-Executive Director)

2. Dato' Dr R Thillainathan
   (Retired on 16 April 2014)
   (Independent Non-Executive Director)

3. Mohd Farid Mohd Adnan
   (Non-Independent Non-Executive Director)

Post amalgamation of the two (2) Committees, the members of the NRC during the financial year under review comprise the following Directors:

NRC

1. Lim Beng Choon *(Chairman)*
   (Appointed as Chairman on 7 August 2014)
   (Independent Non-Executive Director)

2. Erwin Miranda Elechicon
   (Appointed on 7 August 2014)
   (Independent Non-Executive Director)

3. Mohd Farid Mohd Adnan
   (Appointed on 7 August 2014)
   (Non-Independent Non-Executive Director)

The NRC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director which is in compliance with the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and paragraph 15.08A of the MMLR.

TERMS OF REFERENCE

The terms of reference of the NRC as set out on pages 174 to 177 of this Annual Report are aligned with the MMLR and the MCCG 2012.

MEETINGS

During the financial year, the NC and RC in discharging its duties and functions as sub-committees of the Board, held one (1) meeting each prior to the amalgamation and details of attendance of the members are as follows:

No.	NC Members	Number of Meetings Attended
1.	Dato' Dr R Thillainathan *(Chairman)* *(Retired on 16 April 2014)*	1 out of 1
2.	Lim Beng Choon	1 out of 1
3.	Mohd Farid Mohd Adnan	1 out of 1

No.	RC Members	Number of Meetings Attended
1.	Lim Beng Choon *(Chairman)*	1 out of 1
2.	Dato' Dr R Thillainathan *(Retired on 16 April 2014)*	1 out of 1
3.	Mohd Farid Mohd Adnan	1 out of 1

After the amalgamation, the NRC met once and the attendance of the members were as follows:

No.	NRC Members	Number of Meetings Attended
1.	Lim Beng Choon *(Chairman)* *(Appointed on 7 August 2014)*	1 out of 1
2.	Mohd Farid Mohd Adnan *(Appointed on 7 August 2014)*	1 out of 1
3.	Erwin Miranda Elechicon *(Appointed on 7 August 2014)*	1 out of 1

The Managing Director/Chief Executive Officer, Company Secretary, General Manager of Human Resources and any other persons deemed necessary are invited to attend NRC meetings to present or report on matters relating to their areas of responsibility.

The NRC meetings for each financial year are scheduled in advance to enable the Directors to plan ahead and fit the NRC meetings into their respective schedules.

All proceedings of NRC meetings are duly recorded in the minutes of meetings and signed minutes of NRC meetings are properly kept by the Company Secretary. The NRC minutes are tabled to the Board for notation.

ACTIVITIES OF THE NRC

During the financial year ended 31 December 2014, the NRC carried out the following activities:

i. Board Effectiveness Evaluation

- Established the Individual Director Self/ Peer Evaluation Questionnaires;
- Assessed the performance of the Board as whole, its sub-committees and members through the Board Effectiveness and Directors Evaluation exercise.

ii. Skills Evaluation

- Carried out a skills mapping exercise for the Directors to review the mix of skills, education and business experience as well as other qualities, including core competencies of the Directors.

iii. Board Membership

- Assisted the Board in defining and assessing qualifications for Board membership and identify qualified individuals;
- Recommended candidates to fill vacancies on the Board or to stand for election to the Board;
- Recommended the Directors who are eligible for re-election at the AGM;
- Ensured the Board comprised of members that were not only equipped with the relevant skills and experience, but also demonstrated diversity terms of gender, ethnicity and age.

iv. Performance Management

- Reviewed the objective setting and performance evaluation of MD/CEO and Senior Management.
- Reviewed the succession plan for the MD/CEO and Senior Management.
- Reviewed the compensation and benefits structure for Executives.
- Provided input on the recruitment of key positions.
- Endorsed the appointment of MD/CEO.

v. Directors' Training

- Kept track of the training requirements of all Directors.
- Identified programmes/events for the continuous education of the Board members to ensure that they are conversant with industry trends and developments.

vi. Terms of Reference

- Reviewed NRC's Terms of Reference following the amalgamation of NC and RC into a single committee.

NOMINATION AND REMUNERATION COMMITTEE ("NRC") TERMS OF REFERENCE ("TOR")

1. PURPOSE

The Committee is to assist the Board of Directors ("the Board") in the following areas:-

a. Establish and assess membership qualifications for the Board of Directors, including defining specific criteria for Directors' independence and committee membership criteria;

b. Recommend to the Board on candidates for directorship for both the Executives and Non-Executives to the Board of the Company (in consideration of the professionalism, mix of skills, experience, personality, competency and integrity as required therein);

c. Periodically assess the performance of the Board as a whole, the various Committees of the Board and the contribution of each individual Director; and

d. Review and recommend the remuneration policies and procedures which is used to determine remuneration packages of Directors, including that of the Chief Executive Officer ("CEO") as well as the key Senior Management personnel within the Company.

2. SCOPE OF AUTHORITY

a. The Committee within the scope of its assigned duties is authorised to seek any information it requires from employees, company officers and external parties;

b. The Committee may engage external consultants and other Advisers or otherwise obtain such independent legal or other professional services it requires, at the expense of the Company; and

c. The Board will provide the Committee with sufficient resources to undertake its duties, including access to the company secretariat.

3. COMPOSITION

a. The Committee shall have at least three (3) members;

b. Members shall be appointed by the Board from amongst its members and shall comprise exclusively of Non-Executive Directors, a majority of whom must be independent;

c. The actual number of members shall be determined from time to time by resolution of the Board; and

d. Members of the Committee should be suitably knowledgeable in matters pertaining to Corporate Governance.

4. REMOVAL AND RESIGNATION

a. The entire Committee or individual member may be removed from office without cause by the affirmed vote of a majority of the Board of Directors; and

b. Any committee member may resign effective upon giving written notice to the Chairman of the Board of Directors, the Company Secretary or the Board of Directors (unless the notice specifies a later time for the effectiveness of such resignation).

c. If the resignation of a member is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

5. QUORUM

The presence of two (2) directors which includes one (1) Independent Non-Executive Director shall form a quorum for the Committee Meetings.

6. CHAIRMAN

a. The Chairman may be designated by the Board based upon recommendations by the Committee, if any; and

b. In the absence of the Chairman, the remaining members present shall elect one of their members as Chairman of the meeting.

7. SECRETARY

The Secretary to the Committee shall be the Company Secretary or any other person appointed by the Committee.

8. MEETINGS AND MINUTES

a. The Committee shall meet at least once (1) a year or at such other times as the Chairman of the Committee deems necessary;

b. In addition to the regular meeting schedule established by the Committee, the Chairman of the Committee may call a special meeting at any time;

c. Meetings of the Committee shall be arranged by the Secretary at the request of the Committee Chairman or any other member of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers;

d. The Committee shall regulate its own detailed procedures, in particular, the calling of meetings, the notice to be given for meetings, the voting and proceedings of meetings, the keeping of minutes and the custody, production and inspection of minutes;

e. Minutes of each meeting shall be distributed to each member of the Committee;

f. Minutes of each meeting shall be distributed to the Board for notation. Meeting minutes shall be confirmed at the next meeting of the Committee and shall be available on request from the Secretary to all Non-Executive Directors;

g. Questions arising shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote;

h. The Committee may also decide by way of the Committee's circular resolutions. A resolution in writing signed or approved by letter by all the members who may at the time be present in Malaysia, being not less than two (2) Directors are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Nomination and Remuneration Committee duly called and constituted. All such resolution shall be described as "Nomination and Remuneration Committee Circular Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by the Secretary in the Company's minute book and submitted for confirmation at a meeting of the Board next following the receipt thereof by the Secretary; and

i. Attendance of other directors and employees at any particular Committee meeting shall only be at the Committee's invitation, specific to the relevant meeting.

9. COMMITTEE EVALUATION

The Committee will annually complete a self-evaluation of the Committee's own performance and effectiveness. The Committee will also consider whether any changes to the Committee's Terms of Reference are appropriate.

10. DUTIES AND RESPONSIBILITIES

The following shall be the common recurring duties and responsibilities of the Committee in carrying out its purposes. These duties and responsibilities are set forth as a guide to the Committee with the understanding that the Committee may alter or supplement them as deemed appropriate under the circumstances to the extent permitted by applicable laws.

a. Board Composition:

i. The Committee shall review and assess the mix of skills, expertise, composition, size and experience of the Board, including core competencies of the Non-Executive Directors, as well as consider aspects of boardroom diversity;

ii. The Committee shall make recommendations with regard to any adjustments that are deemed necessary as an outcome of the review and assessment of the Board structure, size and composition;

iii. The Committee shall make appropriate recommendations to the Board on matters of renewal or extension of Directors' appointment and reappointment of retiring Directors;

iv. The Committee shall be responsible for making the recommendation to the Board and reviewing potential candidates for both Executive and Non-Executive Directorship on the Board of the Company, as required, to provide an appropriate balance of knowledge, skills, experience and capability in meeting the needs of the Company;

v. The Committee shall establish and provide an on-going review of the membership qualifications for the Board of Directors and all Board Committees, including defining specific criteria for Director's independence and committee membership criteria;

vi. The Committee shall monitor compliance with Board of Directors and Board Committee membership criteria; and

vii. The Committee shall be responsible for overseeing the development of a succession management plan for the Non-Executive Directors.

b. Board Effectiveness Review:

i. The Committee shall assess a) the effectiveness of the Board as a whole, b) the Committees of the Board; and c) the contribution of Directors, through rigorously assessment and evaluation processes. All assessments and evaluations carried out by the Committee in the discharge of all its functions shall be properly documented; and

ii. The Committee shall provide oversight of the performance and effectiveness of the self-evaluation process for the Board and its Committees.

c. Directors' Development:

i. The Committee shall undertake the assessment of Directors' training and development needs (e.g. seminars, training, programmes, workshops and conferences) to further enhance business acumen and professionalism in discharging their duties to the Company; and

ii. The Committee shall keep itself updated on new regulations and requirements in relation to governance.

d. Remuneration:

i. The Committee shall review and recommend the Company's framework, relating to the policy and procedures in determining the remuneration and compensation packages of the Directors, including the Chief Executive Officer, Management Committee members as well as the key Senior Management personnel of the Company; and

ii. The Committee shall review and recommend the remuneration of Non-Executive Directors to ensure that it is aligned to the market and reflective of experience and expertise that commensurate with the duties and responsibilities.

