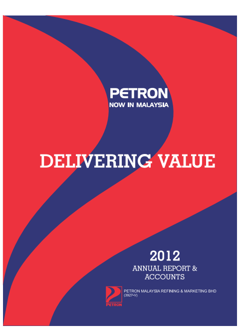
PETRON
NOW IN MALAYSIA

DELIVERING VALUE

2012
ANNUAL REPORT & ACCOUNTS

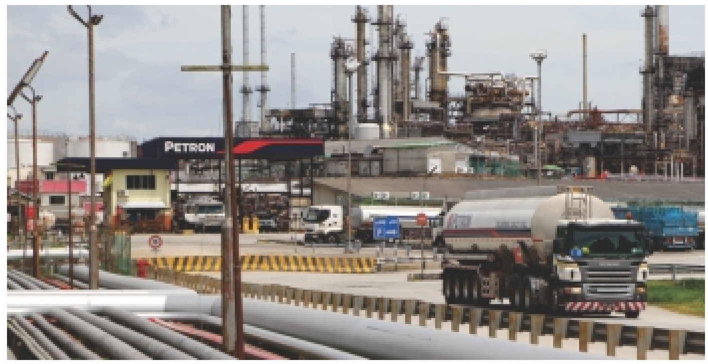
PETRON MALAYSIA REFINING & MARKETING BHD
(3927-V)

CONTENTS



Delivering Value

The cover illustrates the Petron logo with its distinctive colors of blue and red, that distinguishes the Petron brand service stations. Petron - Now in Malaysia, is committed to delivering excellence in product quality, customer service, safety, and in being a responsible corporation in the communities in which we operate our businesses.



PETRON BLAZE 97 RON PETRON BLAZE 95 RON PETRON DIESEL MAX

FINANCIAL HIGHLIGHTS

	2012 RM Million	2011 RM Million	% Change
Revenues	**11,504**	11,266	2
Profit after tax	**98**	153	(36)
Earnings per ordinary stock unit (sen)	**36.4**	56.8	(36)
Gross dividend per ordinary stock unit (sen)	**14**	14	-
Total assets employed	**2,775**	2,530	10
Total shareholders' funds	**957**	887	8
Sales volume (thousands of barrels per calendar day)	**80**	82	(2)

OUR VISION

To be the leading provider of total customer solutions in the oil sector and its allied businesses.

OUR MISSION

We will achieve this by:

- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs, delivering a consistent customer experience through quality products and innovative services;
- Developing strategic partnerships in pursuit of growth opportunities;
- Fostering an entrepreneurial culture that encourages teamwork, innovation, and excellence;
- Acting with professionalism, integrity, and fairness at all times;
- Adhering to the strictest safety and environmental standards; and
- Promoting the best interests of all our stakeholders, and caring for our community.

OUR CORPORATE PROFILE

Petron Malaysia is part of Petron Corporation in the Philippines, an emerging and rapidly evolving Asian oil company.

Petron Corporation joined Malaysia's dynamic and progressive market with the acquisition of ExxonMobil's downstream businesses in March 2012. Petron subsidiaries in Malaysia comprise of Petron Malaysia Refining & Marketing Bhd (formerly known as Esso Malaysia Berhad), a publicly-listed company listed on Bursa Malaysia; Petron Fuel International Sdn Bhd (formerly known as ExxonMobil Malaysia Sdn Bhd); and Petron Oil (M) Sdn Bhd (formerly known as ExxonMobil Borneo Sdn Bhd).

Petron Malaysia Refining & Marketing Bhd operates Petron Port Dickson Refinery (PDR), which has a rated capacity of 88,000 barrels per day, producing a wide range of petroleum products which include gasoline, diesel, liquefied petroleum gas (LPG), industrial and commercial fuels, and aviation fuel. Our world-class fuels are distributed from seven strategically-located depots and terminals of Petron subsidiaries in Malaysia. Through this robust distribution network, we are able to ensure a continuous and reliable supply of quality fuels to our various customers.

As an Asian company with a global mindset, we look forward to becoming an integral part of your lives as we fuel journeys through our network of more than 550 service stations nationwide, including stations that are of our sister companies. Currently, we are rebranding hundreds of 'Esso' and 'Mobil' stations across the country to reflect our new identity. More than just a makeover, our new Petron service stations, with its distinctive blue and red logo, embody what our brand stands for --- innovative products, excellent service, successful partnerships built on trust, and caring for our customers.

We are proud to be part of your lives as we fuel safe journeys with our top-of-the line gasolines, Blaze RON 97, Blaze RON 95, and Diesel Max. Beyond just being a petrol station, Petron service stations also provide a one-stop service experience to travelers on the road. *Treats,* our convenience store offers amenities such as shopping marts and fast food restaurants.

Petron's premier LPG brand, Petron Gasul provides efficient energy for the Malaysian households.

We help power the Malaysian economy by providing commercial fuels to key industries.

Beyond our business agenda, we take our corporate and social citizenship to heart by supporting safety, environment, and education programs to ensure sustainability and contribute to social development.

Through the combined experience and expertise of our highly-skilled and motivated management and personnel, and our strong foundations in the oil & gas industry, we are dedicated and passionate about our vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.

Dear Shareholders,

Ramon S. Ang
Chairman and Chief Executive Officer

We embarked on an exciting journey when Petron Corporation became part of the progressive and dynamic Malaysian market after its acquisition of ExxonMobil's downstream businesses in March 2012. As a result, your Company's name was changed to Petron Malaysia Refining & Marketing Bhd.

In the short time since, we have put a lot of effort in transforming all our customer touch points to the Petron brand including our service stations, products, terminals, and the fleet tankers. Beyond just a visual transformation, these positive changes also embody what Petron stands for - innovative products, excellent service, strong partnerships built on trust, and caring for our customers.

Delivering Value Throughout our Supply Chain

Already we have made major inroads, witnessing the completion of several initiatives aimed at creating more value for our shareholders. As of April 2013, we have managed to increase our presence in the market by rebranding 89 stations. At the same time, our sister company, Petron Fuel International Sdn Bhd, further rebranded another 36 of its own stations.

We are pleased to be offering our own top-of-the-line fuel brands namely Blaze RON 97, Blaze RON 95, and Diesel Max, now available at Petron branded stations to fuel your journeys. We have been working closely with our station dealers to offer only superior service and make Petron the brand of choice for consumers.

"Beyond just a visual transformation, these positive changes also embody what Petron stands for - innovative products, excellent service, strong partnerships built on trust, and caring for our customers."

Our station rebranding program has helped increase our strategic Retail business as we registered an 8% growth in Retail sales volume for 2012.

We are also undertaking a network expansion with the aim of making our quality products and services more accessible to customers. We see a lot of underserved markets and look to increase our footprint in these areas.

We managed to increase our client base as we aggressively solicited new commercial accounts. We marked a milestone as we entered into a partnership with the national carrier, Malaysia Airlines to fuel its flagship Airbus A380 for an exclusive period of six months from the launch of its first flight. We also expanded our aviation fuel business to include for the first time the Low Cost Carrier Terminal, when we secured a contract to become the major fuel supplier of AirPhil Express. The trust and confidence shown by our new partners only strengthen our commitment to bring excellent fuel products and services to the market.

In the LPG sector, we introduced the Petron Gasul brand, known for its safety and quality, to Malaysian households. Parallel to these efforts, in March 2013, we acquired the LPG business of Petron Fuel International Sdn Bhd with the focus of consolidating and growing the business in Peninsular Malaysia.

