Environment

We continued to roll-out programs that protect and preserve the environment. An internal program, "A Brighter Tomorrow Begins Today," is focused on the reduction of waste, mitigating emissions at the Petron Port Dickson Refinery (PDR), and promoting recycling efforts across the organization.

Currently, the PDR is implementing programs focused on reducing greenhouse gas (GHG) emissions. This includes improving steam production and reducing fuel use for refining operations. Carbon Dioxide emissions were reduced by nearly 30% between 2011 and 2012, while Nitrogen Oxides (NOx) and Sulfur Oxides were reduced by 36% and 19%, respectively within the same period. We are also pleased to announce that we were able to maintain this low level of emission throughout 2013.

We are about to roll-out programs that will help preserve the marine environment. We will forge partnerships with concerned agencies and groups to ensure the successful implementation of these projects.

Safety & Security

While we contribute to the development of the country, we also place a premium on safety and security in our operations which extends to our publics. We believe that adhering to strict local and international safety and security standards is key to our continued success.

PDR achieved another milestone last April last year when it reached 11 years without any Lost Time Injury. PDR was also awarded the Malaysian Society for Occupational Safety and Health (MSOSH) Gold Merit Award in June 2013 for its 2012 occupational safety and health performance.

Our terminals' operational excellence was also recognized by MSOSH with three Gold Class 1. The Gold Class 1 Award was given to our Bagan Luar, KL International Airport and Port Dickson Terminals.

Petron conducted a road safety training for motorists in Shah Alam. The modules consisted of safety riding, identifying road hazards, and traveling tips. The positive feedback from the participants has encouraged us to continue ensuring increased safety awareness among motorists. Internally, our employees are required to undergo defensive driving training to ensure safe driving.

Petron and the Royal Malaysia Police recently collaborated on an initiative called “Go-To Safety Points” (GTSP). Under the “United Against Crime” campaign, the public can seek temporary shelter at Petron stations and seek assistance from our personnel to call the police. GTSP gets the local police to regularly visit our stations, making the force more accessible to the public. Launched in September last year, this program demonstrates Petron's commitment to support the government's effort to fight crime.

Socio-Economic

Malaysia is a dynamic country in a fast developing region. As a company that operates here, it is important for us to contribute to Malaysia's Vision 2020 goal.

For many years, the Company has been a staunch supporter of the Negeri Sembilan Schools Sports Awards. We work closely with the State Education Department and the State Government of Negeri Sembilan to organize and sponsor the annual awards, which recognizes sports excellence among student athletes in the state. Through this program, we hope to help inspire the younger generation—our future leaders—to participate in sports and lead healthy lifestyles.

In PDR, we continued to support the community by spearheading programs in education and welfare. We partnered with local government agencies in the area, namely the Fire & Rescue Department, District Police, and Customs Department to further enhance their capabilities.

As a contribution to socio-economic development, we also encouraged our business partners to volunteer in outreach programs. In 2013, a number of charity events were organized by Petron station dealers. These fund-raising activities have helped local orphanages, old folk homes as well as homes for the disabled.

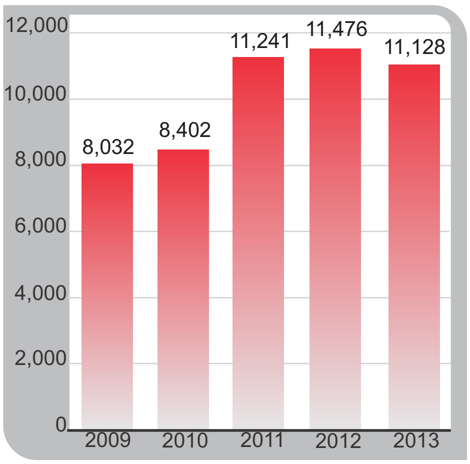
We encouraged our employees to take part and contribute in the many CSR activities that the company organises. The Petron Office Security, Health & Care Committee and the National Blood Bank saw the participation of more than 80 employees in a recent blood donation drive. We likewise initiated a fundraising activity together with our business partners for the benefit of the Typhoon Haiyan survivors in the Philippines. Together, we raised RM70,000 and donated hundreds of boxes of clothes. In the East Coast, we collaborated with our dealers to raise funds and participate in a clean up activity after eastern states were struck by massive flooding.

Internally, we formed the Sustainability Committee to develop and drive programs to meet our objectives. All employees were encouraged to join community-related programs and share their time and effort.

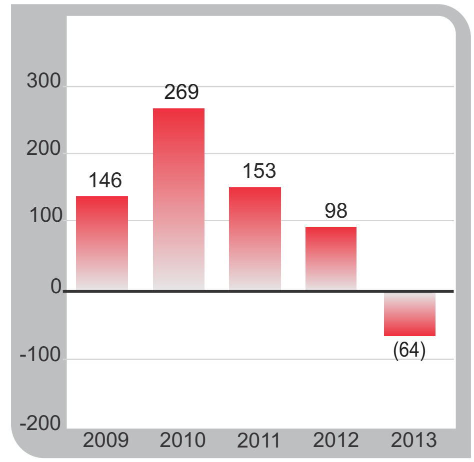
As a company that is closely linked with the Malaysian economy, we have a strong sense of responsibility to help build the nation and act in partnership with our stakeholders so that a greater majority will experience inclusive growth and development. Through our sustainability initiatives, we aim to be a stronger company, a company whose presence also translates to education, environmental preservation, safety and security, and help for the needy.

FIVE-YEAR SUMMARY CHARTS

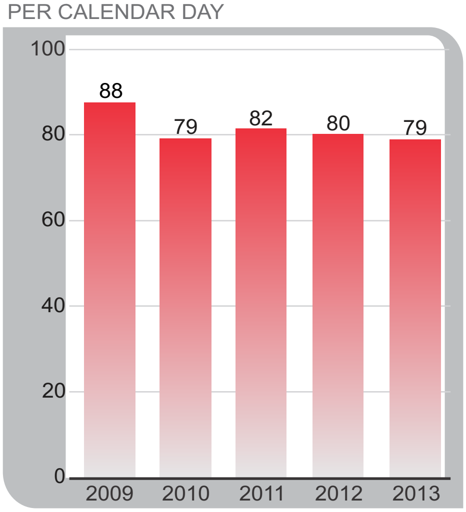
REVENUES
(NET OF GOVERNMENT DUTIES)
RM MILLION



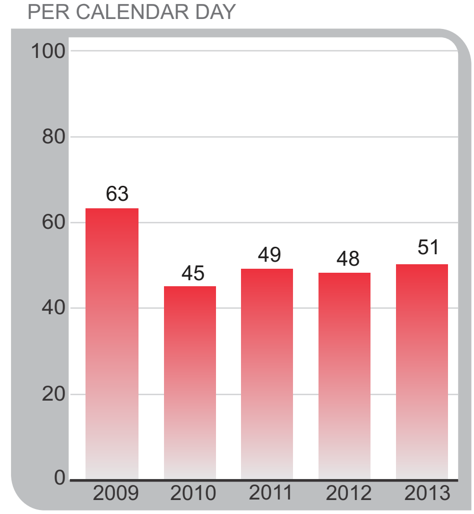
PROFIT / (LOSS) AFTER TAX
RM MILLION



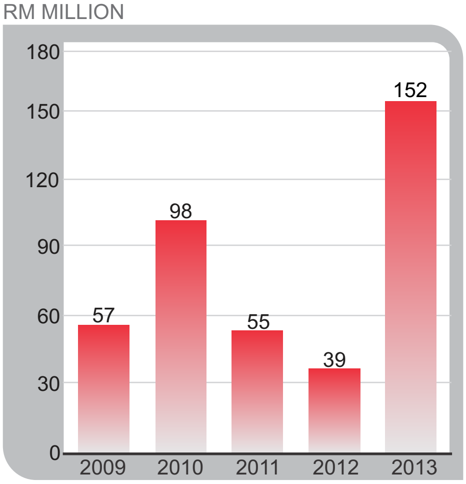
SALES VOLUME
THOUSANDS OF BARRELS
PER CALENDAR DAY



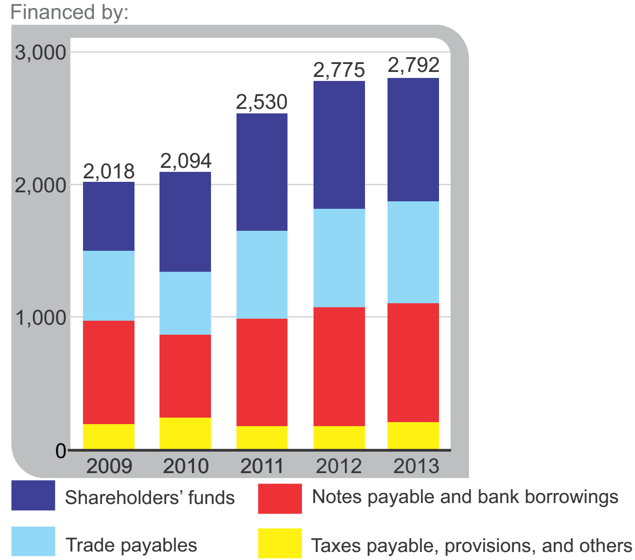
TOTAL THROUGHPUT
THOUSANDS OF BARRELS
PER CALENDAR DAY



CAPITAL EXPENDITURE
RM MILLION



TOTAL ASSETS EMPLOYED
RM MILLION
Financed by:



2013 HIGHLIGHTS

FINANCIAL HIGHLIGHTS	**2013 RM Million**	2012 RM Million	% Change
Revenues	**11,128**	11,476	(3)
(Loss) / Profit (after tax)	**(64)**	98	N/A
(Loss) / Earnings per ordinary share unit (sen)	**(23.8)**	36.4	N/A
Gross dividend per ordinary share unit (sen)	**14**	14	-
Total assets employed	**2,792**	2,775	1
Total shareholders' funds	**862**	943	(9)
Sales volume (thousands barrels per calendar day)	**79**	80	(1)

SHAREHOLDERS' INFORMATION		2009	2010	2011	2012	**2013**
Earnings / (loss) per ordinary share unit (sen)		53.9	99.5	56.8	36.4	**(23.8)**
Dividend per ordinary share unit (sen)		12	14	14	14	**14**
Dividend yield (%)		5.2	5.3	3.6	4.3	**4.5**
Share price (RM)	- Highest	2.86	3.03	5.97	3.94	**3.60**
	- Lowest	1.90	2.42	2.73	2.71	**2.76**
	- Average	2.32	2.64	3.92	3.26	**3.11**
Number of employees at year-end		299	290	261	283	**293**

2013 BOARD OF DIRECTORS

STANDING FROM LEFT TO RIGHT

Y. Bhg. Tan Sri Abdul Halim Ali
Independent Director

Mr. Ferdinand K. Constantino
Executive Director

Ms. Chua See Hua
Independent Director

Mr. Lubin B. Nepomuceno
Executive Director/Chief Executive Officer

Mr. Ramon S. Ang
Chairman

Ms. Aurora T. Calderon
Executive Director

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim
Independent Director

Y. Bhg. Dato' Zainal Abidin Putih
Independent Director

PROFILE OF DIRECTORS

Ramon S. Ang
Chairman

Mr. Ramon S. Ang, aged 60, a citizen of the Republic of the Philippines, was appointed as a Director on March 30, 2012 and appointed as Chairman / Chief Executive Officer of the Company on April 2, 2012. On November 20, 2013, Mr. Ang relinquished the position of Chief Executive Officer in line with the recommendations of the Malaysian Code on Corporate Governance 2012. Mr. Ang has served as the Chairman, Chief Executive Officer and Director of Petron Corporation in the Philippines since January 8, 2009. He is also the Chairman of Petron Corporation's Executive Committee. Mr. Ang is also the Chairman of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Oil & Gas International Sdn Bhd, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd. Mr. Ang is also Vice Chairman and Chief Operating Officer of Petron Corporation's parent company, San Miguel Corporation and is on the Board of Directors of a number of its subsidiaries including San Miguel Pure Foods Company Inc., SMC Global Power Holdings Corp, PAL Holdings Inc. and Philippine Airlines Inc. Mr. Ang is also a Chairman of Eastern Telecommunications Philippines Inc. and Liberty Telecoms Holdings Inc. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines.

Aurora T. Calderon
Executive Director

Ms. Aurora T. Calderon, aged 59, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 2012. Ms. Calderon has served as a Director of Petron Corporation since August 13, 2010. She also sits on the Board of Directors of several Petron Corporation subsidiaries including Petron Oil & Gas International Sdn Bhd. Ms. Calderon is also Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation and sits on the Board of Directors of several of its subsidiaries including SMC Global Power Holdings Corporation. She has served as a Director of Manila Electric Company (from January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, she graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration, majoring in Accounting. She earned her Masters degree in Business Administration from the Ateneo de Manila University in 1980.

Ferdinand K. Constantino
Executive Director

Mr. Ferdinand K. Constantino, aged 61, a citizen of the Republic of the Philippines, was appointed to the Board on August 30, 2013. Mr. Constantino has served as Chief Finance Officer, Senior Vice President, Treasurer, Corporate Information Officer and Director of San Miguel Corporation since October 8, 2010. He is also a Director of Petron Corporation. He is also President of Anchor Insurance Brokerage Corporation and is a Director of San Miguel Yamamura Packaging Corporation, SMC Global Power Holdings Corp., Top Frontier Investment Holdings Inc., Bank of Commerce and Philippine Airlines Inc. Mr. Constantino previously served San Miguel Corporation as Director of San Miguel Pure Foods Company Inc. (2008-2009) and San Miguel Properties Inc. (2001-2009) and as Chief Finance Officer of Manila Electric Company (2009). Mr. Constantino holds a Bachelor of Arts in Economics from University of the Philippines in 1972.

Lubin B. Nepomuceno
Executive Director and Chief Executive Officer

Mr. Lubin B. Nepomuceno, aged 62, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 2012. On November 20, 2013, Mr. Nepomuceno was also appointed as the Chief Executive Officer, when the offices of Chairman and Chief Executive Officer were separated in line with the recommendations of the Malaysian Code on Corporate Governance 2012. He was previously Senior Vice President and General Manager of Petron Corporation and on February 19, 2013 was appointed as President of Petron Corporation. He is also a Director of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd. He is also the President of Petron Marketing Corporation. Mr. Nepomuceno is a Director of San Miguel Corporation subsidiaries, San Miguel Paper Packaging Corp. and Mindanao Corrugated Fibreboard Inc. Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and a Masters degree in Business Administration from the De La Salle University. He has also attended Advanced Management Programmes at the University of Hawaii, University of Pennsylvania and with Japan's Sakura Bank.

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim
Independent Director and Member of the Board Audit Committee

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim, aged 70, a Malaysian and a national science laureate, as well as a founder fellow of the Academy of Sciences Malaysia, was appointed Director of the Company on February 15, 2000. He had a long illustrious academic career in both University of Malaya and University Putra Malaysia (UPM) before retiring as Vice Chancellor of UPM in 2001. He was responsible for transforming UPM to become one of the leading centers of higher education. As an accomplished academician, he has helped found many academic societies and associations, and has published over 350 papers in journals and proceedings in the fields of animal science, university management and education. For his meritorious career and services, he has received numerous awards, decorations and honours nationally as well as internationally. He retired from UPM in April 2001. He was the Chairman of Bank Kerjasama Rakyat Malaysia Berhad until his retirement from its Board in 2012. He is currently the Chairman of Kejuruteraan Samudra Timur Berhad and Halal Industry Development Corporation. He is a Director of TAFI Industries Berhad and is also the Chancellor of Taylor's University. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim holds a Bachelor of

Veterinary Science from University of Punjab and a Masters in Philosophy and Doctorate from University of London. He has also been awarded Doctorates (honoris causa) by University of Hull (UK), Soka University (Japan), Thaksin University (Thailand) and Open University Malaysia.