(e) The Committee shall also undertake the following in relation to the Company's Chief Executive Officer and key Senior Management:-

i. The Committee shall, at least annually, evaluate the CEO and Senior Management's performance as measured against the goals and objectives of the Company; and

ii. The Committee shall oversee the development of a succession management plan for the CEO and Senior Management and shall make an annual report to the Board.

f. General:

i. The Committee shall consider the appointment of the service of such Advisors or Consultants as it deems necessary to fulfil its functions; and

ii. The Committee shall take such other actions and do such other things as may be referred to it from time to time by the Board.

FINANCIAL STATEMEN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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors are pleased to submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries, associates and joint ventures are stated in Note 31, Note 32 and Note 33 to the financial statements respectively. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	508,150	529,477
Attributable to:		
Shareholders of the Company	501,572	529,477
Non-controlling interests	6,578	–
	508,150	529,477

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 2013:

i. A single tier interim dividend of 17.5 sen per ordinary share amounting to RM173,854,450 on 11 March 2014.

In respect of the financial year ended 31 December 2014:

i. A single tier interim dividend of 12.0 sen per ordinary share amounting to RM119,214,480 on 11 June 2014;

ii. A single tier interim dividend of 14.0 sen per ordinary share amounting to RM139,083,560 on 5 September 2014; and

iii. A single tier interim dividend of 12.0 sen per ordinary share amounting to RM119,214,480 on 5 December 2014.

The Directors had on 12 February 2015 declared a single tier special interim dividend of 22.0 sen per ordinary share amounting to RM218,559,880 in respect of the financial year ended 31 December 2014.

The financial statements for the current financial year do not reflect the declared interim dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

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

Datuk Wan Zulkiflee bin Wan Ariffin – Chairman
Mohd Ibrahimnuddin bin Mohd Yunus – Managing Director/CEO
Vimala A/P V R Menon
Lim Beng Choon
Nuraini binti Ismail
Mohd Farid bin Mohd Adnan
Erwin Miranda Elechicon – appointed on 1 August 2014
Datuk Anuar bin Ahmad – appointed on 1 August 2014
Dato' Dr R Thillainathan – retired on 16 April 2014

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 and/ or children of the Director who themselves are not Director of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Shares in PETRONAS Chemicals Group Berhad Number of ordinary shares at RM0.10 each			
Name	**Balance at 1.1.2014**	**Bought**	**Sold**	**Balance at 31.12.2014**
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	–	–	20,000
Vimala A/P V R Menon	20,000	–	–	20,000
Nuraini binti Ismail	10,000	–	–	10,000
Mohd Farid bin Mohd Adnan	15,000	–	–	15,000
Name	**Balance at 1.2.2014**	**Bought**	**Sold**	**Balance at 31.12.2014**
Mohd Ibrahimnuddin bin Mohd Yunus	6,000	–	–	6,000
Name	**Balance at 1.8.2014**	**Bought**	**Sold**	**Balance at 31.12.2014**
Datuk Anuar bin Ahmad	20,000	–	–	20,000

DIRECTORS' INTERESTS (continued)

	Shares in Malaysia Marine and Heavy Engineering Holdings Berhad Number of ordinary shares at RM0.50 each			
Name	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	–	–	10,000
Mohd Farid bin Mohd Adnan	15,000	–	–	15,000

	Shares in PETRONAS Gas Berhad Number of ordinary shares at RM1.00 each			
Name	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014
Nuraini binti Ismail	5,000	–	–	5,000

	Shares in MISC Berhad Number of ordinary shares at RM1.00 each			
Name	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014
Mohd Farid bin Mohd Adnan	5,000	–	–	5,000

None of the other Directors holding office at 31 December 2014 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 be realised, 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 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

DATUK WAN ZULKIFLEE BIN WAN ARIFFIN

MOHD IBRAHIMNUDDIN BIN MOHD YUNUS

Kuala Lumpur,
Date: 12 February 2015

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 187 to 249 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 2014 and of 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 36 on page 250 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

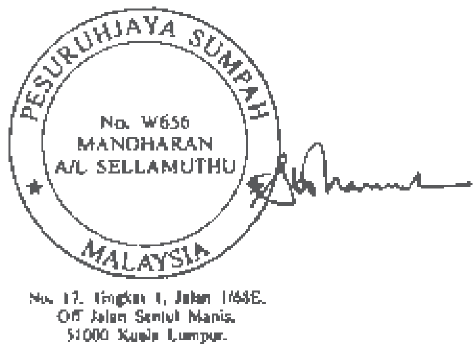
Kuala Lumpur,
Date: 12 February 2015

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 187 to 250, 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 12 February 2015.

BEFORE ME:



COMMISSIONER OF OATHS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
ASSETS			
Property, plant and equipment	3	**4,031,094**	3,891,949
Prepaid lease payments	4	**500,908**	488,726
Investment in associates	6	**2,781**	2,538
Investment in joint ventures	7	**6,736**	4,045
Deferred tax assets	16	**8,227**	7,624
TOTAL NON-CURRENT ASSETS		**4,549,746**	4,394,882
Inventories	9	**1,031,957**	1,193,220
Trade and other receivables	10	**2,119,144**	4,220,558
Cash and cash equivalents	11	**1,839,684**	358,633
TOTAL CURRENT ASSETS		**4,990,785**	5,772,411
TOTAL ASSETS		**9,540,531**	10,167,293
EQUITY			
Share capital	12	**993,454**	993,454
Reserves	13	**3,758,725**	3,796,662
Total equity attributable to shareholders of the Company		**4,752,179**	4,790,116
Non-controlling interests	14	**39,644**	39,366
TOTAL EQUITY		**4,791,823**	4,829,482
LIABILITIES			
Borrowings	15	**134,726**	139,580
Deferred tax liabilities	16	**140,189**	149,424
Other long-term liabilities and provisions	17	**29,120**	30,614
TOTAL NON-CURRENT LIABILITIES		**304,035**	319,618
Borrowings	15	**359,638**	443,058
Trade and other payables	18	**4,059,457**	4,532,134
Taxation		**25,578**	43,001
TOTAL CURRENT LIABILITIES		**4,444,673**	5,018,193
TOTAL LIABILITIES		**4,748,708**	5,337,811
TOTAL EQUITY AND LIABILITIES		**9,540,531**	10,167,293

The notes on pages 195 to 250 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Revenue			
– sales of petroleum products		**32,321,470**	32,327,325
– rendering of services		**19,528**	14,597
		32,340,998	32,341,922
Cost of revenue			
– cost of petroleum products		**(30,404,491)**	(30,091,089)
– cost of services		**(27,989)**	(15,256)
		(30,432,480)	(30,106,345)
Gross profit		**1,908,518**	2,235,577
Selling and distribution expenses		**(350,969)**	(353,232)
Administration expenses		**(1,033,502)**	(947,404)
Other income		**204,348**	190,052
Operating profit	19	**728,395**	1,124,993
Financing costs	20	**(21,009)**	(19,206)
Share of profit after tax of equity accounted associates and joint ventures		**1,906**	3,654
Profit before taxation		**709,292**	1,109,441
Tax expense	21	**(201,142)**	(290,461)
PROFIT FOR THE YEAR		**508,150**	818,980
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of financial statements of foreign operations		**11,858**	(2,840)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**11,858**	(2,840)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**520,008**	816,140
Profit attributable to:			
Shareholders of the Company		**501,572**	811,753
Non-controlling interests		**6,578**	7,227
PROFIT FOR THE YEAR		**508,150**	818,980
Total comprehensive income attributable to:			
Shareholders of the Company		**513,430**	808,913
Non-controlling interests		**6,578**	7,227
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**520,008**	816,140
Earnings per ordinary share			
Basic	24	**50.5 sen**	81.7 sen

The notes on pages 195 to 250 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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
		<--Attributable to the shareholders of the Company-->						
		<------------ Non-distributable ------------>			Distributable			
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	22	–	–	–	(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 12	Note 13	Note 13	Note 13		Note 14	
At 1 January 2014		**993,454**	**(820)**	**(44,053)**	**3,841,535**	**4,790,116**	**39,366**	**4,829,482**
Exchange difference arising from translation of financial statements of foreign operations		**–**	**11,858**	**–**	**–**	**11,858**	**–**	**11,858**
Profit for the year		**–**	**–**	**–**	**501,572**	**501,572**	**6,578**	**508,150**
Total comprehensive income for the year		**–**	**11,858**	**–**	**501,572**	**513,430**	**6,578**	**520,008**
Dividends paid	22	**–**	**–**	**–**	**(551,367)**	**(551,367)**	**(6,300)**	**(557,667)**
At 31 December 2014		**993,454**	**11,038**	**(44,053)**	**3,791,740**	**4,752,179**	**39,644**	**4,791,823**
		Note 12	Note 13	Note 13	Note 13		Note 14	