“The trust and confidence shown by our new partners only strengthen our commitment to bring excellent fuel products and services to the market.”

That commitment is backed by our Port Dickson Refinery (PDR), which remains one of the nation's strategic suppliers of high-quality and environment-friendly petroleum and gas products. Currently, we are working on upgrading PDR to enable it to run a wider variety of crudes and producing fuels that meet the more stringent Euro 4M-standard.

We continued to enhance our supply chain so our products are delivered in an efficient, reliable, safe, and cost-effective manner. As a testament to our efforts, we again received the prestigious recognition from the Malaysian Society for Occupational Safety and Health for our strict compliance to international standards in PDR and other key facilities.

Resilience Amid Challenges

The Malaysian economy remained robust in 2012 with GDP growth hitting 5.6% amid uncertain global conditions. However, crises in major oil producing countries and the world's biggest economies continued to lend unpredictability to international oil markets.

Against the backdrop of these conditions, your Company achieved an after tax profit of RM98 million for 2012; lower when compared to the RM153 million recorded in 2011. The 2012 profit was achieved despite volatility in crude and product prices, which resulted in higher-cost inventory being sold at lower prices. Our revenues slightly increased to RM11.5 billion from the RM11.3 billion posted in 2011 on the back of total sales volumes of 29.2 million barrels in 2012.

Given the challenging business environment, we pursued cost-optimization initiatives that lowered our annual operating expenditure. Our financial results would have been better if not for the crude oil price fluctuations affecting our operations.

In consideration of the challenging business environment balanced with our objective to provide a consistent and stable return for our shareholders, your Board of Directors proposed a cash dividend of 14 sen per share, less the 25% Malaysian income tax, for the approval by shareholders at the forthcoming Annual General Meeting.

Board Matters

Last year also witnessed changes in the composition of your Board of Directors. ExxonMobil nominated Directors, Mr. Hugh Thompson, Pn. Fatimah Merican, En. Abu Bakar Siddik and Pn. Faridah Ali resigned effective March 30, 2012 upon the change in control from ExxonMobil to Petron. We appreciate their contributions to the Company and their assistance in ensuring a smooth transition.

Effective the same day, Mr. Eric O. Recto, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno and I, were appointed to the Board. Considering the many challenges faced by your Company since the take-over, our story can be considered a success. In this regard, we would like to offer our sincerest thanks to the members of the Board for their guidance, our dealers, partners, clients, and government agencies for their unwavering support and finally, to the dedicated management team and enthusiastic employees for contributing towards the growth of Petron in Malaysia.

Delivering Value 2013 and beyond

There is an air of excitement in your Company and it is reflected in the speed and energy in which we are carrying out our programs. Our goals are straightforward - grow the business, provide consistent returns to our shareholders, and ensure a reliable supply of premium fuels to consumers.

To meet these goals, we will continue to rebrand our service stations while aggressively expanding our retail network over the next few years. We will also invest a significant amount to upgrade our Port Dickson Refinery and enhance its efficiency. We aim to tap into underserved markets and explore our opportunities to grow the Commercial business.

As a Company that has an established heritage of over a century in Malaysia combined with Petron's leadership; with its 80 strong years of expertise in the oil refining and marketing business, we believe we are well-positioned to meet the many challenges of operating in a highly competitive environment. We are confident that with the strength of our team, strong financial discipline and sound business strategies, we will achieve strong performances year in and year out. We are optimistic about our future here in Malaysia, and together, we can deliver more value to all our stakeholders.

Terima Kasih!

Ramon S. Ang
Chairman and Chief Executive Officer
April 26, 2013

PETRON - NOW IN MALAYSIA

Offering Innovative Products and Services to Customers

The introduction of Petron service stations to the Malaysian consumers in the middle of 2012 was a historic moment for the Company. We are proud and yet, humbled to launch our brand and be part of our customers' lives through our network of service stations.

From the initial roll-out of 9 Petron service stations in June 2012, we have accelerated our rebranding program and we have, as of April 2013, (including that of our sister company, Petron Fuel International Sdn Bhd) 125 Petron stations all over the country, each carrying our world-class quality fuels Blaze RON 97, Blaze RON 95, and Diesel Max. These fuels, with world-class additives, were developed with efficiency as the primary consideration as well as environment-friendly properties formulated for local driving conditions.

We are more than just a fuelling station. Petron is a haven for motorists who are in need of almost everything, from fuel, to food and beverages, to cash from ATMs. To heighten our customers' experience we introduced our very own store, Treats, at major Petron service stations. Treats offer a wide array of products including packaged goods, beverages, fresh food, and other products motorists need to keep them comfortable on the road. With Treats at Petron service stations, we delight our customers by giving them one-stop convenience.

More than just the physical transformation at our re-branded Petron stations, we also invested in modern technologies by upgrading our existing point-of-sale (POS) terminals, including those installed in our rebranded stations. With our POS terminals, it gives the security, reliability and faster turnaround time in our forecourt operations, which ultimately allows our personnel to focus on our customers.

Moving forward, we will upgrade our outdoor payment terminals, replacing the card reader at our pumps and provide much convenience to our motorists.

Alongside our rebranding exercise, we jumpstarted our network expansion program by adding several service stations. This makes our products and services more accessible while increasing our participation in nation-building through community development and job creation.

Our rebranding and expansion programs would not have been possible without the strong and dynamic partnerships of our service station dealers. They continue to be one of our pillars. As the frontliners of our operations, or our brand ambassadors, they are

the main link to our customers. Recognizing their crucial role, we continue to engage our service station dealers through incentive programs and annual recognition. In 2012, we conducted our first Dealers' Convention and Service Station of the Year Awards as part of the Petron family and held a historic celebration in Manila, Philippines. More than 100 station dealers were recognized for their efforts in exceeding sales targets, observing the highest operating standards, and delivering excellence in customer service.

As we grow our operations, we remain on the lookout for dynamic entrepreneurs who share our values of **Leadership, Teamwork, Professionalism, and Partnering Relationships.**

Fuelling the Nation Forward

We recorded an encouraging performance in the commercial sector in a challenging market. Through strategic partnerships and customer-centric sales and services, our Commercial sector reported strong margin contributions.

Our newly rebranded Kuala Lumpur International Airport Distribution Terminal continues to provide consistent and quality service to clients, where we facilitated the servicing of our existing accounts while stepping up on efforts to form synergistic alliances with strategic partners.

In the aviation sector, we marked a major milestone when we secured a six-month exclusive contract to fuel Malaysia Airlines' fleet of Airbus A380s. We also tapped the Low Cost Carrier Terminal through our supply agreement with AirPhil Express, a carrier in the Philippines. These two significant milestones are testament to the growing level of confidence of the market in the Petron brand.

The year also saw the introduction of our rebranded Liquefied Petroleum Gas (LPG) product, from 'Esso' to Petron Gasul to the Malaysian households. Petron Gasul is a trusted brand in the Philippines known for its safety, world-class quality, and reliability. It is now available to consumers in 12KG and 14KG cylinders through our main redistribution centers, dealers, and stockists. The rebranding of our LPG cylinders will continue until 2014 at our bottling plant in Port Dickson Terminal.

We are geared to take advantage of the opportunities present in the market and participate actively in the commercial sector. We will do this by strengthening our current strategic partnerships while actively seeking for new ones.