Y. Bhg. Tan Sri Abdul Halim Ali
Independent Director and Member of the Board Audit Committee

Y. Bhg. Tan Sri Abdul Halim Ali, aged 70, a Malaysian, was appointed Director of the Company on May 22, 2001. Upon graduation from University of Malaya, he joined the Ministry of Foreign Affairs in 1966. After several domestic and foreign postings, he was appointed the Malaysian Deputy Permanent Representative to the United Nations in 1979. He was appointed Ambassador to Vietnam in 1982 and returned to Malaysia in 1985 to be Deputy Secretary General in the Ministry of Foreign Affairs before being appointed Ambassador to Austria. In 1991, he again returned to Malaysia to be Deputy Secretary General I in the Ministry of Foreign Affairs and in 1996 he was promoted to Secretary General. In July 1998, he was appointed Chief Secretary to the Government, the highest ranking civil service post in the country and was responsible for overseeing and coordinating the policies of the government and their implementation. He retired as Chief Secretary to the Government in March 2001. He currently is the Chairman of the Multimedia Development Corporation, Malaysia Building Society Berhad and IJM Corporation Berhad. Tan Sri Abdul Halim Ali holds a Bachelor of Arts degree from University of Malaya.

Y. Bhg. Dato' Zainal Abidin Putih
Independent Director and Chairman of the Board Audit Committee

Y. Bhg. Dato' Zainal Abidin Putih, aged 68, a Malaysian, was appointed Director of the Company on March 6, 2003. Upon qualifying from the Institute of Chartered Accountants in England and Wales, he joined the firm of Hanafiah Raslan & Mohamad, which merged with Ernst & Young in July 2002. He has extensive experience in audit having worked as a practicing accountant throughout his career covering many principal industries including banks, insurance, energy, transport, manufacturing, government agencies, plantations, properties, hotels, investment companies and unit trusts. He also has a good working knowledge of taxation matters and management consultancy, especially in the areas of acquisitions, takeovers, amalgamations, restructuring and public listing of companies. He plays an active role in the community and the corporate world being a Past President of the Malaysian Institute of Certified Public Accountants. He was also a member of the Malaysian Communication & Multimedia Commission, a body set up by the Malaysian government to oversee the orderly development of the multimedia and telecommunication industry in Malaysia. He was the Chairman of Pengurusan Danaharta Nasional Berhad as well as the Malaysian Accounting Standards Board (MASB). He is currently the Chairman of Dutch Lady Milk Industries Berhad and Land & General Berhad. He is a Director of the CIMB Group and is also the Chairman of CIMB Bank Berhad and a Director of CIMB Investment Bank Berhad. Dato' Zainal further serves as a Director of Tenaga Nasional Berhad and also acts as a Trustee of the National Heart Institute Foundation. Dato' Zainal Abidin Putih is a Fellow of the Institute of Chartered Accountants in England and Wales and is also a Certified Public Accountant.

Ms. Chua See Hua
Independent Director

Ms. Chua, aged 60, a Malaysian, was appointed a Director of the Company on May 31, 2013. She is an Advocate and Solicitor of the High Court of Malaya, as well as in England and Wales, Hong Kong and Singapore. Ms. Chua is the founding partner of Chua & Gan, Advocates and Solicitors; a niche firm she set up in 2010 specializing in corporate, commercial, real estate, finance and capital markets laws. Prior to that Ms. Chua was in legal practice since 1985 with a number of leading firms including Skrine & Co (1985-1989) and as Partner of Raslan Loong (1997-2010). She was also the General Counsel for Ernst & Young in Hong Kong and served at the international law firm of Simmons & Simmons in Hong Kong (1989-1997). Ms. Chua graduated with an LL.B from the University of East London, United Kingdom. She also completed her Masters in Law at the University of Cambridge specializing in companies and securities laws and international law.

Y. Bhg. Dato' Zuraidah Atan
Independent Director

Y. Bhg. Dato' Zuraidah Atan, aged 54, a Malaysian, was appointed a Director of the Company on February 20, 2014. She is a member of the Universiti Sains Malaysia (USM) Board of Governors. Dato' Zuraidah is also the Chairman of the Student Volunteer Foundation, a foundation developed by the government to foster and cultivate the spirit of volunteerism among the students of higher education institutions.

She also served as an Honorary Advisor to the oldest non-governmental organisation related to cancer in the country, the National Cancer Society of Malaysia. She has more than 25 years of experience in the banking industry and has been involved in numerous investment projects. She also serves as an advocate and solicitor in her own law firm, Chambers of Zuraidah Atan which was established in 2004.

She is a Non-Independent/Non-Executive Director on the Board of NCB Holdings Bhd (and its subsidiary Northport Bhd) and is an Independent Director on the Board of Kenanga Islamic Investors Berhad. Dato' Zuraidah is also on the Board of Directors of Bank Rakyat and was recently appointed as a public interest Director on the Board of Bursa Malaysia Berhad. She is also a member of the Consultation and Corruption Prevention Panel of the Malaysian Anti-Corruption Commission.

Dato' Zuraidah Atan is the holder of Bachelor of Laws (Honours) degree from the University of Buckingham, England.

CORPORATE INFORMATION

PETRON MALAYSIA REFINING & MARKETING BHD (Company No:3927-V)

Directors
Mr. Ramon S. Ang
Chairman

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim
Independent Director

Y. Bhg. Tan Sri Abdul Halim Ali
Independent Director

Y. Bhg. Dato' Zainal Abidin Putih
Independent Director

Ms. Chua See Hua
Independent Director

Y. Bhg Dato' Zuraidah Atan
Independent Director

Ms. Aurora T. Calderon
Executive Director

Mr. Ferdinand K. Constantino
Executive Director

Mr. Lubin B. Nepomuceno
Executive Director, Chief Executive Officer

Management Committee
Mr. Lubin B. Nepomuceno
Chief Executive Officer/Committee Chairman

Mr. Jaime O. Lu
Country Manager/Committee Vice-Chairman

Ms. Myrna C. Geronimo
Chief Finance Officer

Ms. Fadzilah Mohd Tahir
Refinery Business Head

Pn. Faridah Ali
Retail Business Head

Mr. Choong Kum Choy
Commercial Business Head

Mr. Rolando B. Salonga
Supply & Distribution Head

Mr. Manoj Devadasan
General Counsel and Company Secretary

Company Secretary
Mr. Manoj Devadasan
(LS0006885)

Share Registrar
Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: +603-22643883
Fax: +603-22821886

Auditors
KPMG (No. AF 0758)
Chartered Accountants
Petaling Jaya

Stock Exchange Listing
Main Board of Bursa Malaysia Securities Berhad
Stock code: 3042 (Syariah-compliant securities)

Solicitors
Messrs Raja, Darryl & Loh, Kuala Lumpur
Messrs Zain & Co, Kuala Lumpur
Messrs Lee Hishamuddin Allen & Gledhill
Messrs Azman, Davidson & Co, Kuala Lumpur

Registered Office
Office of the Secretary,
Petron Malaysia Refining & Marketing Bhd
Level 12A, Menara I&P 1,
No. 46 Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur
Tel: +603-20828400
Fax: +603-20828578

CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout the Company. The Board views this as a fundamental part of its responsibilities to protect and enhance shareholder value. Accordingly, the Board fully supports the principles laid out in the Malaysian Code on Corporate Governance 2012 ("2012 Code"). The following is a review of how the Company complies with the various recommendations of the 2012 Code.

The Corporate Governance Report covers the financial year of 2013. It is to be noted that following the take-over of the Company by Petron Corporation (from ExxonMobil) on March 30, 2012, the corporate governance culture of ExxonMobil, that had been adopted by the former Board and Management of the Company, was largely carried over to ensure seamless continuity of its business. The Company has also incorporated best practices from Petron Corporation's own governance culture to work towards formulation of the Company's own corporate governance policies and guidelines based on its needs.

The following is a summary of the Company's compliance with the 2012 Code.

PRINCIPLE 1

Functions of the Board and delegation to Management

The Board leads and controls the Company. The Board meets at least four times a year, with additional matters resolved by way of circular resolutions as and when required. Special meetings of the Board may be called when necessary. In 2013, the Board had four Independent Directors. Each Independent Director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct. The role and authority level of the Chief Executive Officer ("CEO") is also stated in a Petron Corporation based 'General Resolution' (on company-wide powers and relevant delegation of authority) that spells out the CEO's day to day management responsibilities and decision making powers. The Board for purposes of assisting the CEO in the day to day operational matters has also set up a Management Committee headed by an Executive Director/CEO of the Company and comprises the Heads of key Departments in the Company. The current Management Committee was formed by the Board on April 2, 2012 following the take-over by Petron Corporation in 2012. The Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorized signatories in respect of various business and functional matters based on the value of any given transaction. Controls are also incorporated to ensure that each approval goes through a strict process and various levels of independent 'cold eye' reviews prior to approval thus preventing any abuse of authority and ensuring thorough review prior to any decision being taken.

Board leadership and responsibility in discharging fiduciary and leadership functions

The Board (except for matters requiring shareholders approval) is the ultimate authority of the Company and is tasked with the review and approval of all business plans and strategic initiatives (both short and long term) with specified goals that are to be achieved by the Management in the implementation of these plans and initiatives. Management reviews all such matters with the Board Audit Committee, comprised solely of Independent Directors, and the Board. By engaging the Independent Directors, the Management is able to elicit their views, and benefit from the Independent Directors' vast experience and expertise in various fields of business including that of the Company. The review with the Independent Directors also enables the Company to manage Minority Shareholders' expectations that their rights continue to be protected.

The Board recognizes that the business of the Company is one that has a moderate to high level of risk in terms of business, financial, economic outlook, environmental, safety and community/social risks. These are at all times kept in mind in planning and executing any venture that is to be undertaken. The Board nevertheless acknowledges that it is there to manage a business, and risk (as in all businesses) is an inherent part of the business. The Board recognizes that identifying and adopting solutions to manage those risks is imperative in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognizes as necessary for its sustainability which the Board (and the Company's Management) prides itself in being able to achieve.

The Board recognizes that sustainability of the business requires planning its human resources. A good succession plan is necessary for this. As the Company has a fair and healthy mix of senior employees with vast experience in the business, as well as younger employees who are well trained, educated and motivated with passion for their work, the Board and Management understand the need to ensure these human resources are managed and planned so that the future leaders of the Company are identified early, groomed and provided guidance and responsibility with the end that they are ready, when needed, to step up to senior positions. This way the Company is always prepared for any change or shortfall in human resource so as to ensure minimal or no impact to the Company's plans or business.

The Company has written guidelines on shareholder communication that are incorporated in the Company's Corporate Communication and Disclosure Guidelines that can be accessed on the Company's website www.petron.com.my. The guidelines also incorporate the parent company's best practices. The Board and Management recognize the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. To this end, suggestions made by shareholders have been incorporated where appropriate, including the improvement of financial presentations at general meetings as well as enabling shareholders to visit the office for dialogues or clarification on matters disclosed or pertaining to the Company. The Annual General Meeting provides a suitable forum for the shareholders to hold dialogues with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations. The Company's website has a Management Committee Member as its named contact person with contact details, to ensure shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. Needless to say material information relating to the Company is disclosed to the public by way of announcements to Bursa Malaysia Securities Berhad (“BMSB”), as required by the Main Market Listing Requirements of BMSB (“MMLR”).

There is a clear framework in place for the reporting on internal controls and compliance. The Management Committee meets weekly to review all matters in the preceding week and plan for work for the future. This allows the members of the Management Committee to review all issues pertaining to compliance, not only of laws including MMLR, but also compliance with the Company's policies on expected conduct by the Company and its employees. Any issue of non-compliance is referred to the Company's independent Internal Audit Group for review and investigation and, where recommended, necessary action. The review will also highlight process gaps that have to be corrected to ensure such non-compliance does not recur. The Company also has an established 'whistle-blower' protection system in place to safeguard employees from any recriminations for highlighting any non-compliance by any employee.

Code of Conduct and Management Systems

The Company has a written Code of Conduct in place that can be accessed on the Company's website. The Code of Conduct (which takes into account best practices of both Petron Corporation and ExxonMobil) contains policies and systems designed to create and support a strong system of corporate governance. The Code of Conduct has been communicated to the Company's employees, contractors and vendors, so that they have a clear understanding of the Company's expectations. These include policies on business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships. Periodic training is also carried out for employees, contractors and vendors to ensure understanding of the requirements. Standard contracts of the Company (including employment contracts and contracts with third party vendors/contractors), also incorporate key provisions of the Code of Conduct as standard terms in such contracts thus ensuring the Code of Conduct is at all times adhered to without compromise.

The management systems that are in place are designed to achieve high standards of performance in the areas of safety, operations integrity, internal control and legal and environmental compliance. As these systems have been previously adopted by the Board and were used by the Company for many years, upon the take-over of the Company (from ExxonMobil) by Petron Corporation in 2012, these management systems were deemed to continue in operation and employees, contractors and vendors by contract and training, continue to be guided by these same systems until such time these systems are amended. As the systems involve employees, contractors and vendors whose engagement spanned the take-over, it was recognized that a sudden change in the systems (and providing fresh training to the employees, contractors and vendors) would cause undue strain on the Company's resources. In this regard, the Company has opted to gradually change the systems (where necessary) by introducing new or revised set of management systems to govern the Company that are in line with the policies and systems of the parent company, Petron Corporation. However, changes to the current policies and systems are expected to be minimal.

The Board and the Board Audit Committee with the assistance of an independent Internal Audit Group, help ensure that the policies and the management systems are fully implemented and consistently enforced.

Sustainability

Petron Corporation's investment in the Company (including its sister companies, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd) when it acquired ExxonMobil's interests in 2012 was a major investment by Petron Corporation in Malaysia. This investment was driven by a belief in the future of the downstream oil and gas business, the Malaysian economic growth prospects and a desire to benefit from regional business opportunities. The Board takes full cognizance that this investment by Petron Corporation is for the long term. The sustainability and continued sustainability of the business is key to ensuring all shareholders who have put their faith in the Company through their investment, and other stakeholders namely, the community in which we operate and society in general, benefit from the Company's presence and growth. To this end, the Company is fully committed to ensuring its products meet the highest standards in terms of safety and environment. The Company is also committed to meeting the Government's call to introduce cleaner and environment friendly Euro-4M compliant fuels.

The Company also has a policy of 'Malaysians First' when engaging employees. To date the Company and its sister companies have hired over 200 Malaysian employees to fill job vacancies created since their take-over from ExxonMobil in 2012. These Malaysian employees have an opportunity to learn the business and complex processes in the downstream oil and gas industry first hand and in turn contribute to the long term development of the Company, economy and society as a whole. The Company has a written policy on sustainability that can be accessed on the Company's website. The Company further has a comprehensive 'Vision/Mission/Values' statement. The Vision/Mission/Values Statement also contains all elements of sustainability that the Company embraces. The Vision and Mission Statement can be viewed on the inner cover of this report.