The notes on pages 195 to 250 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**33,057,234**	32,944,292
Cash paid to suppliers and employees	**(30,267,119)**	(31,193,774)
	2,790,115	1,750,518
Interest expenses paid	**(3,267)**	(16,189)
Taxation paid	**(236,837)**	(398,996)
Net cash generated from operating activities	**2,550,011**	1,335,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associate	**–**	(200)
Investment in a joint venture	**(1,028)**	–
Advances to joint venture	**(3,067)**	–
Dividends received	**–**	1,443
Interest income from fund and other investments	**23,534**	17,738
Purchase of property, plant and equipment	**(395,062)**	(466,215)
Prepayment of leases	**(42,392)**	(81,885)
Proceeds from disposal of property, plant and equipment	**8,872**	9,225
Proceeds from disposal of an associate	**–**	6,500
Net cash used in investing activities	**(409,143)**	(513,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(551,367)**	(828,789)
Dividends paid to non-controlling interests	**(6,300)**	(3,150)
Net (repayment)/drawdown of term loan	**(2,146)**	28,945
Drawdown of Islamic medium term notes	**300,000**	–
Net drawdown/(repayment) of Islamic financing facility	**6,933**	(9,719)
Net (repayment)/drawdown of revolving credit	**(397,152)**	100,000
Interest paid on term loan	**(1,277)**	–
Profit margin paid for Islamic medium term notes	**(5,368)**	–
Profit margin paid for Islamic financing facility	**(4,498)**	(4,649)
Net cash used in financing activities	**(661,175)**	(717,362)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,479,693**	104,577
NET FOREIGN EXCHANGE DIFFERENCES	**1,358**	2,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**358,633**	251,300
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 11)	**1,839,684**	358,633

The notes on pages 195 to 250 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
ASSETS			
Property, plant and equipment	3	**3,676,113**	3,534,087
Prepaid lease payments	4	**500,908**	488,726
Investment in subsidiaries	5	**254,721**	223,998
Investment in associates	6	**1,959**	1,959
Investment in joint ventures	7	**25**	25
Long-term receivables	8	**26,507**	9,350
TOTAL NON-CURRENT ASSETS		**4,460,233**	4,258,145
Inventories	9	**987,556**	1,143,168
Trade and other receivables	10	**2,043,331**	4,144,913
Cash and cash equivalents	11	**1,754,464**	278,574
TOTAL CURRENT ASSETS		**4,785,351**	5,566,655
TOTAL ASSETS		**9,245,584**	9,824,800
EQUITY			
Share capital	12	**993,454**	993,454
Reserves	13	**3,785,572**	3,807,462
TOTAL EQUITY		**4,779,026**	4,800,916
LIABILITIES			
Deferred tax liabilities	16	**125,304**	136,722
Other long-term liabilities and provisions	17	**28,336**	23,914
TOTAL NON-CURRENT LIABILITIES		**153,640**	160,636
Trade and other payables	18	**3,985,113**	4,423,529
Borrowings	15	**300,000**	400,000
Taxation		**27,805**	39,719
TOTAL CURRENT LIABILITIES		**4,312,918**	4,863,248
TOTAL LIABILITIES		**4,466,558**	5,023,884
TOTAL EQUITY AND LIABILITIES		**9,245,584**	9,824,800

The notes on pages 195 to 250 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Revenue		**31,854,308**	31,849,812
Cost of revenue		**(30,051,715)**	(29,717,923)
Gross profit		**1,802,593**	2,131,889
Selling and distribution expenses		**(326,323)**	(329,779)
Administration expenses		**(953,313)**	(863,595)
Other income		**229,911**	192,409
Operating profit	19	**752,868**	1,130,924
Financing costs	20	**(15,562)**	(17,512)
Profit before taxation		**737,306**	1,113,412
Tax expense	21	**(207,829)**	(287,933)
PROFIT/TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**529,477**	825,479

The notes on pages 195 to 250 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Attributable to shareholders of the <----------------- Company ----------------->			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Capital reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2013		993,454	26,920	3,783,852	4,804,226
Profit/total comprehensive income for the year		–	–	825,479	825,479
Dividends paid	22	–	–	(828,789)	(828,789)
At 31 December 2013/ 1 January 2014		993,45	26,920	3,780,542	4,800,916
Profit/total comprehensive income for the year		–	–	529,477	529,477
Dividends paid	22	–	–	(551,367)	(551,367)
At 31 December 2014		993,454	26,920	3,758,652	4,779,026
		Note 12	Note 13	Note 13	

The notes on pages 195 to 250 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**32,431,475**	32,017,605
Cash paid to suppliers and employees	**(29,684,354)**	(30,323,393)
	2,747,121	1,694,212
Interest expenses paid	**(2,490)**	(13,842)
Taxation paid	**(231,161)**	(391,278)
Net cash generated from operating activities	**2,513,470**	1,289,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of an associate	**–**	(200)
Investment in a subsidiary	**(30,723)**	–
Dividends received	**11,700**	7,293
Interest income from fund and other investments	**21,252**	15,857
Purchase of property, plant and equipment	**(349,544)**	(375,066)
Prepayment of leases	**(42,392)**	(81,885)
Proceeds from disposal of property, plant and equipment	**8,862**	9,217
Proceeds from disposal of an associate	**–**	6,500
Advances to a subsidiary	**–**	(21,924)
Net cash used in investing activities	**(380,845)**	(440,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(551,367)**	(828,789)
Net (repayment)/drawdown of revolving credit	**(400,000)**	100,000
Drawdown of Islamic medium term notes	**300,000**	–
Profit margin paid for Islamic medium term notes	**(5,368)**	–
Net cash used in financing activities	**(656,735)**	(728,789)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,475,890**	120,095
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**278,574**	158,479
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 11)	**1,754,464**	278,574

The notes on pages 195 to 250 are an integral part of these financial statements.

1. BASIS OF PREPARATION

1.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of 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 2014, the Group and the Company adopted amendments to MFRS and IC Interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described in Note 34.

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

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 35.

These financial statements were approved and authorised for issue by the Board of Directors on 12 February 2015.

1.2 Basis of Measurement

The financial statements of the Group and the Company have been prepared on historical cost basis except for, as disclosed in the accounting policies below, certain items which 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 2.4 and Note 3	: Property, Plant and Equipment;
(ii)	Note 2.5 and Note 4	: Prepaid Lease Payments;
(iii)	Note 2.11 and Note 17	: Other Long-Term Liabilities and Provisions;
(iv)	Note 2.13 and Note 16	: Deferred Tax;
(v)	Note 2.18 and Note 18	: Deferred Revenue; and
(vi)	Note 2.21 and Note 28	: 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 Group controls an entity when it is exposed to, 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 only 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 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Consolidation (continued)

Business Combinations (continued)

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, pursuant to the adoption of MFRS Framework by the Group in the financial year ended 31 December 2012.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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.

2.3 Joint Arrangements

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Joint Arrangements (continued)

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, Plant and Equipment (continued)

The estimated useful lives of the other property, plant and equipment are as follows:

Plant, machinery, tankage and pipeline	2 – 30 years
Office equipment, furniture and fittings	3 – 10 years
Motor vehicles	4 – 15 years
Computer hardware and software	5 years

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.

2.5 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 Payments

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leased Assets (continued)

(ii) Prepaid Lease Payments (continued)

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, unless the investment is classified as held for sale or distribution. 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.

2.7 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial Instruments (continued)

(i) Financial Assets (continued)

Subsequent Measurement (continued)

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 2014.

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 2014.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial Instruments (continued)

(ii) Financial Liabilities (continued)

Subsequent Measurement (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial Instruments (continued)

(vi) Derecognition of Financial Instruments

Financial Assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment (continued)

(i) Financial Assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are 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.

(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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.10 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 17.

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 which are treated as assets and liabilities of the acquirer company 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 a 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.

2.16 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 during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Financing Costs

Financing costs comprise of 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 those 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, and for which discrete financial information is available. 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.

2.21 Fair value measurements

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Fair value measurements (continued)

(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.

(ii) Non-financial assets

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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.