Ensuring a Reliable and Steady Supply of Fuels

The Petron Port Dickson Refinery (PDR) is one of the country's major suppliers of petroleum and gas, producing high-quality and environment-friendly products for the nation's domestic consumption in Peninsular and East Malaysia. The refinery ran at an optimum level in 2012, recording an average throughput of 48 thousand barrels per day.

Over the next two years, PDR will embark on phased facility upgrades and several optimization plans that will enable it to further increase its efficiency and long-term viability. These initiatives include the use of opportunistic crudes and establishment of new facilities. Other improvement projects in the pipeline also include de-bottlenecking of onsite facilities for higher crude run and crude tanks/marine lines upgrading for logistics improvement.

Further, major investments are also underway to comply with the Government's mandate to produce Euro-4M compliant gasoline and diesel fuels – the global clean air standard of the future. In 2012, we began with the preparatory work to produce Euro-4M fuels which underscores our commitment to support the Government's thrust for cleaner fuels.

We also complied with the new Government mandate for Biodiesel fuels, which sets that Biodiesel should be available to customers as a replacement to automotive diesel. At present, our Port Dickson Terminal is already fully compliant to Biodiesel delivery requirements supplying mainly Peninsular Malaysia's central region. Our Bagan Luar terminal, on the other hand, is now upgrading its facilities to meet the Biodiesel roll-out in the Northern Region by 2013.

In a bid to improve efficiencies in our operations, we are also developing a Logistics Master Plan, which includes optimization of tankage utilization, expansion of storage capacity, and improvement of tank truck utilization.

Safety is Our Way of Life

Safety remains our top priority throughout our supply chain. We comply with the Government's regulations and follow best practices and international standards on safety, health, and environment management, including:

(i) Occupational Safety & Health Act (OSHA) and Regulations which are promulgated by the Department of Safety & Health (DOSH);

(ii) Environmental Quality Act (EQA) & Regulations which are promulgated by Department of Environment; and

(iii) Fire Services Act, which are promulgated by Fire Rescue & Services Department.

For the 10th year in a row, we maintained excellent safety performance with no record of Lost-Time Incident and Total Recordable Incident Rate for both employees and contractors.

For five consecutive years, our refinery and terminals continued to receive citations from the Malaysian Society of Occupational Safety & Health (MSOSH) in collaboration with DOSH and Social Security Organization (SOCSO). In 2012, four of our terminals and PDR received the Gold Class 1 Award from the MSOSH.

Safe and environment-friendly operations redound to more efficient operations and also means our customers can be assured that Petron's products are available anytime, anywhere.

Our Strength from Within

Our people play an important role in realizing our vision: to be the leading provider of total customer solutions in the oil sector and its allied businesses. It is also through our workforce that we are able to sustain our competitive edge in this very challenging and highly-competitive industry.

We believe in recruiting the best talents and fostering a healthy and challenging work environment to hone their skills. In 2012, we hired 37 new employees to complement our workforce and support our expansion plans, bringing our manpower count in the Company to 283 employees.

We continued to engage our employees by providing a dynamic work environment and tailoring programs to develop their competencies. For instance, our Management Development Program focuses on leadership, corporate culture, and effective communications. By developing our employees' talents and allowing them to reach their full potential, we are also unleashing the potential of the Company.

Beyond the Bottomline

We believe that it is our responsibility to give back and play an active role in communities where we operate. We make corporate social responsibility (CSR) our business. We continued our efforts in areas where we think we can make a significant and lasting difference. These are in education, sports excellence, and safety awareness. Through our contributions, we aim to benefit the community and the environment in particular, and the nation in general.

In 2012, we showed our support for the students of Negeri Sembilan schools by being a partner in the Majlis Sukan Sekolah-Sekolah Negeri Sembilan program. By showing our support to outstanding young athletes, we are able to promote the values of discipline, excellence, and perseverance, the same values that we as a company espouse. Our support to the program also allowed us to introduce Petron to our stakeholders in Negeri Sembilan, where we operate our refining business.

Road safety is one of our advocacies. Through our support of the 1Malaysia Bike Week, the country's largest superbikes gathering, safety helmets were distributed to local motorists to inculcate safety in riding motorbikes.

In addition, we also launched the Road Safety Campaign during 'Balik Kampung' festivities such as the Hari Raya and Deepavali to increase awareness on road safety. In line with this, we distributed flyers and goodie bags at selected highways toll-booths.

We also continued to support the programs of communities; contributing to the improvement of quality of life. We joined our dealers in a charity drive program to help underprivileged communities in the East Coast region.

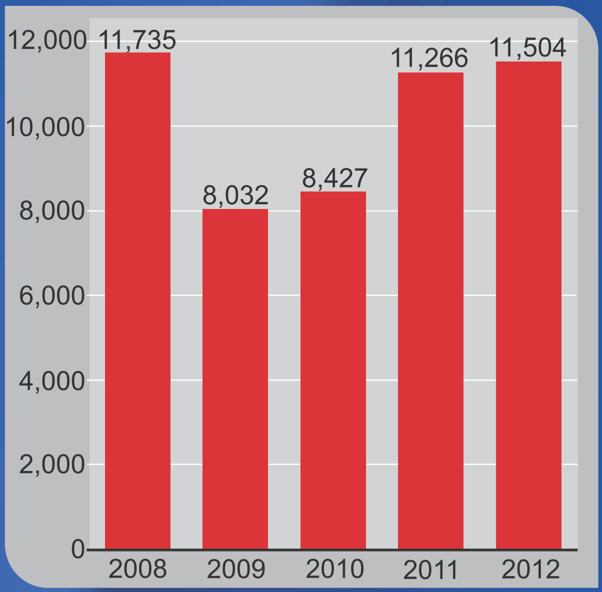
Our CSR initiatives went beyond just reaching out to our fellow Malaysians. We also reached out to flood victims in the Philippines through a donation drive in all our offices and terminals around the country. Employees donated clothes, blankets and cash to ease the burden of severely affected Filipino flood victims.

In the years to come, we will further expand our CSR efforts, as we grow our business and establish a stronger presence in Malaysia.

'Esso' and 'Mobil' brands are proprietary to Exxon Mobil Corporation.

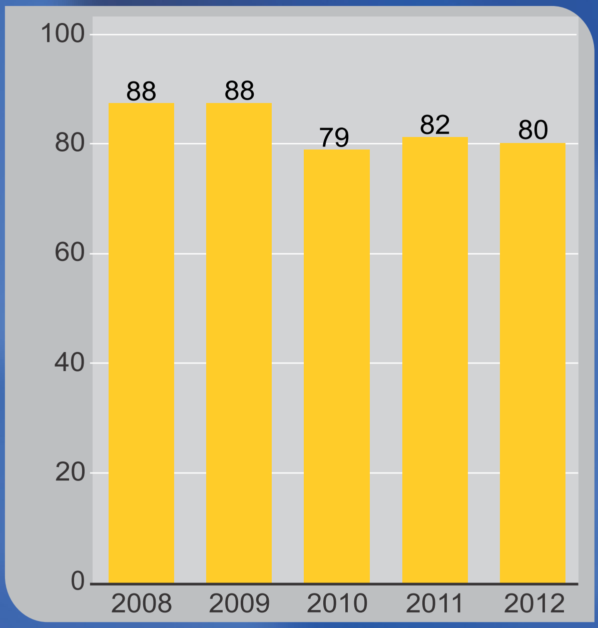
FIVE-YEAR SUMMARY CHARTS

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:

SHAREHOLDERS' INFORMATION

		2008	2009	2010	2011	2012
Earnings / (loss) per ordinary stock unit (sen)		(93.1)	53.9	99.5	56.8	**36.4**
Gross dividend per ordinary stock unit (sen)		12	12	14	14	**14**
Dividend yield (%)		5.3	5.2	5.3	3.6	**4.3**
Share price (RM)	- Highest	2.81	2.86	3.03	5.97	**3.94**
	- Lowest	1.82	1.90	2.42	2.73	**2.71**
	- Average	2.27	2.32	2.64	3.92	**3.26**
Number of employees at year-end		318	299	290	261	**283**

SEATED FROM LEFT TO RIGHT

Y. Bhg. Tan Sri Abdul Halim Ali
Independent Director

Mr. Ramon S. Ang
Chairman and Chief Executive Officer

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

Y. Bhg. Dato' Zainal Abidin Putih
Independent Director

STANDING FROM LEFT TO RIGHT

Ms. Aurora T. Calderon
Executive Director

Mr. Eric O. Recto
Executive Director

Mr. Lubin B. Nepomuceno
Executive Director

PROFILE OF DIRECTORS

Ramon S. Ang
Chairman and Chief Executive Officer

Mr. Ramon S. Ang, aged 59, a citizen of the Republic of the Philippines, was appointed as a Director on March 30, 2012 and appointed as Chairman and Chief Executive Officer of the Company on April 2, 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, President 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. and SMC Global Power Holdings Corp. Mr. Ang is also the Chairman of Eastern Telecommunications Philippines Inc. and Liberty Telecoms Holdings Inc. He is also an Independent Director of Philweb Corporation in the Philippines. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines.

Eric O. Recto
Executive Director

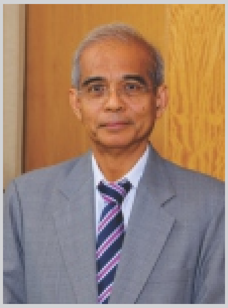
Mr. Eric O. Recto, aged 49, a citizen of the Republic of the Philippines, was appointed as a Director on March 30, 2012. He was previously the President of Petron Corporation and on February 19, 2013 was appointed as Vice Chairman of Petron Corporation. Mr. Recto sits on the Board of Directors of several Petron Corporation subsidiaries including Petrogen Insurance Corporation, Petron Marketing Corporation, as well as Petron Oil & Gas International Sdn Bhd. He was previously the Under-Secretary of the Philippines' Department of Finance, in charge of both the International Finance Group and the Privatization Office (from 2002-2005). Before his work with the Philippine Government, he was the Senior Vice President and Chief Financial Officer of Alaska Milk Corporation (from 2000-2002) and Belle Corporation (from 1994-2000). He is also currently the Chairman of Philippine Bank of Communications and Vice Chairman of Philweb Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines and has a Masters degree in Business Administration from the Johnson School, Cornell University, U.S.A.

Aurora T. Calderon
Executive Director

Ms. Aurora T. Calderon, aged 58, 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 Holding Corporation. She has served as a Director of the Manila Electric Company (from January 2009-May 2009), Senior Vice President of Guoco Holdings (from 1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (from 1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (from 1981-1989). A certified public accountant, Ms. Calderon 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.

Lubin B. Nepomuceno
Executive Director

Mr. Lubin B. Nepomuceno, aged 61, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 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 Corporation and Mindanao Corrigated 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.

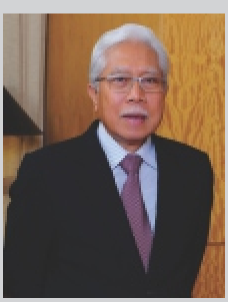


Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim
Independent Director and Member of the Board Audit Committee

Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim, aged 69, 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 carrier 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 honors 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. Y. Bhg. Tan Sri Dato’ Dr. Syed Jalaludin Syed Salim holds a Bachelor of Veterinary Science from University of Punjab, India 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 69, 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. Y. Bhg. 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 67, 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. 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. Y. Bhg. Dato' Zainal Abidin Putih is a Fellow of the Institute of Chartered Accountants in England and Wales, and is also a Certified Public Accountant.

The Board of Directors of the Company 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 2012. It is to be noted that from January 1 to March 30, 2012, the Company was under the stewardship of its then major shareholder ExxonMobil of the United States of America. On March 30, 2012, Petron Oil & Gas International Sdn Bhd, an indirect wholly owned subsidiary of Petron Corporation of the Philippines (“Petron”), took control and stewardship of the Company. The corporate governance culture of ExxonMobil that had been adopted by the Board and Management of the Company previously, was largely carried over to ensure seamless continuity of business. The Company has also commenced incorporating best practices from Petron's own governance culture to work towards formulation of the Company's own policies 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. The Board currently has three Independent Directors. Each Independent Director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct. Role and authority level of the Chief Executive Officer (“CEO”) is also stated in a Petron 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 and comprised of 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 on March 30, 2012. The Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorized signatories for the Company in respect of various business and functional matters based on the value of any given transaction. Controls are also incorporated in these 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 ensure thorough review prior to any decision being taken.

Board leadership and responsibility in discharging fiduciary and leadership function

The Board (except in matters requiring shareholder 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 term and long term) with specified goals that are to be achieved by the Management in the implementation of such plans. Management reviews all such matters with the Board and the Board Audit Committee, comprised solely of Independent Directors. By engaging the Independent Directors, the Management is able to gauge 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 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 managing 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 something the Board fully recognizes as necessary for its sustainability; something the Board (and indeed the Company's Management) prides itself in being able to well 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 – well trained and educated, motivated with passion for their work - the Board and Management understand the need to ensure the said human resources are managed and planned to ensure the future leaders of the

Company are identified early, groomed and provided guidance and responsibility so that they are ready when needed to step up to senior positions. This way the Company will always be prepared for any change or shortfall in human resource so as to ensure minimal or no impact to the Company's plans or business.

Whilst the Company has not finalized its written policy per se in place on shareholder communication, using the parent company's best practices, the Board and Management have always recognized 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 possible including the improvement of financial presentations at general meetings as well as enabling shareholders to visit the office for dialogues on matters pertaining to the Company and to seek clarification of matters disclosed. The Annual General Meeting provides an appropriate forum for the shareholders to dialogue with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations. The Company also has its own website with 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 the BMSB ("MMLR"). The Company plans on completing its own written policy on Shareholder Communication, adopting the parent company's best practices in 2013.

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 of work for the future. This gives the Management Committee members a chance 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 need to be corrected to ensure such non-compliance does not recur. The Company also has a well-established 'whistle-blower' protection system in place to safeguard employees from any recriminations for highlighting any non-compliance by any employee.

Code of Conduct

For the first quarter of 2012 (until the take-over of the Company by Petron), Company had continued to be guided by a series of policies and management systems that were created by ExxonMobil. These policies and systems were designed to create and support a strong system of corporate governance. The policies and management systems had been previously adopted by the Board of the Company and were communicated to the Company's employees, contractors and vendors, so that each has 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. The management systems are designed to achieve high standards of performance in the areas of safety, operations integrity, internal control and legal and environmental compliance. As the said policies and systems had been previously adopted by the Board and were being used by the Company for many years, upon the take-over of the Company by Petron on March 30, 2012, the said policies were deemed to continue in operation and employees, contractors and vendors by contract and training, will continue to be guided by these same policies and systems until such time that said policies and systems are amended. As these involve employees, contractors and vendors whose engagement spanned the take-over, it was recognized that a sudden change in the policies and 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 policies and system by introducing a new set of policies to govern the Company. The new systems and policies that are expected to be introduced by the 2nd quarter of 2013 are in line with the policies and guidelines of the parent company, Petron. However, the 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, helps ensure that the policies and the management systems are fully implemented and consistently enforced.