The Board

The Board leads and controls the Company. The Board meets at least four times a year, with additional matters resolved by way of Circular Resolutions as and when required. Special meetings of the Board may be called when necessary. The Board has eight members as at the end of 2013, with four Independent Directors and four Executive Directors (including the Chairman). Together, the Directors form the mind and management of the Company. Each Independent Director brings invaluable judgment and skills to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct.

Balance in the Board is achieved and maintained with the composition of both Executive and Independent Directors. In recognition that the Independent Directors have a primary role in providing unbiased and independent views, the Company has selectively appointed highly qualified individuals of integrity and character, with broad experience and proven business and management expertise.

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim is the longest serving Independent Director of the Company. Shareholders are at liberty to approach Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim, or any of the other Independent Directors, should there be any concerns relating to the Company and its Management.

Supply of information to the Board

Information regarding the Company's business and affairs are normally provided to the Board by the Company's Management and staff. Towards meeting this objective, Board meetings are structured with a pre-determined agenda. Board papers covering the Company's operational and financial performance, strategic plans on any significant matters and developments, together with the minutes of the previous Board and Board Audit Committee meetings, are circulated to the Directors (or Members of the Board Audit Committee, as the case may be) in advance of each meeting. This allows the Directors time to study and deliberate on the issues to be raised and discussed at each meeting.

Access to the services of a competent Company Secretary

The Board, in addition has full access to the services and advice of the Company Secretary. The Company Secretary, who is also the General Counsel of the group companies in Malaysia and a member of the Management Committee, has over 22 years of experience in legal matters and over 17 years of experience as a Company Secretary including that pertaining to a public listed company. The Directors also have full access to such outside advisors, including accountants, legal counsels, and other experts, as they deem appropriate. The fees and expenses of any such advisors will be paid by the Company.

The Board Charter

Whilst the Board when first formed in 1974 had a formal Charter, with time and changes in the nature of the business, the roles and responsibilities and delegation of authority became more clearly defined by the '*General Resolution*' on the delegation of authority (then within ExxonMobil group, and today) within the Petron Corporation group. This delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Board and Management and the relevant authority levels at Management. This document is reviewed periodically by the Board and updated as necessary. It is also to be noted that the Board recognizes (as mentioned in the 2012 Code) that it cannot effectively undertake the day-to-day management of the Company. It thus created the Management Committee, crafting a charter for the said Committee that spells out its roles and responsibilities. Thus where any act or approval is not stated to be within the purview of the Management Committee by default it is deemed to be within the purview of the Board. The Charter of the Management Committee can be accessed on the Company's website.

PRINCIPLE 2

Establishment of a Nominating Committee

The Nominating Committee was established by the Board of Directors in 2003 with a written Charter that specifies its roles and responsibilities.

The Nominating Committee is responsible for the recommendation of candidates for Independent, Non-Executive and Executive Directors and the recommendation of Directors for Committees, for the Board's consideration and decision. The Nominating Committee is also responsible for the review and recommendation of candidates for appointment as Chief Executive Officer, Chief Finance Officer and Company Secretary.

CORPORATE GOVERNANCE (Continued)

The current members of the Nominating Committee are as follows:

1. Ms. Chua See Hua (Independent Director) – Chairman of the Committee
2. Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim (Independent Director)
3. Y. Bhg. Tan Sri Abdul Halim Ali (Independent Director)

The composition of the Nominating Committee complies with the 2012 Code.

Role of the Nominating Committee

Apart from reviewing and making recommendations to the Board with regards to candidates as mentioned above, the Nominating Committee is also responsible for the annual assessment of the effectiveness of the individual Directors, Board Committees and the overall Board on an ongoing basis. These assessments, based on a combination of qualitative and quantitative factors, as determined by the Nominating Committee, were carried out by the Nominating Committee for the year in 2013. The findings and results of these assessments by the Nominating Committee were reported to the Board on November 20, 2013.

The Committee can also direct Management to plan induction training programs for new Directors (on request) to familiarize them with the fiduciary duties and need for compliance with securities and corporate laws.

The Nominating Committee in recommending candidates places emphasis on recommending the 'best person for the job and for the Company' regardless of race, religion, sex or social background. The same applies to the appointment of Directors to the Board. The Nominating Committee recognizes that diversity on the Board in terms of having one third women directors was a call from the Government, and a noble one at that, which the Nominating Committee will strive to achieve. In 2013, the Board had two women directors, and by February 20, 2014, three directors out of eight directors are women thus achieving the desired one-third diversity.

In accordance with the Company's Articles of Association, the Board can appoint any person to be a Director as and when it is deemed necessary. However, consistent with the best practices of the 2012 Code, the Nominating Committee makes recommendations to the Board prior to such appointments. Any person so appointed shall hold office until the next Annual General Meeting at which time the candidate will be subject to election by the shareholders. An election of Directors takes place every year, with each Director retiring from office at least once every three years. Directors retiring by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

In 2013, the Nominating Committee carried out the following activities:

- review of candidates proposed for appointment as Independent Director (Ms. Chua See Hua), for appointment as Executive Director (Mr. Ferdinand K. Constantino) and appointment as Chief Executive Officer (Mr. Lubin B. Nepomuceno);
- review and revision of the Nominating Committee's Charter to be in line with the 2012 Code and MMLR; and
- annual review of the performance of the individual Directors, Board Committees and the Board of Directors as a whole.

The Nominating Committee in reviewing the candidates for appointment to the Board and as Chief Executive Officer, considered the experience of the individuals, their respective qualifications for the position, their integrity and character, level of competence and the time they could afford to spend in the discharge of their respective duties. In this regard, the Committee also took into account the needs of the Company going forward and the value added benefit of having some of the senior most directors and officers of the parent company to steward the Company following the take-over by Petron Corporation.

For the Annual Review, the Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Committee also considered their role in charting the course for the Company and setting out the strategic plans for the Company and stewarding the implementation process. The Committee also reviewed other matters such as training attended, attendance record at meetings (including their respective participation) as well as their level of compliance with legal requirements including the MMLR. The review concluded that the Directors, the Committees and the Board as a whole have satisfactorily discharged their duties and obligations to the Company.

Remuneration Committee and its role

The Remuneration Committee is responsible for the recommendation of the remuneration of the Executive and the Independent Non-Executive Directors, for the Board's consideration and decision.

The current members of the Remuneration Committee are as follows:

1. Mr. Lubin B. Nepomuceno (Executive Director/CEO) - Chairman of the Committee
   Ms. Aurora T. Calderon (Executive Director) - Alternate Chairman of the Committee
2. Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim (Independent Director)
3. Y. Bhg. Dato' Zainal Abidin Putih (Independent Director)

The remunerations received by the Independent Directors in 2013 were recommended by the Board (with the Independent Directors abstaining from participation in the discussions and voting on the matter) and approved by the shareholders at the Annual General Meeting on May 31, 2013. In November 2013, following a review of the Independent Directors' fees and allowances for 2014, the Remuneration Committee made recommendations that were then approved by the Board of Directors. The new Directors' fees for Independent Directors as proposed, will be tabled to the shareholders for approval, at the Annual General Meeting in June 2014.

The Executive Directors of the Company who are all seniors Directors or officers of Petron Corporation or its parent company, do not receive any salary or allowance from the Company. Any determination in respect of their salaries and perquisites are not within the purview of the Company nor the Remuneration Committee.

PRINCIPLE 3

Independence of Directors

The Independent Directors are not allowed to participate in any executive functions. To ensure their continued independence, the Independent Directors are required to provide a declaration to the Company of the fact. The Directors are also reminded to inform the Company of any new directorships offered to them, to enable the Company to conduct a review of any potential conflict of interest that may impact on their independence.

Tenure of Independent Directors

Independent Directors, Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim, Y. Bhg. Tan Sri Abdul Halim Ali and Y. Bhg. Dato' Zainal Abidin Putih have each exceeded a tenure of 9 years on the Board. The Company recognizes the rationale for the imposition of a 9 year tenure limit in the 2012 Code as familiarity with main shareholders, executive directors and senior management may over a long duration impinge upon the independent directors' ability to objectively and independently discharge their roles and responsibilities. However, the Board takes cognizance of the fact that considering the take-over by Petron Corporation in 2012, with a new main shareholder (Petron Corporation), new Executive Directors (nominated by Petron Corporation) and new Senior Management (appointed by Petron Corporation) in place, the rationale as stated in the 2012 Code may be less applicable in the case of the Company's three Independent Directors. The Company also takes the view that, with Petron Corporation being new to the Malaysian market, the guidance of these experienced Independent Directors with their vast knowledge and understanding of the Company's business in the past under ExxonMobil, will benefit the Company and the Executive Directors.

Nevertheless, the Board recognizes the need to have a succession plan for the Independent Directors and in this regard, the Board determined that a phased succession plan would be in the best interest of the Company. Induction of new Independent Directors, for this purpose has commenced.

As part of the succession plan, Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim has opted to retire from the Board and will not be seeking re-election.

Seeking Shareholders' approval

The Board recognizes the recommendation in the 2012 Code and as the Company plans to retain two Independent Directors despite their Board tenure having exceeded 9 years, the Board will be recommending to the shareholders at the Annual General Meeting in June 2014 for their re-appointment as Independent Directors for another year.

Chairman and CEO

The Chairman and Chief Executive Officer of the Company (until November 20, 2013) is Mr. Ramon S. Ang. He was appointed to the two positions by the Board at its meeting on April 2, 2012 immediately following the take-over by Petron Corporation. Mr. Ramon S. Ang is also the Chairman and CEO of the parent company, Petron Corporation. In line with the recommendation of the 2012 Code, on November 20, 2013, Mr. Ramon S. Ang, whilst remaining as Chairman of the Board, relinquished his position as CEO of the Company. Executive Director, Mr. Lubin B. Nepomuceno was, on the same day, appointed to the position of CEO of the Company. With this change, the offices of Chairman and CEO of the Company have been separated thus meeting the recommendation of the 2012 Code.

Composition of the Board to be a majority of Independent Directors if there is no separation of Chairman/CEO

With the separation of the offices of Chairman and CEO, this recommendation from the 2012 Code is not applicable.

PRINCIPLE 4

Time Commitment by Directors

The Nominating Committee in evaluating the candidates for Directorship took into account their other various roles and responsibilities and formed the view that they have the necessary capacity and time to fulfill their obligations and discharge their duties effectively as Directors. The Board Audit Committee too has taken cognizance of the reporting lines, reporting structure, reviews conducted, efficiency of processes and executive function of the Executive Directors, including their interaction with Senior Management and formed the view that the system was sound and effective.

Training

The Board places great emphasis on continuing education for Directors. In this regard, the status of each Director's continuing education was monitored and reviewed by the Board. The Board had in 2006, adopted the '*Principles for Training of Directors of the Company*' that sets out the philosophies on and the type and mode of training that the Directors will undertake in each year, to help them serve the Board more effectively. These same Principles continue to be applied by the Board.

All Directors on the Board have received or undergone relevant training in 2013. Independent Director Ms. Chua See Hua and Executive Director Mr. Ferdinand K. Constantino completed the Mandatory Accreditation Programme within the prescribed time. A summary of the training programs attended by the Directors in 2013 are as set out in pages 32 to 34.

The Company reimburses the Directors for costs incurred in attending continuing education programmes.

The Directors are also briefed on any significant changes in laws and regulations that are relevant to the Company's operations.

PRINCIPLE 5

Financial Statements

In announcing the quarterly, semi-annual and annual financial statements to the shareholders and the public, the Board endeavours to present a balanced and understandable assessment of the Company's financial position and prospects. The Board Audit Committee assists the Board by ensuring the accuracy and adequacy of the information announced.

The Board recognizes the importance of the accuracy of financial statements released to the public and thus, has no tolerance for any compromise on the integrity of the financial statements. The Board Audit Committee is updated every quarter by the Chief Finance Officer ("CFO") and Senior Management on the Company's compliance with financial reporting standards that have been adopted in preparing the financial statements. The review is comprehensive and to aid and enable the Board Audit Committee to track the financial performance of the Company, the presentation to the Board Audit Committee as a general rule follows a set format. The Board Audit Committee also reviews all aspects of the business and each business unit's performance and resulting contribution towards the financial performance of the Company. By such review the Board Audit Committee is appraised of the factors contributing to the financial statements and is able to gauge the accuracy of the financial statements before endorsement of the same for tabling to the Board.

The Board Audit Committee also meets with the external auditor and the internal auditor privately (without Management's presence) to have the candid views of the external and internal auditors on their findings and to ascertain the level of support received from Management. This entire process of review allows the Board Audit Committee to thoroughly review and confirm the accuracy and integrity of the financial statements of the Company that are prepared and released to the public.

Suitability of External Auditors

Recognising the importance of the quality of services needed by a subsidiary of Petron Corporation/San Miguel Corporation, a multi-national group, the Company as a matter of principle only appoints top tier international firm as external auditor for audit and non-audit services. The Board Audit Committee is tasked with an annual review of the external auditor (as part of the Annual Audit Plan review with the external auditor). The key matters for discussion in the Annual Audit Plan include the independence and continued independence of the external auditor. A written assurance of the fact is also obtained from the external auditor. Only when the Board Audit Committee is satisfied will it make the necessary recommendations to the Board for the appointment of the external auditor.

PRINCIPLE 6

Risk Management and Internal Controls

The Board recognizes that managing a public-listed downstream oil and gas company has many challenges and inherent risks. These risks include financial, foreign exchange, legal compliance, crude and product supply, distribution, environment issues, industrial requirements, safety and managing the human resources of the Company. To this end, the Board had previously adopted ExxonMobil's world-class management integrity systems. Following the take-over by Petron Corporation, these management integrity systems continue to be adhered to by the Company to ensure seamless continuity of the business and operations. The Company is in the process of making changes as necessary and in time formulating its own proprietary management integrity systems but it recognizes that the complexity of the business is such that to formulate its own management integrity systems would take time. Recognising that Petron Corporation too is in the same downstream oil and gas business and the management integrity systems it has in place, the Company has opted to adopt where possible the best practices from ExxonMobil's and Petron Corporation's systems. In this regard the Company continues to receive technical advice and support from its parent company, Petron Corporation via its technical advisers based in Malaysia. The Company also receives a substantial amount of technical support vide formal arrangements with ExxonMobil.

The Board recognizes that risks can be mitigated and even eliminated by having in place an effective system on internal controls. Key elements of the Company's internal controls include:

1. the adoption of best practices from ExxonMobil and Petron Corporation. These not only assist the Company in identifying the principal risks faced by the Company, but also prescribes the appropriate systems to manage these risks that includes the overall control framework, the required control checks and the required checks on the system's effectiveness;

2. a defined organisational structure with clear lines of accountability and delegation of authority;

3. reviews of the control including internal audits have been performed periodically and financial audits are subject to annual review by external auditors. The results are reviewed with various levels of Management and any major concerns are raised to Senior Management and the Board Audit Committee;

4. key policies covering, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in place in the form of the Code of Conduct. These include requirements to comply with all applicable laws and regulations. The revised Code of Conduct has been communicated to employees, vendors and contractors. Effective from year 2014, training will also be provided periodically to employees, vendors and contractors. Employees will further be required to confirm annually that they have read the Code of Conduct and understand the requirements;

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

6. the effective lines of communications within the Management with weekly Management meetings where all matters pertaining to each business unit and function are reviewed. This way any controls related issues are highlighted weekly and the action plans on any identified gaps are dealt with immediately.

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

The Board has received assurance from CEO and CFO that the Company's risk management and internal control system (for financial year ended 2013 and up to the date of this Report) is operating adequately and effectively, in all material respects.