3. PROPERTY, PLANT AND EQUIPMENT

Group	At 1.1.2014 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2014 RM'000
At cost					
Freehold land	1,036,132	–	(2,782)	24,514	1,057,864
Leasehold land					
– Long lease	537,011	–	–	23,578	560,589
– Short lease	12,262	–	–	–	12,262
Buildings	2,021,775	412	(13,994)	73,464	2,081,657
Plant, machinery, tankage and pipeline	2,051,128	35,456	(83,517)	309,631	2,312,698
Office equipment, furniture and fittings	387,261	6,158	(4,781)	40,317	428,955
Motor vehicles	63,126	1,066	(2,777)	3,646	65,061
Computer hardware and software	524,944	25,210	(1,442)	19,229	567,941
Projects-in-progress	504,272	397,686	(3,971)	(494,379)	403,608
	7,137,911	465,988	(113,264)	–	7,490,635

Group	At 1.1.2014 RM'000	Depreciation charge for the year RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2014 RM'000
Accumulated depreciation and impairment losses					
Freehold land	1,202	–	(393)	–	809
Leasehold land					
– Long lease	67,290	8,054	(127)	–	75,217
– Short lease	4,556	276	–	–	4,832
Buildings	1,066,766	93,932	(11,971)	–	1,148,727
Plant, machinery, tankage and pipeline	1,333,062	150,591	(79,157)	–	1,404,496
Office equipment, furniture and fittings	266,040	29,390	(6,177)	–	289,253
Motor vehicles	59,003	2,417	(1,779)	–	59,641
Computer hardware and software	448,043	29,356	(833)	–	476,566
Projects-in-progress	–	–	–	–	–
	3,245,962	314,016	(100,437)	–	3,459,541

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Carrying amount 2014 RM'000	2013 RM'000
Freehold land	**1,057,055**	1,034,930
Leasehold land		
– Long lease	**485,372**	469,721
– Short lease	**7,430**	7,706
Buildings	**932,930**	955,009
Plant, machinery, tankage and pipeline	**908,202**	718,066
Office equipment, furniture and fittings	**139,702**	121,221
Motor vehicles	**5,420**	4,123
Computer hardware and software	**91,375**	76,901
Projects-in-progress	**403,608**	504,272
	4,031,094	3,891,949

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	At 1.1.2014 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2014 RM'000
At cost					
Freehold land	1,036,121	–	(2,782)	24,525	1,057,864
Leasehold land					
– Long lease	527,859	–	–	23,130	550,989
– Short lease	12,262	–	–	–	12,262
Buildings	1,993,414	399	(13,994)	71,291	2,051,110
Plant, machinery, tankage and pipeline	1,714,162	10,315	(89,095)	84,860	1,720,242
Office equipment, furniture and fittings	387,105	5,595	(4,438)	38,281	426,543
Motor vehicles	58,078	1,036	(2,558)	–	56,556
Computer hardware and software	513,550	23,496	(1,111)	18,860	554,795
Projects-in-progress	277,521	389,470	(3,971)	(260,947)	402,073
	6,520,072	430,311	(117,949)	–	6,832,434

Company	At 1.1.2014 RM'000	Depreciation charge for the year RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2014 RM'000
Accumulated depreciation and impairment losses					
Freehold land	1,202	–	(393)	–	809
Leasehold land					
– Long lease	62,847	7,349	(127)	–	70,069
– Short lease	4,556	276	–	–	4,832
Buildings	1,045,797	92,370	(12,744)	–	1,125,423
Plant, machinery, tankage and pipeline	1,117,124	115,126	(84,400)	–	1,147,850
Office equipment, furniture and fittings	261,576	29,107	(3,306)	–	287,377
Motor vehicles	55,073	1,501	(2,393)	–	54,181
Computer hardware and software	437,810	28,796	(826)	–	465,780
Projects-in-progress	–	–	–	–	–
	2,985,985	274,525	(104,189)	–	3,156,321

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	Carrying amount 2014 RM'000	2013 RM'000
Freehold land	**1,057,055**	1,034,919
Leasehold land		
– Long lease	**480,920**	465,012
– Short lease	**7,430**	7,706
Buildings	**925,687**	947,617
Plant, machinery, tankage and pipeline	**572,392**	597,038
Office equipment, furniture and fittings	**139,166**	125,529
Motor vehicles	**2,375**	3,005
Computer hardware and software	**89,015**	75,740
Projects-in-progress	**402,073**	277,521
	3,676,113	3,534,087

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 RM1,550,000 (2013: RM4,596,000). The borrowing cost rate on the Islamic financing facility was capitalised ranging from 3.85% to 4.10% (2013: 3.85% to 4.15%) per annum.

ii. Borrowing cost related to the Group's term loan amounting to RM nil (2013: RM1,160,000). In 2013, the interest rate on the borrowing cost was capitalised at 2.42% per annum.

4. PREPAID LEASE PAYMENTS

Group and Company	At 1.1.2014 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	At 31.12.2014 RM'000
At cost				
Leasehold land	**51,907**	**1,106**	**(1,209)**	**51,804**
Prepaid rental	**684,684**	**38,033**	**(3,034)**	**719,683**
	736,591	**39,139**	**(4,243)**	**771,487**

Group and Company	At 1.1.2014 RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	At 31.12.2014 RM'000
Accumulated amortisation				
Leasehold land	**28,365**	**1,596**	**(894)**	**29,067**
Prepaid rental	**219,500**	**25,025**	**(3,013)**	**241,512**
	247,865	**26,621**	**(3,907)**	**270,579**

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

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

4. PREPAID LEASE PAYMENTS (continued)

Group and Company	2014 RM'000	2013 RM'000
Carrying amount		
Leasehold land	**22,737**	23,542
Prepaid rental	**478,171**	465,184
	500,908	488,726

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	
	2014 RM'000	2013 RM'000
Unquoted shares at cost	**254,721**	223,998

During the year, the Company had subscribed to redeemable preference shares of a subsidiary amounting to RM30,723,000.

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

6. INVESTMENT IN ASSOCIATES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Unquoted shares at cost	**1,959**	1,959	**1,959**	1,959
Share of post-acquisition profits and reserves	**822**	579	**–**	–
	2,781	2,538	**1,959**	1,959

Security

Plant and equipment of an associate with the cost of RM40,800,000 (2013: RM40,800,000) have been pledged as security for the term loan facility of a subsidiary as set out in Note 15 to the financial statements.

6. INVESTMENT IN ASSOCIATES (continued)

Summary of financial information on associates:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Total assets (100%)	**37,760**	34,532
Total liabilities (100%)	**28,368**	26,490
Revenue (100%)	**14,053**	7,556
Profit/Total comprehensive income (100%)	**998**	604

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

7. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares at cost	**1,053**	25	**25**	25
Share of post-acquisition profits and reserves	**5,683**	4,020	**–**	–
	6,736	4,045	**25**	25

Summary of financial information on joint ventures:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Total assets (100%)	**32,760**	16,387
Total liabilities (100%)	**23,004**	7,917
Revenue (100%)	**47,057**	38,789
Profit/Total comprehensive income (100%)	**1,464**	1,216

On 24 April 2014, the Group, through its subsidiary, PETRONAS Aviation Sdn. Bhd. entered into a shareholder agreement to acquire 40% equity interest in United Fuel Company LLC ("UFC"), a company incorporated in the Kingdom of Saudi Arabia.

Details of the joint ventures are stated in Note 33 to the financial statements.

8. LONG-TERM RECEIVABLE

	Company	
	2014 RM'000	2013 RM'000
Loan to a subsidiary	**26,507**	9,350

The loan to a subsidiary is unsecured, interest-bearing at 2.82% (2013: 3.88%) per annum charged semi-annually and is repaid in instalments until maturity on 15 April 2019.

9. INVENTORIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Petroleum products	**1,026,217**	1,188,877	**987,556**	1,142,842
Others	**5,740**	4,343	**–**	326
	1,031,957	1,193,220	**987,556**	1,143,168

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Recognised in profit or loss:				
Inventories recognised as cost of sales	**30,404,491**	30,091,089	**30,051,715**	29,717,923
Write-down to net realisable value	**4,878**	–	**–**	–
Inventory written-off	**3,838**	5	**3,838**	–
	30,413,207	30,091,094	**30,055,553**	29,717,923

Inventory is carried at the lower of cost and net realisable value.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	**1,322,773**	2,027,574	**1,167,525**	1,858,815
Subsidy receivables	**586,272**	1,946,316	**586,272**	1,946,316
Other receivables, deposits and prepayments	**72,394**	108,258	**40,996**	45,604
Advances and loans to:				
Subsidiaries	**–**	–	**4,564**	12,574
Associates and joint ventures	**22,760**	19,693	**19,693**	19,693
Amounts due from:				
Subsidiaries	**–**	–	**108,708**	136,971
Associates and joint ventures	**8,876**	–	**–**	–
Related companies	**152,866**	162,324	**151,943**	162,251
	2,165,941	4,264,165	**2,079,701**	4,182,224
Less: Impairment losses				
Trade and other receivables	**(46,797)**	(43,607)	**(36,370)**	(37,311)
	2,119,144	4,220,558	**2,043,331**	4,144,913

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

Included in advances and loans to subsidiaries is an amount of RM4,564,000 (2013: RM492,000) relating to the current portion of a shareholder loan to a subsidiary which is interest-bearing at 2.82% (2013: 3.88%) per annum (see Note 8).

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

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**1,721,909**	188,877	**1,684,523**	179,219
Cash and bank balances	**106,294**	142,589	**69,941**	99,355
Deposits placed with licensed banks	**11,481**	27,167	**–**	–
	1,839,684	358,633	**1,754,464**	278,574

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 more efficient cash management for the Group.

Included in cash and cash equivalents of the Group are interest-bearing balances amounting to RM1,795,372,000 (2013: RM267,207,000).

12. SHARE CAPITAL

	Number of shares		Amount	
	2014 '000	2013 '000	2014 RM'000	2013 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

13. RESERVES

Capital reserve

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprise merger deficit and capital contribution.

(i) Merger deficit

Merger 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 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.