Sustainability

Petron's investment in the Company (and its "sister companies" - Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd) when it acquired ExxonMobil's interests on March 30, 2012 was a major investment by Petron in Malaysia; an investment driven by a belief in the future of the Malaysian downstream oil and gas business, the Malaysian economic growth prospects and a desire to benefit from regional business opportunities. The investment was for the long term and this is something the

Board fully recognizes. 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 non-investor stakeholders – 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 well 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. As at March 31, 2013 the Company (and it's above sister companies) have hired 89 Malaysian employees to fill job vacancies created by the take-over of the Companies from ExxonMobil on March 30, 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 does not have a written policy on sustainability per se at the moment as considering the take-over in 2012, setting out a sustainability plan before mapping the business development plans would have been pre-mature. However in November 2012, the Board approved a comprehensive 'Vision & Mission' statement that was rolled out to employees with planned employee dialogues in early 2013 on what these mean to the Company and how they set the tone for everything the Company does. The Vision & Mission statement already contains all elements of sustainability that the Company fully embraces. The Vision & Mission statement can be viewed on page 2.

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 at present three Independent Directors. Each Independent Director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct.

The Board had 7 members as at the end of 2012; with 3 Independent Directors and 4 Executive Directors (including the Chairman). Together, the Directors form the mind and management of the Company.

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 Director, 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 is 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 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 Petron subsidiaries in Malaysia and a Member of the Company's Management Committee, has over 21 years of experience in legal matters and over 16 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 it deems 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 group. This delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Board and Management. This document is periodically reviewed by the Board and updated as necessary. It is also to be noted that the Board in recognizing (as mentioned in the 2012 Code) that the day to day management cannot be effectively done by the Board, the Board in creating the Management Committee has set out 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 is deemed to be within the purview of the Board.

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 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 of the Company is also responsible for the review and recommendation of candidates for appointment as Chief Executive Officer, Chief Finance Officer and Company Secretary.

The current members of the Nominating Committee are as follows:

1. Mr. Eric O. Recto (Executive Director) - 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. Tan Sri Abdul Halim Ali (Independent Director)

The Board when setting up the Nominating Committee in 2003 formed the view, which it still holds today, that the Chairman of the Committee should be an Executive Director. While the composition of the Nominating Committee currently departs from the 2012 Code, the Board is of the view that the inclusion of an Executive Director of the Company provides the Nominating Committee with invaluable perspective on the business and operational needs of the Company. Such input is needed in the selection and recommendation of suitable candidates for appointment by the Board, as well as in assessing the performance of the Board, Directors and Committees. However the Board recognizes the need to have a Nominating Committee comprised in accordance with the 2012 Code and plans on making the necessary changes to the composition by May 2013.

Role of the Nominating Committee

Apart from the reviewing and making recommendations to the Board in regard candidates as mentioned above, the Nominating Committee is also responsible for the annual assessment of the effectiveness of 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, was carried out by the Nominating Committee for the year in 2012. The findings and results of these assessments by the Nominating Committee were reported to the Board on November 30, 2012. The Nominating Committee can also direct Management to plan induction training programmes 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 whilst diversity on the Board in terms of having one third women directors was a call from the Government, and a noble one at that, the Nominating Committee also views the needs of the Company to have the best candidate without any form of discrimination on any grounds is important. In this regard, in considering candidates to replace the ExxonMobil nominated Directors on the take-over, the Nominating Committee, recognizing the needs of the Company (under a new parent company and new business direction), recommended the appointment of some of the senior most Directors and officers from Petron (regardless of sex) to enable the Company to have the type of drive and motivation necessary for the Company to forge ahead with the bold new business plans Petron had for the Company. Nevertheless, the Nominating Committee and the Board of Directors will seek to have the necessary diversity in the Board's composition by 2013.

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 2012, the Nominating Committee carried out the following activities:

- Review of candidates to be appointed to the Board of Directors as nominated by Petron (to be effective from the take-over of the Company from ExxonMobil)
- Review of candidates proposed for the position of Chief Executive Officer and Chief Finance Officer
- Annual review of the performance of the individual Directors, Board Committees and the Board of Directors as a whole.

The Nomination Committee in reviewing the candidates for appointment to the Board, as Chief Executive Officer and as Chief Finance 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 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 most senior Directors and Officers of the parent company to steward the Company following the take-over.

For the Annual Review, the Committee considered amongst others, the roles played by Directors (individually and as a group) during the take-over process and the Mandatory General Offer process that followed. The Committee also considered their role in charting the course for the Company, 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 had 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 Directors, for the Board's consideration and decision.

The current members of the Remuneration Committee are as follows:

1. Mr. Eric O. Recto (Executive Director) - 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 remuneration received by the Independent Directors in 2012 was recommended by the Board as a whole (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 March 29, 2012. The Remuneration Committee on November 30, 2012, following a review of the Independent Directors' fees and allowances for 2013, 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 at the Annual General Meeting in May 2013.

The Executive Directors of the Company – all senior Directors or officers of Petron or its parent company, do not receive any salary or allowance from Petron Malaysia Refining & Marketing Bhd. Any determination in respect of their salaries and perquisites are neither within the purview of the Company nor the Remuneration Committee.

<u>PRINCIPLE 3</u>

Independence of Directors

The Independent Directors as a strict rule are not allowed to participate in any executive function. 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 in the event of any new Directorships being offered to them, for the Company to conduct a review of any potential conflict of interest that may impact their independence.

Tenure of Independent Directors

All three Independent Directors on the Board of the Company have 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 such a long duration impinge upon the Independent Directors' ability to objectively and independently discharge their roles and responsibility. However, the Nominating Committee took cognizance of the fact that considering the take-over by Petron on March 30, 2012, with a new main shareholder (Petron), new Executive Directors (nominated by Petron) and new Senior Management (appointed by Petron), 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 being new to the Malaysian market, the guidance of the three Independent Directors with their vast experience of the Company's business in the past under ExxonMobil, will benefit the Company and the Executive Directors.

Seeking Shareholders' approval

The Board recognizes the recommendation in the 2012 Code and as the Company plans on retaining the three Independent Directors despite their respective tenure on the Board having exceeded 9 years, the three Independent Directors will be recommended to the shareholders at the Annual General Meeting in May 2013 for appointment as Independent Directors.

Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer of the Company 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. Mr. Ramon S. Ang is also the Chairman and Chief Executive Officer of the parent Company, Petron Corporation. Whilst the Board fully appreciates the recommendation of the 2012 Code to have a separation between the Chairman and Chief Executive Officer, the Board also recognizes the need for the strong leadership and drive needed from a Chairman cum Chief Executive Officer of Mr. Ramon S. Ang's caliber to steward the Company's bold growth plans under the new major shareholder. The Board is of the view that considering all that has been achieved by the Company in just 12 months of control under Petron, their decision to appoint Mr. Ramon S. Ang as Chairman and Chief Executive Officer of the Company was and continues to be the correct decision. However, if at a later stage of the development of the Company, it is felt that it would be possible to separate the two functions, a decision in line with the recommendation will be actively considered.

Composition of the Board to be majority of Independent Directors if there is no separation of Chairman and Chief Executive Officer.