Internal Audit

The internal audit function undertakes independent, regular and systematic audit reviews of the Company's system of internal controls. This is to provide reasonable assurance that such systems are operating effectively. The basic framework of the Company's system of internal controls is described above. The internal audit process covers the audit of selected units and operations based on risk assessment and the periodic and annual review with the Board Audit Committee, of audit results and audit plans for the subsequent year. Where there are any amendments to the audit plan, such amendments to the plan will require approval from Board Audit Committee.

CORPORATE GOVERNANCE (Continued)

The Company's internal audit function is undertaken by an internal audit group based in Manila, at Petron Corporation, that also undertakes audit work for all Petron Corporation companies in the region. The internal audit group which reports directly to the Company's Board Audit Committee, also takes functional guidance from Petron Corporation's internal audit function. This structure allows the Company to benefit from the application of Petron Corporation's internal audit best practices and assures the Company of internal audit independence. The cost incurred for internal audit in 2013 was RM80,000.00.

PRINCIPLE 7

Disclosure Policies

The Company has a written disclosure policy that is incorporated in the Company's Corporate Communication and Disclosure Guidelines. The Guidelines augment a robust and tested system to ensure strict adherence with necessary disclosures to the public via BMSB. Considering the business of the Company, the similar nature of business of its sister companies in Malaysia, the nature of Petron Corporation's large downstream oil and gas business activities and the multi-faceted and wide ranging businesses of the ultimate holding company San Miguel Corporation, the Company as a matter of strict controls process requires all transactions involving the Company to be reviewed via a 'filter' process, commencing with weekly Management Meetings and reviews with Law, Financial Controllers and Tax. All implications of the transactions (including the possibility of any related party transactions) are fully explored and reviewed to ensure strict compliance with the provisions of applicable laws (including the Listing Requirements). The Board does not allow for any compromise on this.

The Company also adopts the recommended best practice of voluntary disclosure of information to keep the public fully informed of any matters that may have any impact on the market or share price.

Use of Information Technology

The Company places information about the Company including all disclosures made to BMSB on its website. The website contains information about the Company including its Corporate Governance, its parent company Petron Corporation, media announcements, stock exchange disclosures, its products range, dealership opportunities and employee recruitment. The website also contains the name and contact details of a Senior Management personnel who will address Investor Relations issues and Shareholders' queries. The website is regularly updated with the latest information. The Corporate Governance portion in the website contains information pertinent to shareholders including the Annual Reports, its Vision/Mission/Values Statement, its Safety/Heath/Environment Policies, the Code of Conducts, sustainability and on Corporate Communication and Disclosure Guidelines.

PRINCIPLE 8

Shareholder participation

At the Annual General Meeting, the Chairman of the Board apprises the shareholders of the progress and performance of the Company. A question and answer session is also conducted to allow shareholders the opportunity to question Management on the Company's business and the proposed resolutions. The Chairman, the Board members, Senior Management, external legal counsel and the external auditors are available at the Annual General Meeting to respond to questions. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. The Annual General Meeting provides an appropriate forum for the shareholders to hold dialogues with the Board on Company related matters. The Company generally provides one-month notice period for General Meetings (except in exceptional circumstances) to give shareholders ample notice and to encourage their attendance. The Board has not formulated any plans to introduce electronic voting but will evaluate available systems and make a decision that will be in the best interest of the shareholders attending the meetings in the future. The Company however has, in collaboration with its share registrar, implemented the use of some automation in the poll voting process thus increasing speed and efficiency of the voting process.

Poll voting

In line with the 2012 Code, the Board implemented poll voting as a general process in all general meetings for the future, commencing with the 2013 Annual General Meeting, being the first Annual General Meeting of the Company under Petron Corporation. The use of automation in the poll voting process will allow for faster tabulation and the results that will be announced to the shareholders by the returning officer indicating the number of votes and the percentage of vote for and against any proposed resolution.

Proactive engagement with shareholders

The Company actively encourages shareholders to engage the Management to hold dialogues on any issues pertaining to the Company and provide them with information that may be disclosed. The Management has on several occasion invited shareholders, potential shareholders and fund management companies (at their request) to attend private meetings with Management to help clarify Company related matters including those on disclosed financial results, disclosed corporate actions and business plans. The Company strongly believes that engaging shareholders directly apart from dialogues at general meetings is an integral part of ensuring sound governance of the Company and helps stakeholders rationalize and appreciate the needs of the Company and balance that against the wants of the stakeholders.

OTHER INFORMATION RELATING TO CORPORATE GOVERNANCE

Directors' attendance at Meetings

For the year ended December 31, 2013, four Board and five Board Audit Committee meetings were held. Details of the Directors' attendance at these meetings are summarised below:

Directors	**Number of Board Meetings**		**Number of Board Audit Committee Meetings**	
	Held	Attended	Held	Attended
Mr. Ramon S. Ang	4	4	Non-Member	Non-Member
Mr. Eric O. Recto	2+	2	Non-Member	Non-Member
Ms. Aurora T. Calderon	4	4	Non-Member	Non-Member
Mr. Lubin B. Nepomuceno	4	4	Non-Member	Non-Member
Mr. Ferdinand K. Constantino	2++	2	Non-Member	Non-Member
Ms. Chua See Hua	2++	2	Non-Member	Non-Member
Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim	4	4	5	5
Y. Bhg. Tan Sri Abdul Halim Ali	4	4	5	5
Y. Bhg. Dato' Zainal Abidin Putih	4	3	5	5

+ Denotes number of meetings held in the year while in office
++ Denotes number of meetings held in the year following appointment to the Board

CORPORATE GOVERNANCE (Continued)

Directors' Remuneration

An analysis of the aggregate Directors' remuneration incurred by the Company for the year ended December 31, 2013 as prescribed under Appendix 9C Part A Item 11(a) of the MMLR is set out below:

	FEES (RM)	VALUE OF REMUNERATION AND OTHERS (RM)	TOTAL (RM)
EXECUTIVE DIRECTORS	-	-	-
INDEPENDENT DIRECTORS	175,000	72,000	247,000

An analysis of the number of Directors whose remuneration, incurred by the Company, falls in successive bands of RM50,000 as prescribed under Appendix 9C Part A Item 11(b) of the MMLR is set out below:

Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
Less than 50,000	-	1
50,001 - 100,000	-	3

The Company has opted not to disclose each Director's remuneration as the Board considers the information to be sensitive and proprietary.

Petron Corporation nominated Executive Directors did not receive any remuneration from the Company.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 and the MMLR to confirm that the financial statements for each financial year have been made out in accordance with the applicable approved accounting standards and that they give a true and fair view of the results of the business and state of affairs of the Company for the financial year.

The Directors have carried out their responsibilities by:

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

The Directors are responsible for ensuring that the Company keeps such accounting and other records which will sufficiently explain the transactions and give a true and fair view of the financial position of the Company, enabling the Directors to ensure that the financial statements comply with the Companies Act, 1965 and to safeguard the assets of the Company.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors of the Company. The role of the Board Audit Committee in relation to the internal and external auditors is described on pages 35 and 36.

Material Contracts

The Company is not and was not a party to any material contracts involving the Directors' interests during the year. Further, the Company is not and was not a party to any material contracts that are not in its ordinary course of business. All contracts that are of a related party nature have been duly disclosed to BMSB during the year.

Non-Audit Fees

No non-audit fees were paid or are payable to the external auditors, KPMG, by the Company for the financial year ended December 31, 2013.

Other Information

i) Family Relationship

None of the Directors have any family relationship with any other Director and/or major shareholder(s) of the Company.

ii) Conflicts of Interest

None of the Directors have any conflicts of interest with the Company.

iii) Conviction for offences (excluding traffic offences)

None of the Directors have been convicted for any offences within the past 10 years.

iv) Sanctions and/or penalties

No sanction or penalty has been imposed on the Company, or the Directors or the Management, by the relevant regulatory bodies.

This Statement is made in accordance with the Board of Directors' resolution dated February 20, 2014.

CORPORATE GOVERNANCE (Continued)

Training Attended by Directors

Directors/Training	Date in 2013	Organiser
Mr. Ramon S. Ang		
• Corporate Governance, Conflict of Interests and Board Evaluation	Oct 21	The Hong Kong Institute of Directors
Ms. Aurora T. Calderon		
• Finex Convention "Inspiring Financial Excellence and Integrity Towards Global Competitiveness"	Oct 4	Financial Executives Institute of the Philippines
Mr. Ferdinand K. Constantino		
• Mandatory Accreditation Programme for Directors of Public Listed Companies	Oct 2	Bursatra Sdn Bhd
• Anti-Trust/Competition Legislation Briefing	Oct 18	The Trade Advisory Group
• Conflicts of Interests and Board Evaluation	Oct 21	The Hong Kong Institute of Directors
Mr. Lubin B. Nepomuceno		
• RMP Project update with visiting Independent Directors, Bataan Refinery, Philippines	Aug 30	Petron Corporation
• Anti-Trust/Competition Legislation Briefing	Oct 18	The Trade Advisory Group
Ms. Chua See Hua		
• Briefing on Petron Operations in Malaysia	Aug 2	Petron Corporation
• Mandatory Accreditation Program for Directors of Public Listed Companies	Aug 14	Bursatra
• Briefing on RMP Project for the Bataan Refinery, Philippines	Aug 30	Petron Corporation
• Public Lecture "Law Liberty and Morality in the Age of the Genome" by Simon Thorley	Aug 22	Malaysia Inner Temple Alumni Association
• Law Lectures "The Limits of Law"	Nov 20	University Malaya
Y. Bhg. Tan Sri Abdul Halim Ali		
• Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT)	Feb 28	Malaysia Building Society Berhad (MBSB)
• The Advanced Senior Management Program	Apr 16-17	University Teknologi Malaysia
• Islamic Banking and Shariah	Apr 24	Shariah Advisory Committee

Training Attended by Directors (continued)

Directors/Training	Date in 2013	Organiser
Y. Bhg. Tan Sri Abdul Halim Ali (Continued)		
• Forum -Future of Corporate Reporting	Jun 12	Bursa Malaysia and ACCA Malaysia
• Forum - Full Steam Ahead? IJM Senior Management Forum 2013: "Full Steam Ahead"	Jun 25	IJM Corporation Berhad
• Financial Service Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA)	Jul 11	Malaysia Building Society Berhad (MBSB)
• Briefing on RMP project for the Bataan Refinery, Philippines	Aug 30	Petron Corporation
• Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers	Sep 5	Bursa Malaysia Berhad
• Breakfast at the Kuala Lumpur Golf and Country Club with Board Chairmen	Sep 11	Bursa Malaysia Berhad
• CNBC Summit 2013 with The Prime Minister	Sep 19	Malaysia Building Society Berhad (MBSB)
• Khazanah Megatrends Forum 2013	Sep 30	Khazanah Nasional
• Leadership Summit – A Satellite Event of GESKL 2013	Oct 9	PIKOM
• The Global Entrepreneurship Summit 2013	Oct 11-12	Ministry Of Finance
Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim		
• ISTIC : A role model for South-South cooperation through through Science, Technology & Innovation.	May 22	Academy Of Science Malaysia
• Briefing on RMP project for the Bataan Refinery, Philippines	Aug 30	Petron Corporation
• Malaysia-Vietnam Business & Investment Roundtable	Oct 11	Asian Strategy & Leadership Institute and Embassy of Vietnam
• Program Innovator Akar Umbi diWorld Innovation Forum (WIF-KL). Rujukan kumpulan: Innovator Bengkel Jejak Perdana.	Nov 10	Yayasan Innovasi Malaysia
• Dialogue on Diversity, Peace and Diplomacy	Nov 11	Institute of Strategy and International Studies (ISIS) Malaysia
• Dialog meja bulat penggalakan Science, Technology, Engineering and Mathematics (STEM) 2013	May 22	Universiti Pendidikan Sultan Idris
• World Islamic Economic Forum, London	Nov 23	World Islamic Economic Forum Foundation.
• Managing Issues and Challenges in Islamic Wealth Management	Dec 19	INCEIF

CORPORATE GOVERNANCE (Continued)

Training Attended by Directors (continued)

Directors/Training	Date in 2013	Organiser
Y. Bhg. Dato' Zainal Abidin Putih		
• Land & General Bhd In House Training - Challenges in Managing Business Risks and Recent Changes to Tax Laws & Procedures	Jan 7	BoardRoom Corporate Services (KL) Sdn Bhd
• CIMB Group Briefing on Financial Services Act (FSA) and the new Islamic Financial Services Act (IFSA) - Implications for Directors	Mar 11	ZICOlaw
• CIMB Group Shariah Governance Framework (SGF) Briefing for BoD of CIMB Group	Apr 3	Encik Badlisyah Abdul Ghani, CEO of CIMB Islamic Bank
• CIMB Group 5th Regional Compliance, Audit & Risk (CAR) Conference	Jun 14 & 15	CIMB Group
• PLF CEO Forum 2013 " Better Times Ahead for Malaysia? Predictions, Trends and Outlook for 2013-2014"	Jun 18	Perdana Leadership Foundation (PLF)
• CIMB Annual Asia Pacific Conference (Day 1)	Jun 19	CIMB Group
• Australia All Energy 2013 Exhibition & Conference	Oct 8 & 9	Reed Exhibitions Australia Pty Ltd Melbourne
• 2013 Directors Continuing Education Forum	Oct 29	Dutch Lady Milk Industries Berhad
• CIMBG Annual Management Summit – Differentiating CIMB	Nov 22 & 23	CIMB Group

BOARD AUDIT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Committee comprises three Independent Directors. The following are the Committee members:

1. Y. Bhg. Dato' Zainal Abidin Putih – Chairman of the Board Audit Committee

2. Y. Bhg. Tan Sri Abdul Halim Ali

3. Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim

A detailed profile of the Committee members can be found on page 18-19.

The Secretary to the Committee is the General Counsel/Company Secretary of the Company.

The Committee had 5 meetings during the last financial year. The details of attendance of each Committee member have been tabulated under the Corporate Governance Statements section, which can be found on page 29. Executive Directors are encouraged to attend these meetings to provide guidance to the Board Audit Committee. However Management Committee Members, in particular the Alternate Chairman of the Management Committee, the Chief Finance Officer and the General Counsel/Company Secretary regularly attend the Committee meetings by invitation to present matters for consideration by the Committee and to provide answers to queries. In addition to the Committee meetings, the Committee also met privately with the Internal Auditor and External Auditors.

As part of the new Petron-led Management's corporate governance culture, to ensure Independent Directors are fully kept abreast of all matters pertaining to the Company, the Management implemented a process where if an Independent Director is unable to attend a Committee Meeting, an advance private meeting will be held with said Director earlier to fully brief him of all matters to be tabled before the Committee. The views of that Director are then related to the Committee during its Meeting. Similarly where a Circular Resolution of the Committee is moved (due to difficulty in arranging a Committee meeting), a private meeting will be arranged with each Independent Directors for a full briefing on the proposal prior to obtaining their consent to the Circular Resolution.

SUMMARY OF ACTIVITIES

During the last financial year, the Committee discharged its functions and carried out its duties as set out in the Terms of Reference below.

INTERNAL AUDIT

As was the case under ExxonMobil, when the Internal Audit function was outsourced to ExxonMobil's regional Internal Audit Group to ensure independence of the Company's Management, the Internal Audit function of the Company today is managed by Petron Corporation's Internal Audit Department, thus again ensuring independence of the Company's management.