14. NON-CONTROLLING INTERESTS

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

15. BORROWINGS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Secured				
Term loan	**8,586**	–	**–**	–
Unsecured				
Revolving credits	**34,277**	429,640	**–**	400,000
Islamic medium term notes	**300,000**	–	**300,000**	–
Islamic financing facility	**16,775**	13,418	**–**	–
	359,638	443,058	**300,000**	400,000
Non-current				
Secured				
Term loan	**32,197**	40,755	**–**	–
Unsecured				
Islamic financing facility	**102,529**	98,825	**–**	–
	134,726	139,580	**–**	–

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
2014					
Secured					
Term loan	**40,783**	**8,586**	**8,586**	**23,611**	**–**
Unsecured					
Revolving credits	**34,277**	**34,277**	**–**	**–**	**–**
Islamic medium term notes	**300,000**	**300,000**	**–**	**–**	**–**
Islamic financing facility	**119,304**	**16,775**	**17,352**	**55,690**	**29,487**
	453,581	**351,052**	**17,352**	**55,690**	**29,487**
2013					
Secured					
Term loan	40,755	–	19,699	21,056	–
Unsecured					
Revolving credits	429,640	429,640	–	–	–
Islamic financing facility	112,243	13,418	14,031	45,417	39,377
	541,883	443,058	14,031	45,417	39,377

15. BORROWINGS (continued)

Terms and debt repayment schedule (continued)

Company	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
2014					
Unsecured					
Islamic medium term notes	**300,000**	**300,000**	**–**	**–**	**–**
2013					
Unsecured					
Revolving credits	400,000	400,000	–	–	–

Unsecured Revolving Credits

The unsecured revolving credits of the Group primarily bear interest at rates ranging from 2.50% to 5.30% (2013: 3.25% to 3.55%) 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 2.61% (2013: 2.42%) per annum with principal repayment of 60 equal monthly instalments commencing October 2014.

Unsecured Islamic Medium Term Note

Unsecured Islamic medium term notes bear a yield payable of 3.53% per annum payable semi-annually until its maturity on 23 March 2015.

Unsecured Islamic Financing Facility

The unsecured Islamic financing facility bears a yield payable ranging from 4.10% (2013: 3.85%) per annum and is fully repayable at its various due dates from June 2014 to March 2021.

16. DEFERRED TAX

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

	At 1.1.2014 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2014 RM'000
Group			
Deferred tax liabilities			
Property, plant and equipment	**(149,424)**	**9,235**	**(140,189)**

	At 1.1.2014 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2014 RM'000
Deferred tax assets			
Unutilised tax losses	**3,218**	**–**	**3,218**
Other provisions	**4,406**	**603**	**5,009**
	7,624	**603**	**8,227**

	At 1.1.2013 RM'000	Credited/ (charged) 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)

	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

16. DEFERRED TAX (continued)

	At 1.1.2014 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2014 RM'000
Company			
Deferred tax liabilities			
Property, plant and equipment	**(136,722)**	**11,418**	**(125,304)**

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

17. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Dismantling, removal and restoration costs	**28,336**	23,914	**28,336**	23,914
Other long-term liabilities	**784**	6,700	**–**	–
	29,120	30,614	**28,336**	23,914

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	
	2014 RM'000	2013 RM'000
Balance at 1 January	**23,914**	19,372
Net changes in provisions	**399**	1,962
Reversal of provisions	**(801)**	–
Unwinding of discount	**4,824**	2,580
Balance at 31 December	**28,336**	23,914

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.

17. OTHER LONG-TERM LIABILITIES AND PROVISIONS (continued)

For these affected sites, the liabilities for dismantling, removal and restoration costs are recognised at present value of the compounded future expenditure estimated using existing technology, at current prices and discounted using a real discount rate.

The present value of the estimated costs is capitalised as part of the asset and the related provisions raised on the date when the obligation arises. The capitalised cost is depreciated over the expected life of the asset. The increase in the net present value of the provision for the expected cost is included as finance costs in the profit or loss.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision.

While the provision is based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	**229,429**	69,431	**197,983**	4,322
Other payables	**1,082,644**	793,287	**1,044,816**	770,943
Deferred revenue	**37,295**	34,516	**37,265**	34,516
Amounts due to:				
Holding company	**513,986**	458,219	**509,084**	453,896
Associates and joint ventures	**2,458**	6,414	**2,458**	6,414
Related companies	**2,193,645**	3,170,267	**2,193,507**	3,153,438
	4,059,457	4,532,134	**3,985,113**	4,423,529

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, associates, joint ventures and related companies arose in the normal course of business.

19. OPERATING PROFIT

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Included in operating profit are the following charges:				
Audit fees				
– KPMG Malaysia	**566**	517	**454**	429
– Overseas affiliates of KPMG Malaysia	**142**	142	**–**	–
Non-audit fees paid				
– KPMG Malaysia	**340**	217	**340**	217
Amortisation of prepaid lease payments	**26,621**	28,259	**26,621**	28,259
Bad debt written-off	**494**	2,345	**494**	2,345
Staff costs	**302,754**	224,733	**244,420**	199,008
Contributions to EPF	**37,310**	39,009	**36,001**	36,411
Depreciation of property, plant and equipment	**314,016**	288,541	**274,525**	259,038
Loss on disposal of property, plant and equipment	**5,011**	–	**4,898**	–
Loss on disposal of an associate	**–**	2,111	**–**	–
Impairment losses on trade and other receivables	**4,193**	34,301	**12**	34,226
Inventories written-down to net realisable value	**4,878**	5	**–**	–
Inventories written-off	**3,838**	–	**3,838**	–
Property, plant and equipment written-off	**1,056**	488	**–**	–
Rental of land and building	**31,423**	37,876	**23,689**	30,249
Rental of plant and equipment	**10,401**	10,178	**9,700**	9,669
Included in operating profit are the credits:				
Gain on disposal of:				
Property, plant and equipment	**–**	5,072	**–**	5,063
An associate	**–**	–	**–**	900
Dividend income from:				
Subsidiaries	**–**	–	**11,700**	5,850
Associates and joint ventures	**–**	–	**–**	1,443
Interest income from deposits	**22,809**	17,711	**21,252**	15,833
Income from rental of premises	**2,290**	1,828	**1,727**	1,484
Net gain on foreign exchange	**6,416**	10,682	**6,375**	18,220
Reversal of impairment losses on trade receivables	**509**	2,879	**459**	2,839

20. FINANCING COSTS

	Group		Company	
	2014	2013	**2014**	2013
	RM'000	RM'000	**RM'000**	RM'000
Unwinding of discount				
– Provision for dismantling, removal and restoration costs	**4,824**	2,580	**4,824**	2,580
Interest on revolving credit	**3,189**	15,465	**2,111**	14,932
Interest on term loan	**1,277**	1,161	**–**	–
Profit margin on Islamic medium term notes	**8,627**	–	**8,627**	–
Profit margin on Islamic financing facility	**3,092**	–	**–**	–
	21,009	19,206	**15,562**	17,512

21. TAX EXPENSE

	Group		Company	
	2014	2013	**2014**	2013
	RM'000	RM'000	**RM'000**	RM'000
Current tax expense				
Current year	**217,804**	306,287	**216,737**	297,150
Prior year	**(6,824)**	(18,311)	**2,510**	(18,091)
	210,980	287,976	**219,247**	279,059
Deferred tax expense				
Reversal and origination of temporary differences	**(7,738)**	(1,197)	**(7,105)**	6,426
(Over)/Under provision in prior year	**(2,100)**	3,682	**(4,313)**	2,448
	(9,838)	2,485	**(11,418)**	8,874
	201,142	290,461	**207,829**	287,933

21. 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:

	2014		2013	
	%	RM'000	%	RM'000
Group				
Profit before taxation		**709,292**		1,109,441
Taxation at Malaysian statutory tax rate	**25**	**177,323**	25	277,360
Effect of different tax rates in foreign jurisdiction	**–**	**(564)**	–	80
Non-deductible expenses, net of non-taxable income	**5**	**37,589**	2	26,605
Effect of changes in tax rates	**(1)**	**(5,821)**	–	–
Effect of net deferred tax benefits not recognised	**–**	**1,539**	–	1,045
	29	**210,066**	27	305,090
(Over)/Under provision in prior year				
– tax expense	**(1)**	**(6,824)**	(1)	(18,311)
– deferred tax expense	**–**	**(2,100)**	–	3,682
Tax expense	**28**	**201,142**	26	290,461

	2014		2013	
	%	RM'000	%	RM'000
Company				
Profit before taxation		**737,306**		1,113,412
Taxation at Malaysian statutory tax rate	**25**	**184,327**	25	278,353
Effect of changes in tax rates	**(1)**	**(5,221)**	–	–
Non-deductible expenses, net of non-taxable income	**4**	**30,526**	2	25,223
	28	**209,632**	27	303,576
(Over)/Under provision in prior year				
– tax expense	**–**	**2,510**	(1)	(18,091)
– deferred tax expense	**–**	**(4,313)**	–	2,448
Tax expense	**28**	**207,829**	26	287,933

22. DIVIDENDS

	Group and Company 2014 RM'000	2013 RM'000
In respect of financial year ended 31 December 2013:		
Interim single tier dividend of 17.5 sen per ordinary share (2013: 17.5 sen less tax at 25%)	**173,854**	130,391
Special dividend (2013: 35.0 sen per ordinary share less tax at 25%)	**–**	260,782
In respect of financial year ended 31 December 2014:		
Interim single tier dividend of 12.0 sen per ordinary share (2013: 17.5 sen less tax at 25%)	**119,214**	130,391
Interim single tier dividend of 14.0 sen per ordinary share (2013: 17.5 sen less tax at 25% and single tier dividend of 1.2 sen per ordinary share)	**139,085**	133,371
Interim single tier dividend of 12.0 sen per ordinary share (2013: 17.5 sen less tax at 25%)	**119,214**	173,854
	551,367	828,789

The Directors declared a single tier special interim dividend of 22.0 sen per ordinary share amounting to RM218,559,880 in respect of the financial year ended 31 December 2014 which has not been accounted for in the financial statements.