Considering the Board's plan to retain the position of Chairman cum Chief Executive Officer, in line with the recommendation of the 2012 Code, the Board plans on appointing additional Independent Directors (preferably women Independent Directors) in 2013. Such appointment(s) will result in a majority of Independent Directors on the Board and serve to have the required diversity on the Board.

<u>PRINCIPLE 4</u>

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 (as part of the Company's operational systems review) in May 2012 reviewed 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 continuous education for Directors. In this regard, the status of each Director's continuous education is 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 types and modes 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 including setting out in the beginning of the year the training plans for the Directors.

All Directors on the Board had received or undergone relevant training in 2012. Executive Directors Mr. Ramon S. Ang, Mr. Eric O. Recto, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno, who were appointed to the Board on March 30, 2012, completed the Mandatory Accreditation Program within the prescribed time. A summary of the training programs attended by the Directors in 2012 are as set out in pages 32 to 33.

The Company reimburses Directors for costs incurred in attending continuous education programs.

The Directors are also briefed at quarterly Board meetings 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 accuracy of financial statements released to the investing 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 and Senior Management of the Company 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 reviews each business unit's business 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 are 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 external auditors 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 is prepared and released to the investing public.

Suitability of External Auditors

Recognising the importance of the quality of services needed by a subsidiary of a multi-national group, the Company as a matter of principle only appoints top tier international firms as external auditors for audit and non-audit services. The Board Audit Committee is tasked with an annual review of the performance of the external auditor (as part of the annual audit plan review with the external auditor). Among the key matters for discussion in the annual audit plan includes 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 necessary recommendations to the Board for the appointment or re-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, the same principles continue to be followed by the Company to ensure seamless continuity of the business and operations following the take-over. 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 system would take time. Recognising that Petron Corporation too is in the same downstream oil and gas business and has an excellent management integrity systems in place, the Company has opted to adopt, where possible, the best practices from ExxonMobil's and Petron's systems. In this regard, the Company continues to receive technical advice and support from its parent company Petron Corporation via technical advisors 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 control system include:

1. The adoption of best practices from ExxonMobil and Petron. These not only assist the Company in identifying the principal risks it faces, 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 organizational structure with clear lines of accountability and delegation of authority;

3. Periodic and annual reviews of the control, including internal and external audits. 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; the principles of which are largely based on ExxonMobil's proprietary 'Standards of Business Conduct' that had been previously adopted by the Board and implemented. These continue to be used in principle for seamless continuity of business post take-over, as these had already been adopted by the Board previously and is well known to the employees, contractors and vendors of the Company. A new set of standards on code of conduct has been drafted by Management and is awaiting final approval. These said new standards are expected to be in place in 2013. They include requirements to comply with all applicable laws and regulations. These new standards will be effectively communicated to and acknowledged by employees on an annual basis;

5. An integrity management system based on Petron's best practices to assess and sustain the effectiveness of the organization'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 is 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.

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 all the Company's units and operations and the periodic and annual review with the Board Audit Committee, of audit results and audit plans for the subsequent year.

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 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' internal audit best practices and assures the Company of internal audit independence. The cost incurred for internal audit in 2012 was RM68,000.

<u>PRINCIPLE 7</u>

Disclosure Policies

The Company is in the process of completing its formal written corporate disclosure policy; expected to be in place in 2013.

However, it has in place a robust and tested system to ensure strict adherence with necessary disclosures to the investing 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 transaction involving the Company to be reviewed via a 'filter' process, commencing with weekly Management Meetings and reviews with the Law, Controllers and Tax Departments of the Company. All implications of the transaction (including the possibility of any related party transactions) are fully explored and reviewed to ensure strict compliance with the provisions of the law (including the MMLR).

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

Use of Information Technology

The Company also places information about the Company including all disclosures made to BMSB on its website www.petron.com.my. The website contains a wealth of information about the Company including its parent company Petron Corporation, media announcements, stock exchange disclosures, the Company's 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' query. The website is constantly updated with the latest information. The corporate governance portion in the website will contain information pertinent to shareholders including Annual Reports (the first being the 2012 Annual Report), the Company's share prices and information about the Board and the rights of the shareholders. Other information including the policies, as these are developed, will be loaded on to the website for public information and transparency of operations.

PRINCIPLE 8

Shareholder participation

At the Annual General Meeting, the Chairman of the Board reviews the progress and performance of the Company with the shareholders. 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 Directors, Senior Management, Company Secretary, 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 dialogue with the Board on Company related matters. The Company generally provides a one-month notice 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

The resolutions tabled at the Annual General Meeting on March 29, 2012 and the Extraordinary General Meeting of the Company on July 2, 2012 were voted on by poll. In line with the 2012 Code, the Board plans on implementing poll voting as a general process in all general meetings in the future commencing with the 2013 Annual General Meeting – the first Annual General Meeting of the Company under Petron. 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 dialogue on any issues pertaining to the Company and for Management to provide them with clarification on matters that have been disclosed. The Management has on several occasions invited shareholders and 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 believes strongly 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, 2012, four Board and five Board Audit Committee meetings were held. Details of the Directors' attendance at these meetings are summarized below:

Directors	Number of Board Meetings		Number of Board Audit Committee Meetings	
	Held	Attended	Held	Attended
Mr. Ramon S. Ang+	3 ++	2	Non-member	Non-member
Mr. Eric O. Recto+	3++	2	Non-member	Non-member
Ms. Aurora T. Calderon+	3 ++	2	Non-member	Non-member
Mr. Lubin B. Nepomuceno+	3++	3	Non-member	Non-member
Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim	4	2	5	4
Y. Bhg. Tan Sri Abdul Halim Ali	4	4	5	4
Y. Bhg. Dato' Zainal Abidin Putih	4	4	5	4
Mr. Hugh W. Thompson*	1**	1	Non-member	Non-member
Pn. Fatimah Merican*	1**	1	Non-member	Non-member
En. Abu Bakar Siddik Che Embi*	1**	1	Non-member	Non-member
Pn. Faridah Ali	1**	1	Non-member	Non-member

* Denotes ExxonMobil nominated Directors who stepped down following the take-over by Petron on March 30, 2012.
** Denotes number of meetings held in the year while in office
\+ Denotes Petron nominated Directors who were appointed to the Board effective March 30, 2012 following the take-over by Petron
\++ Denotes number of meetings held in the year following appointment to the Board

Directors' Remuneration

An analysis of the aggregate Directors' remuneration incurred by the Company for the year ended December 31, 2012 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 (ExxonMobil nominated)	-	305,339	305,339
INDEPENDENT DIRECTORS	126,000	44,000	170,000

Directors' Remuneration (Continued)

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	6	
50,001 - 100,000	1	3
100,001 - 150,000	1	
150,001 - 200,000		
200,001 - 250,000		
250,001- 300,000		
300,001 - 350,000		
350,001 - 400,000		
400,001 - 450,000		
450,001 - 500,000		
500,001 - 550,000		
550,001 - 600,000		
600,001 - 650,000		
650,001 - 700,000		
700,001 - 750,000		

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

Petron-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 accounting records which disclose with reasonable accuracy, 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 34 - 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, PricewaterhouseCoopers, by the Company for the financial year ended December 31, 2012.

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 14, 2013.