The Internal Audit Department of Petron Corporation is highly experienced in auditing downstream oil and gas business and this enables the internal auditors to conduct the audits efficiently with minimal familiarization and be in a position to provide management with much input process improvements in the Company's systems. The Internal Auditors report directly to the Board Audit Committee.

Further information about the internal audit function can be viewed under the Corporate Governance Report on page 27.

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

Membership

The Committee members shall:

- be appointed from members of the Board of Directors (the Board);
- consist of not less than three in number;
- comprise fully Independent Directors;
- elect a Chairman from among their number, who is an Independent Director and has requisite qualifications; and
- not be an alternate Director.

BOARD AUDIT COMMITTEE REPORT (Continued)

Meetings and Minutes

Meetings of the Committee shall be held regularly, and as often as necessary. Other Directors of the Company and relevant personnel may only attend the meetings at the invitation of the Committee. If required, the presence of the external auditors at the meetings of the Committee may be requested. The auditors, both internal and external, may request the Committee to convene a meeting if one is necessary, to consider any matter which any of the auditors believe should be brought to the attention of the Directors and/or shareholders of the Company.

The Secretary to the Committee shall be appointed by the Committee. The Secretary shall be responsible for the timely issuance of meeting notices together with meeting agenda and any supporting documents in advance of such meeting, for recording, keeping and distributing the minutes of meetings and any other duties ordinarily discharged by a secretary of such Committee.

Authority

The Committee is authorised by the Board:

- to investigate any matter within its terms of reference;
- to have the resources which are required to perform its duties;
- to have full and unrestricted access to any information pertaining to the Company;
- to have unrestricted access to and communication with the external auditors of the Company and internal auditors;
- to obtain external legal or other independent professional advice as necessary; and
- to convene meetings with the external auditors of the Company, without the attendance of the executive members of the Committee, whenever deemed necessary.

Duties

The Committee is charged with the following duties:

- to review with the external auditors and internal auditors of the Company, the audit plan of the Company, the respective auditors' evaluation of the Company's system of internal accounting controls and the audit report, the external auditors' management letter and management's response to such letter, and report the same to the Board;
- to review and report to the Board the assistance given by the Company's employees to the external auditors and internal auditors of the Company;
- to review and report to the Board the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- to review and report to the Board the internal audit programme, processes, the results of the internal audit programme, processes, or investigation undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit;
- to review and report to the Board the quarterly results and year end financial statements, including the balance sheet and profit and loss statement, prior to submission of the statements to the Board for approval, focusing particularly on:
    - changes in existing accounting policies or implementation of new accounting policies;
    - significant and unusual events;
    - compliance with accounting standards and other legal requirements; and
    - the going concern assumption;

- to review and report to the Board any related party transaction and conflict of interest situation that may arise within the Company;
- to review and report to the Board any removal, resignation, appointment and audit fee of the Company's external auditors;
- to review and report to the Board whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment;
- to recommend the nomination of a person or persons as external auditors of the Company;
- to report promptly to Bursa Malaysia Securities Berhad (BMSB) matters reported by the Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of BMSB; and
- to perform such other functions as may be agreed to by the Committee and the Board.

This Statement is made in accordance with the Board of Directors' resolution dated February 20, 2014.

Directors’ report for the year ended 31 December 2013

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2013.

Principal activities

The Company is principally engaged in the manufacturing and marketing of petroleum products in Peninsular Malaysia. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Loss for the year	64,246

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a final ordinary dividend of 14 sen less Malaysian income tax at 25%, totalling RM28,350,000 (10.50 sen net per ordinary share) in respect of the financial year ended 31 December 2012 on 20 June 2013.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2013 is 14 sen per ordinary share totalling RM37,800,000 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

Directors of the Company

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

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim
Y. Bhg. Tan Sri Abdul Halim Ali
Y. Bhg. Dato' Zainal Abidin Putih
Mr. Ramon S. Ang
Ms. Aurora T. Calderon
Mr. Lubin B. Nepomuceno
Ms. Chua See Hua (appointed with effect from 31.05.2013)
Mr. Ferdinand K. Constantino (appointed with effect from 30.08.2013)
Dato' Zuraidah Atan (appointed with effect from 20.02.2014)
Mr. Eric O. Recto (resigned with effect from 30.08.2013)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

Directors' interests in shares (continued)

	Number of ordinary shares			
	At 01.01.2013	Acquired	Sold	At 31.12.2013
Common shares of ultimate holding company (San Miguel Corporation)				
Ramon S. Ang	757,873	-	-	757,873
Aurora T. Calderon	22,600	-	-	22,600
Lubin B. Nepomuceno	7	-	-	7
Ferdinand K. Constantino	147,500*	-	-	147,500
Common shares of intermediate holding company (Petron Corporation)				
Ramon S. Ang	1,000	-	-	1,000
Aurora T. Calderon	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000
Ferdinand K. Constantino	1,000*	-	-	1,000

(on the date of appointment)*

None of the other Directors holding office at 31 December 2013 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which would have enable any of the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

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

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

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

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

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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:

....
Ramon S. Ang
Chairman

....
Lubin B. Nepomuceno
Director

Kuala Lumpur

Date: 20 February 2014

Statement of financial position as at 31 December 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	01.01.2012 RM'000 Restated
Assets				
Cash and cash equivalents	3	97,593	38,724	30,910
Derivative financial assets	4	3,129	-	-
Trade and other receivables	5	809,531	895,476	724,690
Inventories	6	694,765	730,659	659,213
Tax recoverable		32,581	14,759	6,710
Total current assets		1,637,599	1,679,618	1,421,523
Property, plant and equipment	7	945,705	871,525	899,523
Long-term assets	8	199,456	211,896	209,300
Intangible assets - software	9	9,138	12,310	-
Total non-current assets		1,154,299	1,095,731	1,108,823
Total assets		2,791,898	2,775,349	2,530,346
Liabilities				
Loans and borrowings	10	900,000	900,000	821,553
Trade and other payables	11	919,040	805,343	708,647
Derivative financial liabilities	4	4,334	-	-
Retirement benefits obligations	12	4,604	6,423	3,987
Total current liabilities		1,827,978	1,711,766	1,534,187
Retirement benefits obligations	12	42,000	53,683	46,602
Deferred tax liabilities	13	60,129	67,358	68,291
Total non-current liabilities		102,129	121,041	114,893
Total liabilities		1,930,107	1,832,807	1,649,080
Equity				
Share capital		135,000	135,000	135,000
Reserves		8,000	(6,557)	2,188
Retained earnings		718,791	814,099	744,078
Total equity	14	861,791	942,542	881,266
Total equity and liabilities		2,791,898	2,775,349	2,530,346

The notes on pages 45 to 78 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000 Restated
Revenue	15	11,128,100	11,476,413
Cost of sales		(10,947,996)	(11,189,857)
Gross profit		180,104	286,556
Other operating income		56,656	41,866
Other operating expenses		(182,333)	(181,429)
Administrative expenses		(24,205)	(18,253)
Results from operating activities		30,222	128,740
Other (expense)/income		(39,063)	67,825
Finance costs	17	(66,577)	(60,313)
(Loss)/Profit before tax	18	(75,418)	136,252
Tax expense	20	11,172	(37,881)
(Loss)/Profit for the year		(64,246)	98,371
Other comprehensive income/(expense), net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	19	11,845	(8,745)
Other comprehensive income/(expense) for the year		11,845	(8,745)
Total comprehensive (expense)/income for the year		(52,401)	89,626
Basic (loss)/earnings per ordinary share (sen)	21	(23.8)	36.4

The notes on pages 45 to 78 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2013

	Note	*Non-distributable* Share capital RM'000	Capital redemption reserves RM'000	Reserves for retirement plan RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 1 January 2012, as previously stated		**135,000**	**8,000**	**-**	**744,078**	**887,078**
Effect from the adoption of MFRS119 (2011)	30	-	-	(5,812)	-	(5,812)
At 1 January 2012, restated		**135,000**	**8,000**	**(5,812)**	**744,078**	**881,266**
Remeasurement of defined benefit liability		-	-	(8,745)	-	(8,745)
Total other comprehensive income for the year		-	-	(8,745)	-	(8,745)
Profit for the year		-	-	-	98,371	98,371
Total comprehensive income for the year		**-**	**-**	**(8,745)**	**98,371**	**89,626**
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company	22	-	-	-	(28,350)	(28,350)
Total transactions with owners of the Company		**-**	**-**	**-**	**(28,350)**	**(28,350)**
At 31 December 2012/ 1 January 2013, *restated*		**135,000**	**8,000**	**(14,557)**	**814,099**	**942,542**
Remeasurement of defined benefit liability		-	-	11,845	-	11,845
Total other comprehensive income for the year		-	-	11,845	-	11,845
Profit for the year		-	-	-	(64,246)	(64,246)
Transfer to retained earning		-	-	2,712	(2,712)	-
Total comprehensive income for the year		**-**	**-**	**14,557**	**(66,958)**	**(52,401)**
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company	22	-	-	-	(28,350)	(28,350)
Total transactions with owners of the Company		**-**	**-**	**-**	**(28,350)**	**(28,350)**
At 31 December 2013		**135,000**	**8,000**	**-**	**718,791**	**861,791**

The notes on pages 45 to 78 are an integral part of these financial statements

Statement of cash flows for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000 Restated
Cash flows from operating activities			
(Loss)/Profit before tax:		(75,418)	136,252
Adjustments for:			
Amortisation of intangible assets		2,728	1,592
Amortisation of long-term assets		20,347	19,180
Depreciation of property, plant and equipment		60,624	58,710
Finance costs		61,229	53,754
Finance income		(1,812)	(2,212)
Gain on disposal of long-term asset		-	(322)
Impairment loss on receivables		105	-
Intangible asset written off		444	-
Loss/(Gain) on disposal of property, plant and equipment		34	(11,050)
Property, plant and equipment written off		7,491	4,196
Retirement/separation benefits cost		2,479	3,703
Unrealised foreign differences		5,767	(953)
Other loss		1,205	-
Operating profit before changes in working capital		85,223	262,850
Change in inventories		35,894	(71,446)
Change in long-term assets		1,796	7,935
Change in trade and other payables and other financial liabilities		98,940	98,573
Change in trade and other receivables and other financial assets		87,475	(171,210)
Cash generated from operations		309,328	126,702
Interest paid		(49,489)	(53,114)
Interest received		1,812	2,212
Tax paid		(17,827)	(43,949)
Retirement/separation benefits paid		(4,573)	(6,985)
Net cash from operating activities		239,251	24,866

Statement of cash flows for the year ended 31 December 2013 (continued)

	Note	2013 RM'000	2012 RM'000 Restated
Cash flows from investing activities			
Acquisition of property, plant and equipment		(142,708)	(35,906)
Acquisition of intangible assets		-	(13,902)
Payment for long-term assets		(9,703)	(29,789)
Proceeds from disposal of long-term asset		-	400
Proceeds from disposal of property, plant and equipment		379	12,048
Net cash used in investing activities		(152,032)	(67,149)
Cash flows from financing activities			
Proceeds from borrowings		-	900,000
Repayment of borrowings		-	(821,553)
Dividends paid to owners of the Company		(28,350)	(28,350)
Net cash (used in)/from financing activities		(28,350)	50,097
Net increase in cash and cash equivalents		58,869	7,814
Cash and cash equivalents at 1 January		38,724	30,910
Cash and cash equivalents at 31 December	3	97,593	38,724

The notes on pages 45 to 78 are an integral part of these financial statements.

Notes to the financial statements

Petron Malaysia Refining & Marketing Bhd is a public company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

Registered office/Principal place of business
Level 12A, Menara I & P Tower 1
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur

Principal place of business
Port Dickson Refinery
1 ½ mile, Jalan Pantai
71000 Port Dickson, Negri Sembilan

The Company is principally engaged in the manufacturing and marketing of petroleum products in Peninsular Malaysia.

The immediate and ultimate holding companies during the financial year were Petron Oil & Gas International Sdn. Bhd. ("POGI") and San Miguel Corporation ("SMC"). These companies were incorporated in Malaysia and Philippines respectively. The Directors regard SMC as its ultimate holding company.

The financial statements were authorised for issue by the Board of Directors on 20 February 2014.

1. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- 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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for MFRS 10, MFRS 127 and IC Interpretation 21 which are not applicable to the Company.

1. **Basis of preparation (continued)**

(a) **Statement of compliance (continued)**

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

(i) **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) **MFRS 132, *Financial Instruments: Presentation***

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 132.

(iii) **MFRS 119, *Employee Benefits***

The amendments to MFRS 119 introduces a practical expedient for employee or third party contributions set out in the formal terms of the plan that are linked to service and independent of the number of years of service.

The Company plans to apply the amendments to MFRS 119 retrospective from the annual period beginning on 1 January 2015, and is currently assessing the financial impact that may arise from the initial application of the amendments.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

(c) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) **Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 5, impairment of receivables.

2. Significant accounting policies

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

(a) Joint arrangements

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

The Company adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as “joint operation” when the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Company 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 Company has rights only to the net assets of the arrangements. The Company accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled asset, the Company accounted for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to Ringgit Malaysia at the closing exchange rate.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) 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 or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gains or losses on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in the profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

● Buildings and improvements	20-50 years
● Plant and equipment	10-33 years

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

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

(ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease rentals.

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

(ii) Software cost

Software cost is measured at cost less any accumulated amortisation. Computer software costs are amortised on a straight-line basis over the estimated useful life of the software, which normally falls within a range of 5 to 7 years.

(g) Inventories

Crude oil and petroleum product inventories are stated at the lower of cost and net realisable value. Cost includes all applicable purchase costs and production overheads and is determined on the first-in first-out (FIFO) basis. Materials and supplies are valued at cost, determined on a weighted average basis, and a deduction is made for obsolete and slow moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date 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.

An impairment loss in respect of loans and receivables 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.

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 (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

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

(j) **Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) **Ordinary shares**

Ordinary shares are classified as equity.

(ii) **Distributions of assets to owners of the Company**

The Company measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) **Employee benefits**

(i) **Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) **State plans**

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

(iii) **Defined benefit plans**

As a result of MFRS 119 (2011), *Employee Benefits*, the Company has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment defined benefit plans.

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

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

(k) **Employee benefits (continued)**

(iii) **Defined benefit plans (continued)**

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

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

The change in accounting policy has been made retrospectively. The effects from the adoption of MFRS 119 (2011) are disclosed in Note 30.

(l) **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) **Revenue and other income**

(i) **Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) **Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per ordinary share

The Company presents basic earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. Cash and cash equivalents

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Deposits placed with a licensed bank	4,219	4,082	7,926
Cash and bank balances	93,374	34,642	22,984
	97,593	38,724	30,910

Deposits placed with a licensed bank is RM4,219,000 (31.12.2012: RM4,082,000; 01.01.2012: RM7,926,000) held in accordance with the sale and purchase agreement relating to the Company's purchase of a participating interest in the Multi-Products Pipeline System and related distribution terminal facilities ("MPP"). The amount will be utilised for payment in respect of the vendor's real property gains taxes upon decision by the Inland Revenue Board.

4. Derivative financial assets/(liabilities)

	2013			2012		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	377,602	3,101	(909)	-	-	-
-Commodity swap	61,293	28	(1,472)	-	-	-
-Commodity options	70,139	-	(1,953)	-	-	-
	509,034	3,129	(4,334)	-	-	-

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currency of the Company. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

Commodity swap and options are used to mitigate crude and petroleum products price risks. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. All of the commodity derivative contracts have maturities of less than 180 days after the end of the reporting period.