23. RELATED PARTIES DISCLOSURES

Key management personnel compensation

	Group and Company 2014 RM'000	2013 RM'000
Directors		
Fees	**327**	464
Other short-term benefits (including estimated monetary value of benefits-in-kind)	**15**	21
	342	485

The Company pays management fees to the holding company in relation to services of an Executive Director and also fees for certain Non-Executive Directors of the Company.

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.

23. RELATED PARTIES DISCLOSURES (continued)

Significant transactions with related parties (continued)

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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Sales of petroleum products:				
Related companies	**1,697,262**	1,920,144	**1,697,262**	1,920,144
Federal and State Governments of Malaysia	**399,959**	387,924	**399,959**	387,924
Government of Malaysia's related entities	**4,380,004**	4,179,125	**4,379,977**	4,163,290
Purchases of petroleum products:				
Related companies	**30,905,969**	28,717,673	**30,905,969**	28,717,667
Holding company	**564,076**	566,272	**564,076**	566,272
Fees for representation in the Board of Directors*:				
Holding company	**1,058**	1,064	**1,058**	1,064

* 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 2014 is disclosed in Note 10 and Note 18.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business.

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2014	**2013**
Profit for the year attributable to shareholders (RM'000)	**501,572**	811,753
Number of ordinary shares ('000)	**993,454**	993,454
Basic and diluted earnings per ordinary share (sen)	**50.5**	81.7

25. COMMITMENTS

Outstanding commitments in respect of capital expenditure at reporting year not provided for in the financial statements are:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment				
Approved and contracted for	**21,208**	17,370	**20,171**	16,775
Approved but not contracted for	**308,458**	219,221	**220,406**	94,953
	329,666	236,591	**240,577**	111,728

26. CONTINGENT LIABILITIES

Contingent liabilities for the year are as follows:

i. A legal action was taken against the Company pursuant to a termination of a contract for a sum of RM25.4 million. The Company has, however, filed a counter-claim against the claimant for the total sum of RM52.1 million.

ii. A legal action has been commenced against the Company pursuant to an alleged breach of a contract for a sum of RM21.9 million. The full trial of this legal action has been completed and now pending the decision by the Court.

Based on legal advice from the Company's external solicitors, the Directors are of the opinion that provisions are not required as it is not probable that a future outflow of economic benefit will be required in respect of the above actions.

27. OPERATING SEGMENTS

A segment is a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other 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.

27. OPERATING SEGMENTS (continued)

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, technical services and business activities other than retail and commercial segment

Segment performance is evaluated based on profit or loss before tax, depreciation and amortisation, finance costs and interest as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In RM'000	2014				2013			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**	**Retail**	**Commercial**	**Others**	**Group**
Revenue	**15,707,397**	**16,616,168**	**17,433**	**32,340,998**	14,722,890	17,606,259	12,773	32,341,922
Operating expenditures:								
Depreciation and amortisation	**281,900**	**57,133**	**1,604**	**340,637**	251,596	63,640	1,564	316,800
Finance costs	**13,168**	**4,748**	**3,093**	**21,009**	14,629	4,577	–	19,206
Operating profit	**291,367**	**411,243**	**25,785**	**728,395**	669,298	429,340	26,355	1,124,993
Other income	**190,110**	**14,082**	**156**	**204,348**	176,296	13,696	60	190,052
Share of profit after tax of associates and joint ventures				**1,906**				3,654
Profit before taxation				**709,292**				1,109,441

27. OPERATING SEGMENTS (continued)

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 is required as there are no customers representing 10 percent or more of the Group's revenue.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

(i) Loans and receivables ("L&R"); and
(ii) Loans and borrowings ("L&B");

	Note	L&R/ L&B RM'000	Total carrying amount RM'000
Group			
2014			
Financial assets			
Trade and other receivables	10	**2,119,144**	**2,119,144**
Cash and cash equivalents	11	**1,839,684**	**1,839,684**
		3,958,828	**3,958,828**
Financial liabilities			
Borrowings	15	**494,364**	**494,364**
Trade and other payables	18	**4,059,457**	**4,059,457**
		4,553,821	**4,553,821**
2013			
Financial assets			
Trade and other receivables	10	4,011,603	4,011,603
Cash and cash equivalents	11	358,633	358,633
		4,370,236	4,370,236
Financial liabilities			
Borrowings	15	582,638	582,638
Trade and other payables	18	4,465,124	4,465,124
		5,047,762	5,047,762

28. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

	Note	L&R/ L&B RM'000	Total carrying amount RM'000
Company			
2014			
Financial assets			
Trade and other receivables	10	**2,043,331**	**2,043,331**
Cash and cash equivalents	11	**1,754,464**	**1,754,464**
		3,797,795	**3,797,795**
Financial liabilities			
Borrowings	15	**300,000**	**300,000**
Trade and other payables	18	**3,985,113**	**3,985,113**
		4,285,113	**4,285,113**
2013			
Financial assets			
Trade and other receivables	10	3,962,713	3,962,713
Cash and cash equivalents	11	278,574	278,574
		4,241,287	4,241,287
Financial liabilities			
Borrowings	15	400,000	400,000
Trade and other payables	18	4,084,196	4,084,196
		4,484,196	4,484,196

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 the use of financial instruments in their normal activities are credit risk, liquidity risk, market risk, profit or interest rate risk and foreign currency risk.

28. FINANCIAL INSTRUMENTS (continued)

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. Credit risks are controlled by individual companies in line with PETRONAS' policies and guidelines.

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. As at the year end, 95.7% (2013: 98.8%) of gross trade receivables of the Group are within the credit terms.

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, Amanah Saham Bumiputera (ASB) 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 31% (2013: 35%) 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 89% (2013: 95%) 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.

28. FINANCIAL INSTRUMENTS (continued)

Trade and Other Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the year/period are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Opening balance	**43,607**	14,530	**37,311**	8,269
Impairment loss recognised	**4,193**	31,956	**12**	31,881
Reversal of impairment	**(1,003)**	(2,879)	**(953)**	(2,839)
Closing balance	**46,797**	43,607	**36,370**	37,311

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 interests in short-term domestic money market instrument. In view of the 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.

28. 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 margin 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
2014							
Loans and borrowings							
Unsecured Islamic financing facility floating rate	**119,304**	**4.15**	**136,314**	**21,416**	**21,283**	**63,070**	**30,545**
Unsecured Islamic medium term notes fixed rate	**300,000**	**3.53**	**302,350**	**302,350**	**–**	**–**	**–**
Unsecured revolving credit floating rate	**31,222**	**3.00**	**31,375**	**31,375**	**–**	**–**	**–**
Unsecured revolving credit fixed rate	**3,055**	**5.30**	**3,217**	**3,217**	**–**	**–**	**–**
Secured term loan floating rate	**40,783**	**2.61**	**42,308**	**8,810**	**9,040**	**24,458**	**–**
Trade and other payables	**4,059,457**	**–**	**4,059,457**	**4,059,457**	**–**	**–**	**–**
	4,553,821		**4,575,021**	**4,426,625**	**30,323**	**87,528**	**30,545**
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	3.55	431,049	431,049	–	–	–
Secured term loan floating 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

28. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

Maturity Analysis (continued)

Company	Carrying amount RM'000	Effective profit margin 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
2014							
Loans and borrowings							
Unsecured Islamic medium term notes fixed rate	**300,000**	**3.53**	**302,350**	**302,350**	**–**	**–**	**–**
Trade and other payables	**3,985,113**	**–**	**3,985,113**	**3,985,113**	**–**	**–**	**–**
	4,285,113		**4,287,463**	**4,287,463**	**–**	**–**	**–**
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	–	–	–

28. FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk or uncertainty arising from changes in market prices and their impact on the performance of the business. The market price changes that the Group and the Company 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 margin or Interest Rate Risk

Profit margin 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 subsidiaries with floating profit margin and interest rate. 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 medium term notes 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 2014, 39% (2013: 100%) of the interest bearing financial liabilities of the Group are floating rate instruments.

Profit Margin Risk Sensitivity Analysis

As at 31 December 2014, it is estimated that any general increase/decrease of 100 basis points in profit margin of the Islamic financing facility or in interest rate of the term loan, 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's funds are managed by PETRONAS Integrated Financial Shared Services Centre (IFSSC) whereby foreign currency exposure is internally hedged with IFSSC and IFSSC will execute external hedging where required.

28. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk (continued)

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

	2014		2013	
	USD'000	RM'000	USD'000	RM'000
Group				
Financial assets				
Cash and cash equivalents	**180**	**630**	15,940	52,444
Trade and other receivables	**70,949**	**247,931**	39,746	130,764
	71,129	**248,561**	55,686	183,208
Financial liabilities				
Trade and other payables	**101,436**	**354,469**	105,636	347,542
Net exposure	**(30,307)**	**(105,908)**	(49,950)	(164,334)
Company				
Financial assets				
Cash and cash equivalents	**–**	**–**	13,681	45,010
Trade and other receivables	**66,932**	**233,894**	28,873	94,992
	66,932	**233,894**	42,554	140,002
Financial liabilities				
Trade and other payables	**73,674**	**257,452**	58,767	193,343
Net exposure	**(6,742)**	**(23,558)**	(16,213)	(53,341)

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:

	2014		2013	
	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**	**(3,972)**	5	(6,163)
Company				
USD	**5**	**(883)**	5	(2,000)

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.