Training Attended by Directors

Directors / Training	Date in 2012	Organiser
Mr. Ramon S. Ang		
• SMC Agenda 2012	Mar 30	San Miguel Corp
• Mandatory Accreditation Program	Jul 11 - 12	Bursatra Sdn Bhd
Mr. Eric O. Recto		
• Philippines Investment Forum : The New Beginning	Mar 27	Euromoney
• SMC Agenda 2012	Mar 30	San Miguel Corp
• Mandatory Accreditation Program	Jul 11 - 12	Bursatra Sdn Bhd
Ms. Aurora T. Calderon		
• SMC Agenda 2012	Mar 30	San Miguel Corp
• Mandatory Accreditation Program	Jul 11 - 12	Bursatra Sdn Bhd
• FINEX Annual Conference	Oct 5	Financial Executives of Philippines
Mr. Lubin B. Nepomuceno		
• Coking Conference	Jun 8	Petron Corporation
• FCC Catalyst Production Study	Jun 15	Petron Corporation
• Technical Feasibility of Aromatic Plants Study	Jun 22	Petron Corporation
• Mandatory Accreditation Program	Jul 11 - 12	Bursatra Sdn Bhd
• Future of Bio-Diesel	Sept 7	Petron Corporation
• DCS Design & Engineering Study	Oct 12	Petron Corporation
Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin Syed Salim		
• Corporate Integrity - Fighting Corruption	Mar 31	PEMANDU
• Money Laundering and Combating Financial Terrorism	Apr 28	Bank Rakyat
• Livestock Management Training for Govt. of Bangladesh	Jun 29	UPM
Y. Bhg. Tan Sri Abdul Halim Ali		
• Government Workshop : Digital Malaysia and Rural Transformation	Jan 17	PEMANDU
• Annual Corporate Governance Summit	Mar 5 - 6	Asean World Summit
• EPF Seminar 2012	Apr 2 - 3	Employees Provident Fund
• Corporate Governance - The Competitive	Apr 16	MSWG
• D&O Insurance Liability for Directors and Senior Managers	Apr 19	IJM Corporation
• Putrajaya Committee on GLC High Performance	May 3	Khazanah Nasional
• Business Sustainability - Governance, Responsibility and Profits	May 24	MSWG
• Khazanah Nasional Forum 2012	Oct 1 - 2	Khazanah Nasional
• 17th Capital Market Summit	Oct 29	ASLI
• ASEAN Corporate Governance - Scorecard: The Way Forward	Nov 21	MSWG
• National Conference - Nurturing Public Sector Innovation and Creativity	Nov 27	Inst. Sultan Iskandar

Training Attended by Directors (continued)

Directors / Training	Date in 2012	Organiser
Y. Bhg. Dato' Zainal Abidin Putih		
• Land & General Bhd In House Training - Amendments to the Listing Requirements	Jan 18	Tricor Corporate Services Sdn Bhd
• TNB - McCloskey South African Coal Exports Conference 2012, South Africa	Feb 1 - 2	IHS McCloskey, UK
• TNB Board Development Programme - Colloquium on Electricity Industry Reform, Markets and Strategy Discussions on Maintaining the Vertically Integrated Utility	Mar 16	Tenaga Nasional Berhad/ Dr. Fereidoon P. Sioshansi
• Briefing on Pillar 3 Disclosure	Apr 23	CIMB
• CIMB Bank Board Training - Basel Pillar 2 ICAAP Requirements (Part 1)	Apr 30	Oliver Wyman
• CIMB Group Regional Compliance, Audit & Risk Conference	Jun 14 - 15	CIMB
• Corporate Governance Today and the Directors Moving Forward	Jun 14	CIMB/Boardroom Corporate Services (KL) Sdn Bhd
• CIMB Bank Board Training - GAP Analysis and Proposed “to-Be” Capital Allocation and Performance Management Framework	Jul 3	CIMB/Oliver Wyman
• CIMB Bank Board Training - Basel Pillar 2 ICAAP Requirements (Part 2)	Jul 11	CIMB/Oliver Wyman
• CIMB Board Training - Proposed Refinements to the Capital Allocation & Performance Management Framework and Introduction to SREP	Aug 15	CIMB/Oliver Wyman
• CIMB Board Training - Anti-Money Laundering Act : Financial Crime Risk- CIMB Perspective	Sep 10	CIMB
• Plenary Session of the Perdana Leadership 2012 -The Global Economic Outlook and New Growth Drivers for Malaysia, 2012 and Beyond	Sep 19	Perdana Leadership Foundation
• Khazanah Megatrends Forum 2012 - The Big Shift - Traversing the Complexities of a New World	Oct 1 & 2	Khazanah Nasional Berhad
• CIMB Annual Management Summit	Nov 23	CIMB

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 17.

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

The Committee had five 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 Chairman had one meeting with the Company's Senior Management and one ad hoc meeting with the external auditor.

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

Prior to the take-over on March 30, 2012, the Internal Audit function was 'outsourced' to ExxonMobil's regional Internal Audit group that was independent of the management of the Company. Following the take-over by Petron, a new Internal Audit unit needed to be formed. The Board Audit Committee reviewed the internal audit set up as proposed by Management. The Board Audit Committee reviewed various options including:

1. Setting up a new Internal Audit unit comprised of experienced personnel from within the Company or alternatively an Internal Audit unit comprised of newly recruited personnel for that purpose;
2. Outsourcing the internal audit function to external auditors; and
3. 'Outsourcing' the internal audit function to Petron Corporation.

Following various considerations, including lead time to familiarize new internal auditors with the business of the Company and the training required when the internal audit group can effectively commence their internal audit function and cost, a decision was taken to follow the similar set-up as was done previously in engaging Petron Corporation's Internal Audit group to provide the services. This would enable the unit to immediately commence planning an internal audit plan for the Committee's review and approval as well as enable the unit to commence work immediately. The set-up also ensures independence of the Internal Audit unit. The Internal Audit unit has since completed audits on certain functions and have tabled reports 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.

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 Management, whenever deemed necessary.

Duties

The Committee is charged with the following duties:

- to review with the external auditors of the Company and internal auditors, 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 of the Company and internal auditors;
- 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 program and processes, the results of the internal audit program and processes, or investigation undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit;

Duties (Continued)

- to review and report to the Board the quarterly results and the year end financial statements, including the Statement of Financial Position and Statement of Comprehensive Income, 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 14, 2013.

REPORT OF THE DIRECTORS

The Directors are pleased to submit the annual report together with the audited financial statements of the Company for the year ended December 31, 2012.

PRINCIPAL ACTIVITIES

The Company is a public company incorporated in Malaysia under the Companies Act 1965 and is listed on the Bursa Malaysia Securities Berhad. The Company's principal activities are the manufacturing and marketing of petroleum products in Peninsular Malaysia. There has been no significant change in the nature of the Company's activities during the year.

FINANCIAL RESULTS

	RM'000
Net profit attributable to shareholders	98,171
Retained earnings brought forward	744,078
Profits available for appropriation	842,249
Dividends paid less income tax at 25%	(28,350)
Retained earnings carried forward	813,899

DIVIDENDS

The amount of dividends paid since December 31, 2011 is as follows:

	RM'000
In respect of the year ended December 31, 2011:	
Final dividend per stock unit, paid on June 21, 2012:	
Ordinary stock unit – 14 sen gross less Malaysian income tax at 25%	28,350

The Directors propose that a final dividend of 14 sen gross less Malaysian income tax at 25% per ordinary stock unit, amounting to RM28,350,000 be paid for the year ended December 31, 2012, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the year are shown in the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statement of comprehensive income and statement of financial position were completed, the Directors took reasonable steps:

1. to satisfy themselves that all receivables had been properly analysed, that bad debts had been written off where appropriate and that adequate provision for impairment of receivables had been established; and
2. to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, were written down to the expected realisable amount.