5. Trade and other receivables

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Trade			
Trade receivables	187,166	209,046	89,860
Less: Individual impairment allowance	(1,733)	(1,908)	(1,930)
	185,433	207,138	87,930
Amounts due from related companies	119,081	146,736	156,038
	304,514	353,874	243,968
Non-trade			
Amounts due from related companies	1,207	-	57
Subsidies receivable	466,974	511,567	461,429
Prepayments	20,185	20,610	12,121
Other receivables	16,651	9,425	7,115
	505,017	541,602	480,722
	809,531	895,476	724,690

5. **Trade and other receivables (continued)**

Related party balances

The trade balances due from related companies are subject to normal trade terms. The non-trade balances due from related companies are unsecured, interest free and are repayable on demand.

Subsidies receivable

Subsidies receivable are amount due from the Government of Malaysia under the Automatic Pricing Mechanism. These receivables are collected within 2 to 3 months.

Estimation uncertainty and critical judgements

The Company makes impairment of receivables based on assessment of recoverability. Whilst management's judgement is guided by past experiences, judgement is made about the future recovery of debts.

6. **Inventories**

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Crude oil	275,788	304,313	292,702
Petroleum products	409,752	416,719	357,144
Material and supplies	9,225	9,627	9,367
	694,765	730,659	659,213
Recognised in profit or loss:			
Inventories recognised as cost of sales	10,787,774	11,020,229	10,664,367

7. **Property, plant and equipment**

	Freehold land RM'000	Leasehold land RM'000	Building and improvements RM'000	Plant and equipment RM'000	Capital project in progress RM'000	Total RM'000
Cost						
At 1 January 2012, restated	200,851	106,938	372,595	1,125,211	41,593	1,847,188
Additions	191	-	19,243	14,657	1,815	35,906
Disposal	(998)	-	-	-	-	(998)
Write off	-	-	(1,047)	(9,768)	(959)	(11,774)
At 31 December 2012/ 1 January 2013, restated	200,044	106,938	390,791	1,130,100	42,449	1,870,322
Additions	-	-	47,046	61,952	33,710	142,708
Disposal	-	-	-	(2,016)	-	(2,016)
Write off	-	-	(2,236)	(41,311)	-	(43,547)
At 31 December 2013	200,044	106,938	435,601	1,148,725	76,159	1,967,467

7. **Property, plant and equipment (continued)**

	Freehold land RM'000	Leasehold land RM'000	Building and improvements RM'000	Plant and equipment RM'000	Capital project in progress RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2012, restated	-	16,427	205,117	726,121	-	947,665
Depreciation during the year	-	1,199	16,829	40,682	-	58,710
Write off	-	-	(696)	(6,882)	-	(7,578)
At 31 December 2012/ 1 January 2013, restated	-	17,626	221,250	759,921	-	998,797
Depreciation during the year	-	1,185	18,150	41,289	-	60,624
Disposal	-	-	-	(1,603)	-	(1,603)
Write off	-	-	(1,274)	(34,782)	-	(36,056)
At 31 December 2013	-	18,811	238,126	764,825	-	1,021,762
Carrying amounts						
At 1 January 2012, restated	200,851	90,511	167,478	399,090	41,593	899,523
At 31 December 2012/ 1 January 2013, restated	200,044	89,312	169,541	370,179	42,449	871,525
At 31 December 2013	200,044	88,127	197,475	383,900	76,159	945,705

Included in the above property, plant and equipment is the net book value for the Company's 20% participating interest in the joint venture assets of MPP amounting to RM92,573,000 (31 December 2012: RM75,725,000; 1 January 2012: RM79,600,000).

During the financial year, the Company wrote off certain properties and equipment amounting to RM7,491,000 (2012: RM4,196,000) due to on-going rebranding of retail stations and replacement of equipment.

Included in carrying amounts of leasehold land is the net book value for leasehold land with unexpired lease period of more than 50 years amounting to RM83,675,000 (31 December 2012: RM84,743,000; 1 January 2012: RM85,825,000).

8. **Long-term assets**

	31.12.2013 RM'000	31.12.2012 RM'000 Restated	01.01.2012 RM'000 Restated
Prepaid lease rentals	160,599	164,146	173,173
Deposits	2,574	2,450	1,886
Marketing assistance to dealers	23,914	26,674	30,256
Others	12,369	18,626	3,985
	199,456	211,896	209,300

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

	2013 RM'000	2012 RM'000 Restated
At 1 January	211,896	209,300
Addition	9,703	29,789
Disposal	-	(78)
Amortisation	(20,347)	(19,180)
Reclassification from/(to) short term	29	(5,366)
Others	(1,825)	(2,569)
	199,456	211,896

8. **Long-term assets (continued)**

Prepaid lease rentals

Included in the above prepaid lease rentals are leasehold land amounting to RM1,368,000 (31 December 2012: RM1,384,000; 1 January 2012: RM1,400,000) for the Company's 20% participating interest in the joint venture assets of MPP.

Marketing assistance to dealer

The marketing assistance programme is provided to selected dealers to assist in the construction of the service stations in order for the Company to gain access to locations and generate future revenue streams and is amortised over the period of the agreements.

9. **Intangible assets - software**

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Cost	24,294	24,851	10,949
Accumulated amortisation	(15,156)	(12,541)	(10,949)
Net book value	9,138	12,310	-

	2013 RM'000	2012 RM'000
At 1 January	12,310	-
Addition	-	13,902
Amortisation	(2,728)	(1,592)
Write off	(444)	-
Net book value	9,138	12,310

10. **Loans and borrowings**

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Floating interest rate loan from a former related company	-	-	366,307
Floating interest rate loan from a related company	-	-	160,246
Short-term notes	-	-	250,000
Revolving credit	-	-	45,000
Working capital facility	900,000	900,000	-
	900,000	900,000	821,553

(a) In prior year, the floating interest rate loans from related corporations comprise the following:

(i) Two USD100 million facilities with ExxonMobil Services (Labuan) Limited ("EMSL"). Each of these facilities is a one-year facility with an option for annual rollover at each year-end that could extend the facility until 2011. The repayment of this loan is in Ringgit equivalent at the time of the loan drawdown.

On 23 November 2011, the validity of the two facilities was extended (subject to exercise of annual rollover option) up to 31 December 2012. Subsequently, the Company had rolled-over the total of USD200 million on these two facilities, including USD100 million drawdown to date, for another year to 31 December 2012.

10. Loans and borrowings (continued)

On 27 April 2012, the Company fully settled all sums owing to EMSL under the Loan Arrangements amounting to RM367,211,000. The Loan Arrangements are no longer applicable to the Company. When ExxonMobil International Holdings Inc divested its entire shareholding in the Company to POGI, the facility was terminated. The repayment of the Loan Arrangements was financed by a combination of the Company's own funds and existing credit facility arrangements with a financial institution.

(ii) A RM285 million loan/deposit facility with Petron Fuel International Sdn. Bhd. ("PFISB") allows the Company to borrow short-term loans or place short-term deposits with PFISB to better manage cash surpluses and shortages. This is a one-year facility with an option for annual renewal of the facility at each year-end. There was no outstanding balance as at 31 December 2012 and 31 December 2013. The Company had renewed the facility for another year to 31 December 2014.

(b) Short-term notes were issued under a RM300 million 7-year Islamic Commercial Papers Programme ("Sukuk Programme") which the Company entered into in June 2011 to replace the previous programme which expired in May 2011. The Sukuk Programme is based on the principles of Musharakah and is available until June 2018. The Company may issue Islamic Commercial Papers for any tenure of between 14 days and 12 months through competitive tender by the tender panel members or through private placement.

Following a review of the RM300 million 7-year Islamic Commercial Papers Programme ("Sukuk Programme"), it was determined that the said Sukuk Programme be terminated. All settlements in relation to the Sukuk Programme have been made with no further obligations on the Company thereafter. In furtherance of this the Company received written confirmation that the Sukuk Programme has, effective 4 June 2012, been cancelled from the Fully Automated System for Issuing / Tendering ("FAST").

(c) On 19 April 2012, the Company entered into 5-year Working Capital Facility Agreement of RM900 million with Maybank Investment Bank Berhad (as the agent) to accommodate for working capital requirements, payment of inter affiliate payables and the refinancing of the existing facilities and existing instruments then. Borrowings are normally settled within 30 to 60 days.

11. Trade and other payables

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Trade			
Trade payables	830,680	749,184	86,523
Amount due to related companies	-	-	563,096
	830,680	749,184	649,619
Non-trade			
Accrued expenses	72,947	43,517	44,166
MPP deposit	4,271	4,148	7,976
Others	241	173	718
Amounts due to intermediate holding company	10,901	8,321	6,168
	919,040	805,343	708,647

Related party balances

The trade balances due to related companies are subject to normal trade terms. The non-trade balances due to related companies are unsecured, interest free and are repayable on demand.

Accrued expenses

Other payables are generally those of a non-trade nature that arose from transactions other than the purchase of crude and petroleum products.

12. Retirement benefits obligations

	31.12.2013 RM'000	31.12.2012 RM'000 Restated	01.01.2012 RM'000 Restated
Retirement benefits obligations			
- Current	4,604	6,423	3,987
- Non current	42,000	53,683	46,602
	46,604	60,106	50,589

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The plan assumptions are reappraised by an independent actuary every three years. The latest actuarial reappraisal was carried out in December 2013.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Movement in retirement benefits obligations

The following table shows reconciliation from the opening balance to the closing balance for the retirement benefits obligation and its components.

	2013 RM'000	2012 RM'000 Restated
Balance at 1 January	60,106	50,589
Included in profit or loss		
Current service cost	2,443	2,418
Interest cost	2,841	2,530
Included in other comprehensive income	65,390	55,537
Remeasurement of retirement benefit obligation		
Actuarial (gain)/loss arising from:		
- Financial assumptions	(1,730)	366
- Experience adjustments	(14,063)	11,293
	(15,793)	11,659
Other		
Benefit paid	(4,538)	(6,957)
Intercompany transfer	1,545	(133)
	(2,993)	(7,090)
Balance at 31 December	46,604	60,106

Actuarial assumptions

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

	2013 %	2012 %
Discount rate	5.5	5.0
Future salary growth	6.0	6.0

At 31 December 2013, the weighted average duration of the defined benefit obligation was 7.55 years (2012: 10.10 years).

12. **Retirement benefits obligations (continued)**

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Retirement benefit obligation Increase RM'000	Decrease RM'000
2013		
Discount rate (1% movement)	(3,131)	3,566
Future salary growth (1% movement)	3,933	(3,522)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

13. **Deferred tax assets/(liabilities)**

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31.12.2013 RM'000	31.12.2012 RM'000 Restated	01.01.2012 RM'000 Restated	31.12.2013 RM'000	31.12.2012 RM'000 Restated	01.01.2012 RM'000 Restated	31.12.2013 RM'000	31.12.2012 RM'000 Restated	01.01.2012 RM'000 Restated
Property, plant and equipment	-	-	-	(71,241)	(73,551)	(73,951)	(71,241)	(73,551)	(73,951)
Retirement benefits obligation	4,922	6,002	5,203	-	-	-	4,922	6,002	5,203
Tax loss carry-forwards	4,448	-	-	-	-	-	4,448	-	-
Other items	1,742	191	457	-	-	-	1,742	191	457
Net tax assets/(liabilities)	11,112	6,193	5,660	(71,241)	(73,551)	(73,951)	(60,129)	(67,358)	(68,291)

Movement in temporary differences during the year

	At 01.01.2012 RM'000 Restated	Recognised in profit or loss (Note 20) RM'000	Recognised directly in equity (Note 20) RM'000	At 31.12.2012/ 01.01.2013 RM'000 Restated	Recognised in profit or loss (Note 20) RM'000	Recognised directly in equity (Note 20) RM'000	At 31.12.2013 RM'000
Property, plant and equipment	(73,951)	400	-	(73,551)	2,310	-	(71,241)
Retirement benefits obligation	5,203	(2,115)	2,914	6,002	2,868	(3,948)	4,922
Tax loss carry-forwards	-	-	-	-	4,448	-	4,448
Other items	457	(266)	-	191	1,551	-	1,742
Net tax liabilities	(68,291)	(1,981)	2,914	(67,358)	11,177	(3,948)	(60,129)

14. **Capital and reserves**

Share capital

	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '000
Authorised :				
Ordinary share of RM0.50 each	150,000	300,000	150,000	300,000
Issued and fully paid shares				
Ordinary share of RM0.50 each	135,000	270,000	135,000	270,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

14. **Capital and reserves (continued)**

Capital redemption reserves

The Company's capital redemption reserve arises from redemption of 8,000,000 preference shares in 1986.

Retained earnings

The Finance Act 2007 introduced a single tier tax system which took effect from 1 January 2008. Under the single tier system, tax on company profits is a final tax, and dividends distributed to shareholders will be exempted from tax.

15. **Revenue**

	2013 RM'000	2012 RM'000 Restated
Sales to related companies	2,740,861	2,871,769
Sales to a former related company	-	308,487
Third party sales	8,382,283	8,290,118
	11,123,144	11,470,374
Credit card merchandise fees	277	1,972
Other revenues and rebates	4,198	3,885
Service outlet rental	481	182
	11,128,100	11,476,413

Turnover represents the value of goods sold inclusive of subsidies and net of Government duties and taxes.

16. **Finance income**

	2013 RM'000	2012 RM'000
Interest income of financial assets that are not at fair value through profit or loss:		
- Advances to related companies	1,631	1,698
- Other finance income	181	514
	1,812	2,212

17. **Finance costs**

	2013 RM'000	2012 RM'000 Restated
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Loans	50,882	45,737
- Other finance costs	15,695	14,576
	66,577	60,313

18. **(Loss)/Profit before tax**

	2013 RM'000	2012 RM'000 Restated
(Loss)/Profit before tax is arrived at after charging:		
Auditors' remuneration:		
- Audit fees	310	348
- Non-audit fees	-	55

18. **(Loss)/Profit before tax (continued)**

	2013 RM'000	2012 RM'000 Restated
(Loss)/Profit before tax is arrived at after charging (continued):		
Foreign exchange		
- Realised foreign exchange loss	39,740	-
- Unrealised foreign exchange loss	5,767	-
Hire of plant and machinery	428	183
Impairment loss on trade receivables	105	-
Intangible assets		
- Amortisation	2,728	1,592
- Written off	444	-
Long-term assets		
- Amortisation		
- Prepaid lease rentals	10,577	10,592
- Marketing assistance to dealers	3,513	3,782
- Others	6,257	4,806
Personnel expenses (including key management personnel):		
- Contributions to Employees' Provident Fund	5,025	4,797
- Wages, salaries and others	42,665	42,017
Property, plant and equipment		
- Depreciation	60,624	58,710
- Written off	7,491	4,196
- Loss on disposal	34	-
Rental expense in respect of property	2,027	2,259
Research and development expense	-	3,167
Repair and maintenance expense	35,759	41,433
Trucking cost	55,005	51,460
and after crediting:		
Foreign exchange		
- Realised foreign exchange gain	-	28,598
- Unrealised foreign exchange gain	-	953
Long-term assets		
- Gain on disposal	-	322
Licence fees	34,136	30,972
Property, plant and equipment		
- Gain on disposal	-	11,050

19. **Other comprehensive income**

	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
2013			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	15,793	(3,948)	11,845
2012			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(11,659)	2,914	(8,745)

20. **Tax expense**

Recognised in profit or loss

	2013 RM'000	2012 RM'000 Restated
Current tax expense		
Current year	-	35,576
Prior year	5	324
Total current tax recognised in profit or loss	5	35,900
Deferred tax expense		
Origination and reversal of temporary differences	(10,268)	1,981
Over provision in prior year	(909)	-
Total deferred tax recognised in profit or loss	(11,177)	1,981
Total income tax expense	(11,172)	37,881

Reconciliation of tax expense

	2013	2012
(Loss)/Profit before tax	(75,418)	136,252
Income tax calculated using Malaysian tax rate of 25%	(18,855)	34,063
Non-deductible expenses	8,587	6,256
Non-taxable income	-	(2,762)
(Over)/Under provided in prior years	(904)	324
	(11,172)	37,881
Income tax recognised directly in equity		
Retirement benefits obligation -deferred tax	3,948	(2,914)

21. **(Loss)/Earnings per ordinary share**

The calculation of basic (loss)/earnings per ordinary share was based on the (loss)/profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

	2013	2012
Net (loss)/profit attributable to shareholders (RM'000)	(64,246)	98,371
Number of ordinary share units in issue ('000)	270,000	270,000
Basic (loss)/earnings per share unit (sen)	(23.8)	36.4

Diluted EPS is not presented as the Company has no potential shares or other instruments with dilutive effects.