28. FINANCIAL INSTRUMENTS (continued)

Fair value information

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

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

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

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
Group					
2014					
Financial Liabilities					
Islamic financing facility	**–**	**103,584**	**–**	**103,584**	**119,304**
Term loan	**–**	**39,239**	**–**	**39,239**	**40,783**
	–	**142,823**	**–**	**142,823**	**160,087**
2013					
Financial Liabilities					
Islamic financing facility	–	106,244	–	106,244	112,243
Term loan	–	39,645	–	39,645	40,755
	–	145,889	–	145,889	152,998
Company					
2014					
Financial Asset					
Loan to a subsidiary	**–**	**28,333**	**–**	**28,333**	**31,071**
	–	**28,333**	**–**	**28,333**	**31,071**
2013					
Financial Asset					
Loan to a subsidiary	–	21,902	–	21,902	21,924
	–	21,902	–	21,902	21,924

28. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

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.

Income/(expense), net gains and (losses) arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial instruments through profit and loss				
– Forward contracts	**166**	(4,789)	**166**	(4,789)
Loans, receivables and payables	**4,532**	(22,235)	**12,512**	(14,846)
Total	**4,698**	(27,024)	**12,678**	(19,635)

29. CAPITAL MANAGEMENT

The Group defines capital as total equity and debt. The objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholders' value. As a subsidiary of Petroliam Nasional Berhad (PETRONAS), the Group's approach in managing capital is set out in the PETRONAS Group Corporate Financial Policy.

The Group monitors and maintains a prudent level of total debt to total asset ratio to optimise 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 2014 is 9.6:100 (2013: 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.

30. HOLDING COMPANY

The holding company is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

31. SUBSIDIARIES AND ACTIVITIES

	Effective ownership and voting interest 2014	2013	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

32. ASSOCIATES AND ACTIVITIES

	Effective ownership and voting interest 2014	2013	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%**	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

33. JOINT VENTURES AND ACTIVITIES

	Effective ownership and voting interest 2014	2013	Principal Activities
Companies incorporated in Malaysia			
PS Pipeline Sendirian Berhad	**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 Sendirian Berhad	**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.
Company incorporated in Kingdom of Saudi Arabia			
*United Fuel Company Limited Liability Company	**40%**	–	To import fuel and spare parts for jets, supply and distribution of fuel for aircrafts and operate fuel storage facilities in all airports in the Kingdom of Saudi Arabia.

* Not audited by member firms of KPMG International

** Audited by member firms of KPMG International

34. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2014, the Group and the Company adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

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, *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*

Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

IC Interpretation 21, *Levies*

The initial adoption of the abovementioned pronouncements do not have any material impact to the financial statements of the Group and the Company.

35. 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 in these financial statements:

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*

Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

35. PRONOUNCEMENTS YET IN EFFECT (continued)

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 7*, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to MFRS 10, *Consolidated Financial Statements,* MFRS 12*, Disclosure of Interests in Other Entities* and MFRS 128*, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

MFRS 14, *Regulatory Deferral Accounts*

Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*

Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138*, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141*, Agriculture – Agriculture: Bearer Plants*

Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*

Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

Effective for annual periods beginning on or after 1 January 2017

MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

MFRS 9, *Financial Instruments (2014)*

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 are currently assessing the impact of adopting the above pronouncements. Key highlights are as follows:

i. MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

ii. 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.

36. RETAINED EARNINGS

The breakdown of the retained earnings of the Group and the Company as at 31 December 2014, into realised and unrealised profits, pursuant to the directive by Bursa Malaysia Securities Berhad, is as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained profits				
– realised	**3,968,823**	4,044,992	**3,852,944**	3,923,267
– unrealised	**(99,372)**	(147,392)	**(94,292)**	(142,725)
	3,869,451	3,897,600	**3,758,652**	3,780,542
Total retained profits of associates attributable to the Group				
– realised	**821**	1,110	**–**	–
Total retained profits of joint ventures attributable to the Group				
– realised	**5,683**	4,933	**–**	–
Less: Consolidation adjustments	**(84,215)**	(62,108)	**–**	–
Total retained profits	**3,791,740**	3,841,535	**3,758,652**	3,780,542

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 2014 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 195 to 249.

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 2014 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 31 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 36 on page 250 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements 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 Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

CHONG DEE SHIANG
Approval Number: 2782/09/16(J)
Chartered Accountant

Petaling Jaya,
Date: 12 February 2015

SHAREHOLDER'S INFORMATION

ANALYSIS OF SHAREHOLDINGS

AS AT 10 FEBRUARY 2015

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid-up Share Capital	:	RM993,454,000 comprising 993,454,000 ordinary shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One Vote Per Ordinary Share (On A Poll)

ANALYSIS OF SHAREHOLDINGS

As at 10 February 2015

Size of Holdings	No. of Holders	% of Total Shareholders	No. of Shares	% of Total Shares
Less than 100	149	1.80	1,271	0.00
100 – 1,000	2,417	29.21	1,613,876	0.16
1,001 – 10,000	5,045	60.97	13,714,032	1.38
10,001 – 100,000	467	5.64	15,167,266	1.53
100,001 to less than 5% of issued shares	196	2.37	268,953,555	27.07
5% and above of issued shares	1	0.01	694,004,000	69.86
	8,275	100.00	993,454,000	100.00

CLASSIFICATION OF SHAREHOLDERS

As at 10 February 2015

Category	No. of Holders		No. of Shares		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
• Individuals	6,623	77	18,809,902	485,724	1.89	0.05
• Body Corporate						
a. *Banks/ Finance Companies*	48	0	142,745,100	0	14.37	0.00
b. *Investment Trusts/ Foundation/ Charities*	1	0	1,400	0	0.00	0.00
c. *Other types of companies*	198	4	5,059,500	690,000	0.51	0.07
• Government Agencies/ Institutions	7	0	7,423,300	0	0.75	0.00
• Nominees	927	390	768,596,602	49,642,472	77.36	5.00
	7,804	471	942,635,804	50,818,196	94.88	5.12

LIST OF SUBSTANTIAL SHAREHOLDER

As at 10 February 2015

		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

* 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' SHAREHOLDINGS

As at 10 February 2015

No.	Name	No. of Shares	% of Total Shareholding
1.	Datuk Wan Zulkiflee bin Wan Ariffin	Nil	Nil
2.	Vimala A/P V R Menon	Nil	Nil
3.	Lim Beng Choon	Nil	Nil
4.	Mohd Ibrahimnuddin bin Mohd Yunus	Nil	Nil
5.	Nuraini binti Ismail	Nil	Nil
6.	Mohd Farid bin Mohd Adnan	Nil	Nil
7.	Datuk Anuar bin Ahmad	Nil	Nil
8.	Erwin Miranda Elechicon	Nil	Nil

LIST OF THIRTY LARGEST SHAREHOLDERS

REGISTERED AS AT 10 FEBRUARY 2015

	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.	AMANAHRAYA TRUSTEES BERHAD (SKIM AMANAH SAHAM BUMIPUTERA)	48,879,100	4.92
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD)	39,322,500	3.96
4.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM WAWASAN 2020)	20,580,100	2.07
5.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM MALAYSIA)	14,098,300	1.42
6.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	12,974,600	1.31
7.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM DIDIK)	11,603,300	1.17
8.	AMANAHRAYA TRUSTEES BERHAD (AS 1MALAYSIA)	9,134,100	0.92
9.	HSBC NOMINEES (ASING) SDN BHD (BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND)	5,422,400	0.55
10.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD (GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1))	5,131,100	0.52
11.	CARTABAN NOMINEES (ASING) SDN BHD (EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67))	5,055,701	0.51
12.	PERMODALAN NASIONAL BERHAD	4,091,100	0.41
13.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC DIVIDEND FUND)	3,829,600	0.39
14.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD)	3,196,200	0.32
15.	CARTABAN NOMINEES (ASING) SDN BHD (GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C))	2,336,500	0.24
16.	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.))	2,318,100	0.23
17.	PERTUBUHAN KESELAMATAN SOSIAL	2,297,200	0.23
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100))	2,122,400	0.21
19.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM BUMIPUTERA 2)	2,071,400	0.21

	Name	No. of Shares	% of Total Shares
20.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC EQUITY FUND)	2,017,700	0.20
21.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR RHB-OSK KIDSAVE TRUST (3621))	2,014,000	0.20
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD SETIAUSAHA KERAJAAN PULAU PINANG	2,000,000	0.20
23.	STATE FINANCIAL SECRETARY SARAWAK	2,000,000	0.20
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD (AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI))	1,999,200	0.20
25.	FOH CHONG & SONS SDN BHD	1,884,000	0.19
26.	STATE SECRETARY KEDAH INCORPORATED	1,800,000	0.18
27.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC SELECT ENTERPRISES FUND)	1,654,600	0.17
28.	EMPLOYEES PROVIDENT FUND BOARD	1,500,000	0.15
29.	HSBC NOMINEES (ASING) SDN BHD (HSBC BK PLC FOR ABU DHABI INVESTMENT AUTHORITY (AGUS))	1,475,700	0.15
30.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC SECTOR SELECT FUND)	1,473,500	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	389,320	113	8,981,966	264,998	84	3,600,290	654,317	197	12,582,256	310,106
NORTHERN REGION	194,525	86	3,722,523	49,011	39	3,835,873	243,537	125	7,558,396	176,644
SOUTHERN REGION	279,561	96	3,928,565	56,570	24	958,401	336,130	120	4,886,965	134,722
EAST COAST REGION	63,399	40	1,563,264	30,102	43	1,592,495	93,502	83	3,155,759	120,101
WESTERN REGION	96,760	52	1,896,982	20,683	19	555,517	117,444	71	2,452,499	62,562
SARAWAK	2,125	3	81,302	33,729	37	1,679,205	35,854	40	1,760,507	65,935
SABAH	2,794	7	185,613	33,257	25	2,189,952	36,050	32	2,375,565	53,704
HEADQUARTER	28,571	1	36,603,280	-	-	-	28,571	1	36,603,280	1,912
Grand Total	**1,057,055**	**398**	**56,963,496**	**488,350**	**271**	**14,411,732**	**1,545,405**	**669**	**71,375,228**	**925,686**

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	–	8	197
NORTHERN REGION	3	–	–	–	110	1	–	–	11	125
SOUTHERN REGION	–	–	–	–	111	–	–	–	9	120
EAST COAST REGION	–	–	1	–	77	–	–	1	4	83
WESTERN REGION	–	–	–	–	61	–	–	–	10	71
SARAWAK	3	–	–	–	35	–	–	–	2	40
SABAH	3	–	–	–	27	–	–	–	2	32
HEADQUARTER	–	–	–	1	–	–	–	–	–	1
Grand Total	**9**	**2**	**1**	**1**	**607**	**1**	**1**	**1**	**46**	**669**

* 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-Third (33rd) 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, 15 April 2015** at **10.00 a.m.** for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect Vimala A/P V R Menon who retires in accordance with Article 93 of the Company's Articles of Association and, being eligible, offers herself for re-election. **(Resolution 2)**

   Datuk Wan Zulkiflee bin Wan Ariffin 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-Third (33rd) Annual General Meeting.