22. **Dividends**

Dividends recognised by the Company:

	Sen per share (gross)	Total amount RM'000	Date of payment
2013			
Final 2012 ordinary	14	28,350	20 June 2013
2012			
Final 2011 ordinary	14	28,350	21 June 2012

22. **Dividends (continued)**

After the reporting period the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial year upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2013 ordinary	14	37,800

23. **Operating segments**

The Company is organised as one integrated business segment which operates to manufacture and sell petroleum products. These integrated activities are known across the petroleum industry as the Downstream segment. As such, the assets and liabilities are disclosed within the financial statements as one segment.

Revenues are mainly derived from the sale of petroleum products to domestic customers including its affiliates and competitors. A breakdown of the revenues by geographical location is as follows:

	2013 RM'000	2012 RM'000 Restated
Foreign	1,301,992	1,488,568
Domestic	9,826,108	9,987,845
	11,128,100	11,476,413

Major customers

The following are major customers with revenue equal or more than 10% of the Company's total revenue:

	2013 RM'000	2012 RM'000
Related party		
-Company A	2,666,518	2,870,711
Others		
-Company B	1,171,267	1,142,815

Other than these major customers, there is no individual customer contributing to equal or more than 10% of the Company's total revenue for the current and previous financial years.

All non-current assets of the Company are located in Malaysia.

24. **Financial instruments**

24.1 **Categories of financial instruments**

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

(a) Loans and receivables (“L&R”);
(b) Fair value through profit or loss (“FVTPL”):
- Held for trading (“HFT”), and
(c) Financial liabilities measured at amortised cost (“FL”).

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000
31 December 2013			
Financial assets			
Trade and other receivables	789,346	789,346	-
Cash and cash equivalents	97,593	97,593	-
Derivative financial assets	3,129	-	3,129
	890,068	886,939	3,129
Financial liabilities			
Loan and borrowings	(900,000)	(900,000)	-
Trade and other payables	(919,040)	(919,040)	-
Derivative financial liabilities	(4,334)	-	(4,334)
	(1,823,374)	(1,819,040)	(4,334)
31 December 2012			
Financial assets			
Trade and other receivables	874,866	874,866	-
Cash and cash equivalents	38,724	38,724	-
	913,590	913,590	-
Financial liabilities			
Loan and borrowings	(900,000)	(900,000)	-
Trade and other payables	(805,343)	(805,343)	-
	(1,705,343)	(1,705,343)	-
1 January 2012			
Financial assets			
Trade and other receivables	712,569	712,569	-
Cash and cash equivalents	30,910	30,910	-
	743,479	743,479	-
Financial liabilities			
Loan and borrowings	(821,533)	(821,533)	-
Trade and other payables	(708,647)	(708,647)	-
	(1,530,180)	(1,530,180)	-

24.2 Net losses arising from financial instruments

	2013 RM'000	2012 RM'000
Net losses on:		
Fair value through profit or loss:		
-Held for trading	(1,205)	-
Financial liabilities measured at amortised cost		
- Finance costs	(61,229)	(53,754)
- Unrealised forex gain/(loss)	1,633	(31)
- Realised forex (loss)/gain	(41,999)	32,934
	(101,595)	(20,851)
Loan and receivables		
- Finance income	1,812	2,212
- Allowance for doubtful debts	(105)	-
- Unrealised forex (loss)/gain	(7,400)	984
-Realised forex gain/(loss)	2,259	(4,336)
	(3,434)	(1,140)
	(106,234)	(21,991)

24.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24. **Financial instruments (continued)**

24.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than its credit term, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Domestic	81,510	81,591	87,930
Foreign	103,923	125,547	-
	185,433	207,138	87,930

Impairment losses

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2013			
Not past due	185,039	-	185,039
Past due 1 - 90 days	386	-	386
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	-	-	-
Past due more than 365 days	1,741	(1,733)	8
	187,166	(1,733)	185,433
31 December 2012			
Not past due	206,762	-	206,762
Past due 1 - 90 days	211	-	211
Past due 91 - 180 days	116	-	116
Past due 181 - 365 days	-	-	-
Past due more than 365 days	1,957	(1,908)	49
	209,046	(1,908)	207,138

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
1 January 2012			
Not past due	73,939	-	73,939
Past due 1 - 90 days	13,942	-	13,942
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	-	-	-
Past due more than 365 days	1,979	(1,930)	49
	89,860	(1,930)	87,930

No allowance for impairment losses of trade receivables has been made for the remaining past due receivables as the Company monitors the results and repayments of these customers regularly and are confident of the ability of the customers to repay the balances owing.

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

	2013 RM'000	2012 RM'000
At 1 January	1,908	1,930
Impairment loss recognised	105	-
Impairment loss written off	(280)	(22)
At 31 December	1,733	1,908

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Inter company advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to related companies which are wholly owned by the immediate holding company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the related companies are not recoverable. The Company does not specifically monitor the ageing of advances to the related companies. Nevertheless, these advances have been overdue for less than a year.

24. **Financial instruments (continued)**

24.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents, bank facilities and inter-company financing arrangement deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company reviews its revolving credit facilities on a periodic basis. In addition the Company has subscribed to the fund pooling arrangements made available by its affiliates, PFISB and Petron Oil Malaysia Sdn. Bhd. ("POMSB"). This inter-company financing arrangement allows the Company to either draw cash from the pool in the event of a shortfall, or place cash into the pool in the event of excess, at competitive interest rates on a daily basis.

The Company continues to optimise the mix of its borrowing facilities to maximise financing flexibility whilst reducing financing cost. These facilities are short-term in nature unless opportunities arise to secure favourable longer term borrowing facilities.

Liquidity risk may also arise if debtors are not able to settle obligations to the Company within the normal credit term. To manage this risk, the Company periodically assesses the financial viability of debtors and may require certain debtors to provide bank guarantees or other security.

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

24.6 Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000
31 December 2013				
Non-derivative financial liabilities				
Trade and other payables	919,040	-	919,040	919,040
Loans and borrowings	900,000	3.0% - 5.9%	906,675	906,675
	1,819,040		1,825,715	1,825,715
Derivative financial liabilities				
Forward exchange contracts (gross settled):				
Outflow	-	-	377,602	377,602
Inflow	(2,192)	-	(379,794)	(379,794)
Commodity swap (gross settled):				
Outflow	1,444	-	61,915	61,915
Inflow	-	-	(60,471)	(60,471)
Commodity options	1,953	-	1,953	1,953
	1,820,245		1,826,920	1,826,920

24. **Financial instruments (continued)**

24.6 **Maturity analysis (continued)**

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

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000
31 December 2012				
Non-derivative financial liabilities				
Trade and other payables	805,343	-	805,343	805,343
Loans and borrowings	900,000	3.0% - 5.9%	906,675	906,675
	1,705,343		1,712,018	1,712,018
1 January 2012				
Non-derivative financial liabilities				
Trade and other payables	708,647	-	708,647	708,647
Loans and borrowings	821,533	2.8% - 3.6%	825,915	825,915
	1,530,180		1,534,562	1,534,562

24.7 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

24.7.1 **Currency risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily U.S. Dollar (“USD”).

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to hedge its foreign currency risk. All of the forward contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

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

	Denominated in USD		
	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Cash and cash equivalents	48,530	3,265	-
Trade and other receivables	103,923	125,547	57
Trade and other payables	(784,265)	(690,011)	(560,239)
Net exposure	(631,812)	(561,199)	(560,182)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from USD. The exposure to other currencies is not material and hence, sensitivity analysis is not presented.

A 10% (2012:10%) strengthening of the RM against USD at the end of the reporting period would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period.

24. **Financial instruments (continued)**

24.7 Market risk (continued)

24.7.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2013 RM'000	2012 RM'000
USD	63,181	56,120

A 10% (2012:10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

24.7.2 Interest rate risk

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, practice and processes for managing the risk

Interest rate exposure arising from the Company's borrowings is managed through monitoring and reviewing interest rate changes in the market and its impact to the Company's financial performance. The Company does not use derivative financial instruments to hedge its debt obligations.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Floating rate instruments			
Financial liabilities	(900,000)	(900,000)	(821,533)

Interest rate risk sensitivity analysis

(a) *Cash flow sensitivity analysis for variable rate instruments*

The borrowings are generally based on floating interest rates unless opportunities arise for competitive fixed rate financing. The Company's financing arrangements are typically tracked against the Kuala Lumpur Interbank Offered Rate (“KLIBOR”). The impact of a 10 basis point (“bp”) change in interest rate affecting the Company's borrowing would not be material to the Company's financial statements.

A change of 10 basis points in interest rates at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	2013		2012	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(21)	21	(3)	3

24. **Financial instruments (continued)**

24.7 Market risk (continued)

24.7.3 Other price risk

Other price risk arises from price fluctuation risk mainly on petroleum related products. The Company mitigate their risk to the price volatility through establishing a fixed price level that the Company consider acceptable and where deemed prudent, entering into commodity price contracts.

The exposure to other price risk is not material and hence, sensitivity analysis is not presented.

24.8 Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
31 December 2013	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
Financial assets										
Forward exchange contracts	-	3,101	-	3,101	-	-	-	-	3,101	3,101
Commodity swap	-	28	-	28	-	-	-	-	28	28
	-	3,129	-	3,129	-	-	-	-	3,129	3,129
Financial liabilities										
Forward exchange contracts	-	(909)	-	(909)	-	-	-	-	(909)	(909)
Commodity swap	-	(1,472)	-	(1,472)	-	-	-	-	(1,472)	(1,472)
Commodity options	-	(1,953)	-	(1,953)	-	-	-	-	(1,953)	(1,953)
Loans and borrowings	-	-	-	-	-	-	(900,000)	(900,000)	(900,000)	(900,000)
	-	(4,334)	-	(4,334)	-	-	(900,000)	(900,000)	(904,334)	(904,334)
31 December 2012										
Financial liabilities										
Loans and borrowings	-	-	-	-	-	-	(900,000)	(900,000)	(900,000)	(900,000)
1 January 2012										
Financial liabilities										
Loans and borrowings	-	-	-	-	-	-	(821,533)	(821,533)	(821,533)	(821,533)

Policy on transfer between levels

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.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

24. Financial instruments (continued)

24.8 Fair value information (continued)

Level 2 fair value (continued)

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

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 market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year. (2012: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable input used in the valuation model.

Financial instruments not carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Loans and borrowings	Discounted cash flows	Not applicable	Not applicable

25. Capital management

The Company's objective when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

In the future, in order to maintain an appropriate capital structure, the Company may consider adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

25. Capital management (continued)

The debt-to-equity ratios at 31 December 2013, 31 December 2012 and 1 January 2012 were as follows:

	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Total loans and borrowings (Note 10)	900,000	900,000	821,533
Total equity	861,791	942,542	881,266
Debt-to-equity ratios	1.04	0.95	0.93

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

26. Operating leases

Leases as lessee

	2013 RM'000	2012 RM'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,227	2,819
Between one and five years	3,659	2,275
More than five years	2,554	704
	7,440	5,798

The Company leases land under operating leases. The leases typically run for a period of 3 to 10 years, with an option to renew the lease after the date. None of the leases includes contingent rentals.

27. Capital and other commitments

	2013 RM'000	2012 RM'000
Capital expenditure commitments		
Plant and equipment		
Authorised but not contracted for	201,988	170,368
Contracted for but not provided for	63,140	206,449
	265,128	376,817

Included in the above are non-contracted and contracted for the joint venture assets of the MPP amounting to RM2,447,000 and RM32,934,000 respectively. (2012: non-contracted: RM38,200,000; contracted: nil).

28. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its holding companies, significant investors, related companies and key management personnel.

28. Related parties (continued)

Identity of related parties (continued)

In the ordinary course of business, the Company undertakes transactions with these related parties which include the sales and purchases of products, which are carried out on commercial terms and conditions negotiated amongst the related parties, and the sharing of services and facilities at cost apportioned on a mutually agreed basis.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 5,10 and 11.

	2013 RM'000	2012 RM'000 Restated
Purchases of crude oil from a former related company:		
ExxonMobil Exploration and Production Malaysia Inc.	-	1,368,471
Purchases of petroleum products from former related companies:		
ExxonMobil Asia Pacific Pte. Ltd.	-	773,995
Others	-	12,906
Purchases of petroleum products from a related company:		
Petron Fuel International Sdn. Bhd.	1,345,728	1,248,205
Sales of petroleum products to a former related company:		
ExxonMobil Asia Pacific Pte. Ltd.	-	308,487
Sales of petroleum products to related companies:		
Petron Fuel International Sdn. Bhd.	2,666,518	2,870,711
Petron Oil (M) Sdn. Bhd.	68,265	-
Air Philippines Corporation	2,548	1,058
Philippines Airlines Inc.	3,530	-
Central management, shared facilities and services costs with former related companies, mainly ExxonMobil Asia Pacific Pte. Ltd., ExxonMobil Business Support Centre Malaysia Sdn. Bhd. and ExxonMobil Exploration and Production Malaysia Inc.		
Charged from:	-	26,143
Charged to:	-	(768)
	-	25,375

28. **Related parties (continued)**

Significant related party transactions (continued)

	2013 RM'000	2012 RM'000 Restated
Central management, shared facilities and services costs with related companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	63,677	34,453
Charged to:	(1,680)	(946)
	61,997	33,507
Central management, shared facilities and services costs with intermediate and ultimate holding companies, Petron Corporation and Petron Oil and Gas International Sdn. Bhd.		
Charged from:	144	551
Key management personnel		
Non-Executive Directors		
Fees	175	126
Other short term employee benefits	72	44
Executive Directors		
Short term employee benefits	-	240
Post-employment benefits	-	64
Benefits-in-kind	-	1
	247	475

29. **Interest in joint operations**

Details of the joint operations are as follows:-

Name of joint operation	Other joint operation parties	Principal place of business	Principal activity	Percentage of ownership 2013	2012
Joint Venture Agreement for Multi-Products Pipeline and Distribution Terminal	Petronas Dagangan Berhad ("PDB") and Shell Malaysia Trading Sendirian Berhad ("SMTSB")	Port Dickson	Construct, own and operate a multi-products pipeline ("the MPP")	20%	20%
Joint Facilities Operating Agreement	Shell Refining Company ("Operator")	Port Dickson	Construction of the part of the facilities relating to the receipt and carriage of crude and feedstocks as common carrier pipeline facilities.	50%	50%

30. **Comparative figures**

(i) Explanation of adoption of MFRS 119 (2011) *Employee Benefits*

The Company have adjusted amounts reported previously in financial statements prepared prior to adoption of MFRS 119 (2011), *Employee Benefits*.