3. To re-elect the following Directors pursuant to Article 96 of the Company's Articles of Association:-

   a. Datuk Anuar bin Ahmad **(Resolution 3)**
   b. Erwin Miranda Elechicon **(Resolution 4)**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2014. **(Resolution 5)**

5. To re-appoint Messrs. KPMG as Auditors of the Company 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

HASNIZAINI BINTI MOHD ZAIN (LS 0009780)
YEAP KOK LEONG (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
23 March 2015

NOTES:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Third (33rd) Annual General Meeting, the Company shall be requesting the Record of Depositors as at 7 April 2015. Only a depositor whose name appears on the Record of Depositors as at 7 April 2015 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, appended hereunder are:-

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE THIRTY-THIRD (33^{RD}) ANNUAL GENERAL MEETING OF THE COMPANY

The Directors who are standing for re-election pursuant to Article 93 of the Articles of Association of the Company are as follows:-

- Vimala A/P V R Menon **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:-

- Datuk Anuar bin Ahmad **Resolution 3**
- Erwin Miranda Elechicon **Resolution 4**

DETAILS OF DIRECTORS STANDING FOR RE-ELECTION AS IN AGENDA 2 AND 3 OF THE NOTICE OF ANNUAL GENERAL MEETING

Vimala A/P V R Menon

Age	:	60
Nationality	:	Malaysian
Qualification	:	• Fellow member of the Institute of Chartered Accountants in England and Wales • Member of the Malaysian Institute of Accountants
Position in the Company	:	Independent Non-Executive Director
Date first appointed to the Board	:	18 November 2011
Membership of the Board Committees	:	• Board of Directors • Board Audit Committee
Number of Board meetings attended during the year under review	:	5 out of 5
Working experience	:	• She began her career at Deloitte KassimChan in 1982. In 1984, she joined Edaran Otomobil Nasional Berhad (EON Berhad) and served as Executive Director of Finance and Corporate Services of EON Berhad until 2007. She was subsequently appointed to Proton Holdings Berhad as 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 board of Jardine Cycle and Carriage Limited for 1994 to 2003 and PT Astra International Tbk, Indonesia from 2000 to 2003. • She was recently appointed as a member of the Board of Trustees of PEMANDU Corporation on 21 July 2014. • Currently, she is the Independent Non-Executive Director, Chairman of the Board Audit Committee and a member of the Nomination & Remuneration Committee of PETRONAS Chemicals Group Berhad. She is also a Director and Audit Committee Chairman of Cycle & Carriage Bintang Berhad. • She is currently the Chairman of the Board Audit Committee of PETRONAS Dagangan Berhad.
Directorship in other public companies	:	PETRONAS Group and Cycle & Carriage Bintang Berhad
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 10 years other than traffic offences	:	Nil

Datuk Anuar bin Ahmad

Age	:	61
Nationality	:	Malaysian
Qualification	:	• Bachelor of Science Degree (Econs) from the London School of Economics & Political Science, University of London, United Kingdom • Harvard Business School's Advanced Management Programme (AMP), United States of America
Position in the Company	:	Non-Independent Non-Executive Director
Date first appointed to the Board	:	1 August 2014
Membership of the Board Committees	:	Board of Directors
Number of Board meetings attended during the year under review	:	3 out of 3
Working experience	:	• He joined PETRONAS in 1977 and has held various senior managerial positions in the International Marketing Division and Corporate Planning Unit of PETRONAS Trading Corporation Sdn Bhd and PETRONAS Dagangan Berhad respectively. • Datuk Anuar was also the Vice President of Oil Business, Vice President of Human Resource Management, as well as Executive Vice President of Gas and Power Business, PETRONAS. • Datuk Anuar bin Ahmad had previously served PETRONAS Dagangan Berhad as its Managing Director/Chief Executive Officer from 1 July 1998 until 1 October 2002. He was appointed as Chairman of PETRONAS Dagangan Berhad from 3 October 2005 until 17 August 2010. He was also the Chairman of PETRONAS Gas Berhad from 17 August 2010 until 15 May 2014. • He was also a member of the PETRONAS Executive Committee and PETRONAS Management Committee, as well as on the Board of PETRONAS, until he retired from PETRONAS on 15 April 2014.
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 10 years other than traffic offences	:	Nil

Erwin Miranda Elechicon

Age	:	55
Nationality	:	Filipino
Qualification	:	• Bachelor of Arts Degree in Economics, *cum laude*, from Ateneo de Manila University, Philippines • Short courses in Finance at Columbia Business School and in Marketing at Kellogg School of Management, United States of America.
Position in the Company	:	Independent Non-Executive Director
Date first appointed to the Board	:	1 August 2014
Membership of the Board Committees	:	• Board of Directors • Nomination and Remuneration Committee
Number of Board meetings attended during the year under review	:	3 out of 3
Working experience	:	• He began his career at Procter & Gamble (P&G) Philippines in 1979. In the ensuing years, he has held various positions in marketing and management at P&G. In the course of his career, Erwin lived and worked in India, Malaysia, Singapore, Vietnam and Philippines. His last position at P&G was as its Vice-President for the Fabric & Home Care category in the ASEAN/Australasia/India region until October 2005. • He joined Jollibee Foods Corporation, the largest food service company in Southeast Asia, in January 2006 as a Management Committee member. He took on leadership assignments for the next 5 years in Jollibee Foods' subsidiary companies as the President & CEO of the Greenwich Pizza Company and Fresh N' Famous Foods, Inc. (Chowking). He was also the Head of International Business Development of Jollibee Foods Corporation until 2011. • He is currently the Chairman of Assurant BPO Solutions, Inc., a Philippine business process outsourcing company. • He is also a Board member of U-Bix Corporation, one of the Philippines' largest integrated office systems and service providers; and Alliance Select Foods International, Inc., a leading canned tuna and smoked salmon manufacturer. • He was appointed as a member of the Nomination and Remuneration Committee on 7 August 2014.
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 10 years other than traffic offences	:	Nil

The profiles of the above Directors who are standing for re-election are set out from pages 44 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:
Mohd 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 : 082-412712

Manager in Charge:
Abg Abdul Wahab Abg Hj Abdul Majid

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:
Tuan Ameran Tuan Yaacob

ADMINISTRATIVE DETAILS

PETRONAS DAGANGAN BERHAD 33RD ANNUAL GENERAL MEETING

REGISTRATION

1. Registration will start at 8.15 a.m. on 15 April 2015 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 P2 and P4 of Mandarin Oriental Kuala Lumpur and car park opposite Ascott Kuala Lumpur (KLCC Management). Please bring along your parking ticket for validation at the counter near the Sapphire Ballroom.

10. By validating the parking ticket, you will not be charged for parking when you leave. Please be advised that the ticket would expire by 4.00 p.m. on 15 April 2015. Any additional costs incurred for parking after 4.00 p.m. will not be borne by PDB.

11. Please be advised that PDB will not reimburse any parking costs incurred at any other location. As such, please observe the parking areas mentioned in Item 9 above.

ANNUAL REPORT

12. PDB's Annual Report for Financial Year 2014 is available on:

    http://www.bursamalaysia.com
    http://www.mymesra.com.my

PROXY FORM

Number of Ordinary Shares Held	
CDS Account No.	

PETRONAS

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-Third (33rd) 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, 15 April 2015** at **10.00 a.m.** and at any adjournment thereof.

Resolution	*Ordinary Business	For	Against
1	Receipt of Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon		
2	Re-election of Vimala A/P V R Menon as a Director		
3	Re-election of Datuk Anuar bin Ahmad as a Director		
4	Re-election of Erwin Miranda Elechicon as a Director		
5	The Directors' Fees in respect of the financial year ended 31 December 2014		
6	Re-Appointment of Messrs. KPMG as Auditors of the Company		

* 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-Third (33rd) Annual General Meeting, the Company shall be requesting the Record of Depositors as at 7 April 2015. Only a depositor whose name appears on the Record of Depositors as at 7 April 2015 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
Malaysia

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PETRONAS Dagangan Berhad (88222-D)
Level 30-33, Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur
Tel: (03) 2051 5000 • Fax: (03) 2026 5505

www.mymesra.com.my