An explanation of how this change has affected the Company's financial position and financial performance is set out as follows:

Statement of financial position

1 January 2012	**Retirement benefit obligations RM'000**	**Deferred tax liabilities RM'000**	**Reserve for retirement benefit RM'000**
Balance as previously reported	42,839	70,229	-
Effect of adoption on amendments to MFRS 119	7,750	(1,938)	(5,812)
Balance as restated	50,589	68,291	(5,812)
31 December 2012			
Balance as previously reported	40,963	72,144	-
Effect of adoption on amendments to MFRS 119	19,143	(4,786)	(14,557)
Balance as restated	60,106	67,358	(14,557)

Statement of profit or loss and other comprehensive income

31 December 2012	**RM'000**
Profit for the year as previously stated	98,171
Effect from adoption on amendments to MFRS119 (2011)	200
Profit for the year as restated	98,371

(ii) In previous financial years, certain leasehold lands which in substance is a finance lease were classified as prepaid lease rentals. The effects are disclosed below:

	31.12.2012		**01.01.2012**	
	As restated RM'000	**As previously stated RM'000**	**As restated RM'000**	**As previously stated RM'000**
Property, plant and equipment	871,525	782,213	899,523	809,012
Long-term assets	211,896	301,208	209,300	299,811

The above restatement does not have any impact on the earnings per ordinary shares of the Company.

30. **Comparative figures (continued)**

(iii) Certain comparative figures of the Company have been restated to conform with current year's presentation. The restatements do not have any material impact to the Statement of profit or loss and other comprehensive income. The effects are disclosed below:

	2012 As restated RM'000	2012 As previously restated RM'000
Revenue	11,476,413	11,503,558
Cost of sales	(11,189,857)	(10,990,677)
Gross profit	286,556	512,881
Other operating income	41,866	52,995
Other operating expenses	(181,429)	(350,990)
Administrative expenses	(18,253)	(25,146)
Results from operating activities	128,740	189,740
Other (expense)/income	67,825	-
Finance costs	(60,313)	(53,754)
(Loss)/Profit before tax	136,252	135,986
Tax expense	(37,881)	(37,815)
(Loss)/Profit before tax	98,371	98,171

31. **Supplementary financial information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	31.12.2013 RM'000	**31.12.2012 RM'000 Restated**
Total retained earnings of the Company		
- realised	782,495	880,504
- unrealised	(63,704)	(66,405)
Total retained earnings	718,791	814,099

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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 40 to 78 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 Company as of 31 December 2013 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 79 to the financial statements has been compiled in accordance with 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:

…………………………………
Ramon S. Ang

…………………………………..
Y.Bhg. Dato' Zainal Abidin Putih

Kuala Lumpur
Date: 20 February 2014

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Josue C. Banez, Jr., the officer primarily responsible for the financial management of Petron Malaysia Refining & Marketing Bhd, do solemnly and sincerely declare that the financial statements set out on pages 40 to 79 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 20 February 2014.

……………………………………………….
Josue C. Banez, Jr.

Before me:

……………………………………………….
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report to the members of Petron Malaysia Refining & Marketing Bhd

Report on the Financial Statements

We have audited the financial statements of Petron Malaysia Refining & Marketing Bhd, which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 78.

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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Company as of 31 December 2013 and of its financial performance and cash flows for the financial 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions 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 31 on page 79 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 of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

The financial statements of the Company as at and for the financial year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 14 February 2013.

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
Firm Number: AF 0758
Chartered Accountants

Ow Peng Li
Approval Number: 2666/09/15(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 20 February 2014

Information on Shareholdings

As at 20th March, 2014.

Class of shares: Ordinary share unit (RM0.50)
Voting rights: One vote per share unit

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Units Held	% of Issued Capital
Less than 100	296	3.309	12,431	0.004
100 - 1,000	2,807	31.384	2,537,445	0.939
1,001 - 10,000	4,861	54.349	19,367,053	7.172
10,001 - 100,000	901	10.073	24,819,308	9.192
100,001 - 13,499,999	78	0.872	25,084,700	9.290
13,500,000 and above	1	0.011	198,179,063	73.399
	8,944	**100.000**	**270,000,000**	**100.000**

THIRTY LARGEST SHAREHOLDERS
As at 20th March, 2014.

	NAME	No. of Units Held	% of Issued Capital
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399
2.	JOHAN ENTERPRISE SDN BHD	1,660,000	0.614
3.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	1,378,000	0.510
4.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG	1,350,000	0.500
5.	LIM GAIK BWAY @ LIM CHIEW AH	1,214,600	0.449
6.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (8041850)	1,163,000	0.430
7.	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,000,000	0.370
8.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	934,000	0.345
9.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	801,768	0.296
10.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	604,500	0.223
11.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOHN DEVARAJ SOLOMON (8103033)	600,000	0.222
12.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR GOVERNMENT OF THE PROVINCE OF ALBERTA	490,000	0.181
13.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANAY A/P M J ARUMANAYAGAM (8061712)	464,900	0.172
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SELINA SHARMALAR SOLOMON (8112136)	457,000	0.169
15.	ENG GUAN CHAN SDN. BERHAD	453,800	0.168
16.	YEOH KEAN HUA	450,000	0.166
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG CHIN CHYE (472268)	412,000	0.152
18.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG (CEB)	405,400	0.150
19.	LEE YEOW TENG	399,000	0.147
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (473163)	394,000	0.145
21.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PARAGON PACIFIC VENTURES SDN BHD (MARGIN)	340,000	0.125
22.	LIM SOO HIAN	335,000	0.124
23.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON	333,500	0.123
24.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	312,284	0.115
25.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANAY A/P M J ARUMANAYAGAM	308,900	0.114
26.	KIM POH HOLDINGS SDN BHD	300,000	0.111
27.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	282,548	0.104
28.	NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
29.	LIM SOO THEAN	256,500	0.095
30.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR DEVA DASSAN SOLOMON (My1091)	246,000	0.091
		215,805,763	**79.928**

SUBSTANTIAL SHAREHOLDER
As at 20th March, 2014

1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399

Top 10 Properties as at 31 December 2013

	Tenure	L.A.(sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value (RM)
FEDERAL TERRITORY							
Petron East-West Link Lot 39433, Lebuhraya Hubungan Timur-Barat,	F	3,158	Service station	01.01.2004		10	6,745, 111
Petron Sg. Besi West Highway Lot 26494, Mile 6.5 Jalan Sg. Besi,	F	5,669	Service station	01.05.1995		19	6, 441, 698
Petron MRR2 Melati PT 8085, SPK. Jalan Taman Melati,	F	2,992	Service station	01.01.2008		6	7,801, 504
SELANGOR							
Petron Puncak Jalil Lot PT 62357, Taman Puncak Jalil, Puncak Jalil	L	4,047	Service station	06.01.2004	09.06.2103	10	6,403, 177
Petron Jalan Kebun Klang Mile 3, Jalan Kebun, Klang	L	2,787	Service station	01.12.1996	30.06.2099	18	5,815, 148
PENANG							
Bagan Luar Terminal Lots 95-125, 128, Lot 2327-2338 Section 4, Town of Butterworth District of Seberang Perai Utara	F	44,024	Storage and distribution terminal	Revalued in 1982		54	11,548, 832
Esso Jalan Jelawat Lot 5371, Jalan Jelawat, Mukim 1, Seberang Jaya	L	3,693	Service station	01.07.2003	18.08.2073	11	6,605, 236
Petron Jalan Hussein Onn Lot 2188 (1445), Jalan Hussein Onn, Butterworth	F	3,488	Service station	30.09.2001		13	5,547,076
NEGERI SEMBILAN							
Lots 2645 & 2647, Mukim of Port Dickson (Lot 2646 & 2648), 1926-1930, 1593-1595, 1805, 1838, 1803, 1836, 1757, 2278 & 1222 Mukim Port Dickson	F	1,631,970	Refinery, storage and distribution terminal	Revalued in 1982		54	10,491, 160
MPP and KVDT	L	784,000	MPP/KVDT facilities	01.03.2001	01.02.2100	13	20, 245, 927

'Esso' brand is proprietary of ExxonMobil Corporation.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-fifth Annual General Meeting of the Company will be held at the BALLROOM, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA, 60000 KUALA LUMPUR on Thursday, June 5, 2014 at 2:00p.m., for the purpose of transacting the following business:

1. To receive and adopt the Company's Audited Accounts for the year ended December 31, 2013 and the Directors' and Auditors' Reports thereon. (Resolution 1)

2. To approve the declaration of final dividend of 14 sen per ordinary share unit of 50 sen each for the year ended December 31, 2013. (Resolution 2)

3. (a) To re-elect Y. Bhg. Dato' Zainal Abidin Putih, retiring in accordance with Articles 104 and 105 of the Company's Articles of Association AND to appoint the same as Independent Director in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012; (Resolution 3a)

   (b) To re-elect Mr. Lubin B. Nepomuceno, retiring in accordance with Articles 104 and 105 of the Company's Articles of Association. (Resolution 3b)

4. To appoint Y. Bhg. Tan Sri Abdul Halim bin Ali, who has exceeded the age of seventy (70) years, as an Independent Director in compliance with Section 129(6) of the Companies Act 1965 and Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. (Resolution 4)

5. To elect the following Directors retiring pursuant to Article 109 of the Company's Articles of Association

   a. Ms. Chua See Hua (Resolution 5a)
   b. Mr. Ferdinand K. Constantino (Resolution 5b)
   c. Y. Bhg. Dato' Zuraidah Atan (Resolution 5c)

6. To approve the payment of Directors' Fees for the Independent Directors. (Resolution 6)

7. To appoint Messrs. KPMG as Auditors of the Company and to authorize the Directors to determine their remuneration. (Resolution 7)

8. To transact any other ordinary business of the Company.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that :

<u>For purpose of attendance at the Annual General Meeting:</u> shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on Tuesday May 27, 2014.

<u>For purposes of dividend entitlement:</u> shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on Wednesday June 11, 2014, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on Wednesday June 25, 2014.

A shareholder shall qualify for entitlement only in respect of:

a) Securities transferred to the Depositor's Securities Account before 4:00p.m. on June 11, 2014 in respect of transfers;

b) Securities deposited into the Depositor's Securities Account before 12:30p.m. on Monday June 9, 2014 in respect of securities which are exempted from mandatory deposit; and

c) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,
Manoj Devadasan (LS0006885)
Company Secretary

Kuala Lumpur
April 28, 2014

Note:
A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy must be deposited at the Share Registrar's office at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than 48 hours before the time set for the Annual General Meeting.

On the day of the Annual General Meeting:

1. Registration counters (located outside the Ball Room at Sime Darby Convention Centre) will be opened from 11:15a.m. and will close at 2:15p.m.
2. Refreshments will be served at the same place from 11:15a.m to 2:15p.m.

Statement Accompanying Notice of Annual General Meeting

1. Directors standing for election/re-election

- Executive Director, Mr. Lubin B. Nepomuceno and Independent Director, Y. Bhg. Dato' Zainal Abidin bin Putih, retire by rotation and are eligible for re-election pursuant to Articles 104 and 105 of the Company's Articles of Association.

- Y. Bhg. Tan Sri Abdul Halim bin Ali and Y. Bhg. Dato' Zainal Abidin bin Putih are Independent Directors of the Company. As they have served on the Board for more than 9 years, in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, the Board of Directors proposes to the shareholders that the two Independent Directors be appointed as Independent Directors until conclusion of the next Annual General Meeting.

- Y. Bhg. Tan Sri Abdul Halim bin Ali having exceeded the age of 70 years will also be elected pursuant to Section 129(6) of the Companies Act 1965. Pursuant to Section 129(6) of the Companies Act 1965, the resolution must obtain the approval of at least three-fourth of the members present and voting in person or by proxy.

- Independent Director, Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin bin Syed Salim having exceeded 9 years in office, will retire in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 and will not be seeking re-election at the Annual General Meeting.

- Independent Director, Ms. Chua See Hua (appointed by the Board on May 31, 2013), Executive Director Mr. Ferdinand K. Constantino (appointed by the Board on August 30, 2013) and Independent Director, Y. Bhg. Dato' Zuraidah Atan (appointed by the Board on February 20, 2014), retire pursuant to Articles 109 of the Company's Articles of Association and are eligible to be elected to the Board of Directors.

2. Mode of Voting

In line with the recommendation of the Malaysian Code on Corporate Governance 2012, voting on all resolutions at the Annual General Meeting shall be by Poll

3. Details of Directors standing for election/re-election

(i) Profiles

The profiles of the Directors standing for election/re-election are set out in pages 18 and 19 of the Annual Report.

(ii) Statement of shareholdings

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

(iii) Family relationship

None of the Directors standing for election/re-election have any family relationship with any Director and/or major shareholder of the Company.

(iv) Conflicts of Interest

None of the Directors standing for election/re-election have any conflicts of interest with the Company.

(v) Conviction for offences (excluding traffic offences)

None of the Directors standing for election/re-election have been convicted for offences within the past 10 years.

PETRON MALAYSIA REFINING & MARKETING BHD
(Company No : 3927-V)

PROXY FORM

CDS Account No. of Authorised Nominee :

I / We ____________________________________(Name of Company/Business/individual's full name in Block Capitals as per NRIC), NRIC/Company No. ___________________________ (new) _________________________(old) of____(full address) being a member / members of the Company, hereby appoint __________________________ (full name of proxy) NRIC/Company No. ________________________________ (new) ____________________________ (old) of ____(full address) or failing which the Chairman of the Annual General Meeting as my/our Proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on Thursday June 5, 2014 at 2:00p.m. and at any adjournment thereof.

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

Resolution	For	Against
1. Receive and adopt Company's Audited Accounts		
2. Approve the declaration of dividend		
3. (a) Re-elect Y. Bhg. Dato' Zainal Abidin bin Putih		
(b) Re-elect Mr. Lubin B. Nepomuceno		
4. Appointment of Y. Bhg. Tan Sri Abdul Halim bin Ali		
5. (a) Elect Ms. Chua See Hua		
(b) Elect Mr. Ferdinand K. Constantino		
(c) Elect Y. Bhg. Dato' Zuraidah Atan		
6. Payment of Independent Directors' Fees for 2014		
7. Appoint KPMG as Auditors and authorize the Directors to determine their remuneration		
8. Any other business		

(Please indicate an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his / her discretion)

____
Signature / Common Seal

Number of shares held : _________________________________

Date : _________________________________

Notes:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. In the case of a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy must be deposited at the Share Registrar's office at **Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur**, not less than 48 hours before the time set for the meeting.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of Petron Malaysia Refining & Marketing Bhd
Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

1st fold here

PETRON MALAYSIA REFINING & MARKETING BHD
(Company No. 3927-V)
Level 12A, Menara I & P1, No. 46 Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur, Malaysia
Tel: +603-20828400
Fax: +603-20828578
E-mail: contactus@petron.com