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

1. which would make the amounts written off for bad debts or the provision for impairment of receivables in the financial statements of the Company inadequate to any substantial extent; or
2. which would make the values attributed to current assets in the financial statements of the Company misleading; or
3. which would make adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

REPORT OF THE DIRECTORS (Continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Continued)

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

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

1. any charge on the assets of the Company which has arisen since the end of the year which secures the liability of any other person; or

2. any contingent liability of the Company which has arisen since the end of the year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would make any amount stated in the financial statements misleading.

In their opinion:

1. the results of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and

2. there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the year in which this report is made.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

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	(appointed with effect from 30 March 2012)
Mr. Eric O. Recto	(appointed with effect from 30 March 2012)
Ms. Aurora T. Calderon	(appointed with effect from 30 March 2012)
Mr. Lubin B. Nepomuceno	(appointed with effect from 30 March 2012)
Mr. Hugh W. Thompson	(resigned with effect from 30 March 2012)
Puan Fatimah Merican	(resigned with effect from 30 March 2012)
Encik Abu Bakar Siddik Che Embi	(resigned with effect from 30 March 2012)
Puan Faridah Ali	(resigned with effect from 30 March 2012)

DIRECTORS' BENEFITS

Since the end of the previous year, no Director has entered into or received or become entitled to receive a benefit (other than benefits disclosed in Notes 8 and 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. All transactions between the Company or a related corporation and companies in which Directors have interests are conducted on a commercial basis in the ordinary course of business.

The Company was not a party to any contract or arrangement during the year and at the end of the year, as envisaged by section 169(6)(f) of the Companies Act, 1965, which would have enabled any of the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the interests of Directors who held office at the end of the year in the share capital of the Company and its related companies are as follows:

DIRECTORS' INTERESTS IN SHARES (Continued)

	Number of ordinary stock			
Name of director	As at 30.03.12	Acquired	Sold	As at 31.12.12
Direct interest:				
Common Shares of ultimate holding company (San Miguel Corporation)				
Ramon S. Ang	376,653	381,220	-	757,873
Eric O. Recto	5,000	-	-	5,000
Aurora T. Calderon	22,600	-	-	22,600
Lubin B. Nepomuceno	7	-	-	7
Common Shares of Petron Corporation				
Ramon S. Ang	1,000	-	-	1,000
Eric O. Recto	1	-	-	1
Aurora T. Calderon	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000

No other Director in office at the end of the year held any interest in the share capital of the Company or its related companies during the year.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On March 30, 2012, Petron Oil & Gas International Sdn. Bhd., an indirect wholly-owned subsidiary of Petron Corporation ("Petron"), completed its acquisition of ExxonMobil International Holdings Inc's 65% voting shares in the Company. With this acquisition, the Company became a subsidiary of Petron. In conjunction with the takeover, a Mandatory General Offer was carried out and was completed on May 14, 2012 resulting in Petron Oil & Gas International Sdn. Bhd. owning 73.4% voting shares of the Company.

ULTIMATE HOLDING COMPANY

The Directors regard San Miguel Corporation ("SMC"), a corporation incorporated in the Republic of Philippines, as the ultimate holding company of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office. The appointment of an auditor will be determined by the Company's shareholders at Annual General Meeting.

In accordance with a resolution of the Board of Directors dated February 14, 2013.

....
Ramon S. Ang
Chairman

....
Eric O. Recto
Director

Kuala Lumpur,
February 14, 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 RM'000	2011 RM'000
REVENUE	5	**11,503,558**	11,266,494
COST OF SALES		**(10,990,677)**	(10,685,180)
GROSS PROFIT		**512,881**	581,314
OTHER INCOME		**52,995**	46,459
OPERATING EXPENSES		**(350,990)**	(343,442)
ADMINISTRATIVE AND OTHER EXPENSES		**(25,146)**	(57,677)
FINANCE COST	6	**(53,754)**	(23,255)
PROFIT BEFORE TAX	7	**135,986**	203,399
TAX EXPENSE	10	**(37,815)**	(50,024)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS, REPRESENTING TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS		**98,171**	153,375
Earnings per ordinary stock unit (sen)	11	**36.4**	56.8

The accompanying Notes 1 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	**31.12.2012 RM'000**	31.12.2011 RM'000	01.01.2011 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	**782,213**	809,012	830,244
Long-term assets	14	**301,208**	299,811	306,825
Intangible assets - software	15	**12,310**	-	148
TOTAL NON-CURRENT ASSETS		**1,095,731**	1,108,823	1,137,217
CURRENT ASSETS				
Inventories	16	**730,659**	659,213	468,109
Receivables	17	**748,740**	568,595	243,830
Amounts due from current related companies	20	**146,736**	-	-
Amounts due from former related companies	20	**-**	156,095	140,417
Deposit, cash and bank balances	25	**38,724**	30,910	102,261
Tax recoverable		**14,759**	6,710	-
TOTAL CURRENT ASSETS		**1,679,618**	1,421,523	954,617
CURRENT LIABILITIES				
Payables	18	**797,022**	139,383	142,327
Retirement benefits obligations	19	**6,423**	3,987	1,006
Amounts due to a current related company	20	**8,321**	-	-
Amounts due to former related companies	20	**-**	569,264	396,907
Borrowings (unsecured)	21	**900,000**	821,553	616,307
Tax payable		**-**	-	54,257
TOTAL CURRENT LIABILITIES		**1,711,766**	1,534,187	1,210,804
NET CURRENT LIABILITIES		**(32,148)**	(112,664)	(256,187)
LESS: NON-CURRENT LIABILITIES				
Retirement benefits obligations	19	**34,540**	38,852	42,453
Deferred income tax	22	**72,144**	70,229	76,524
TOTAL NON-CURRENT LIABILITIES		**106,684**	109,081	118,977
TOTAL NET ASSETS EMPLOYED		**956,899**	**887,078**	**762,053**
FINANCED BY:				
SHARE CAPITAL	23	**135,000**	135,000	135,000
RESERVES	24	**8,000**	8,000	8,000
RETAINED EARNINGS	24	**813,899**	744,078	619,053
SHAREHOLDERS' EQUITY		**956,899**	887,078	762,053

The accompanying Notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	Issued and fully paid ordinary stock unit of RM0.50 each: Number of ordinary stock unit '000	Issued and fully paid ordinary stock unit of RM0.50 each: Nominal value RM'000	Non-distributable capital redemption reserves RM'000	Distributable retained earnings RM'000	Total RM'000
At January 1, 2011		270,000	135,000	8,000	619,053	762,053
Net profit and total comprehensive income attributable to shareholders		-	-	-	153,375	153,375
Transaction with owners: Dividends for the year ended December 31, 2010 (final)	12	-	-	-	(28,350)	(28,350)
At December 31, 2011		**270,000**	**135,000**	**8,000**	**744,078**	**887,078**
At January 1, 2012		270,000	135,000	8,000	744,078	887,078
Net profit and total comprehensive income attributable to shareholders		-	-	-	98,171	98,171
Transaction with owners: Dividends for the year ended December 31, 2011 (final)	12	-	-	-	(28,350)	(28,350)
At December 31, 2012		**270,000**	**135,000**	**8,000**	**813,899**	**956,899**

The accompanying Notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit attributable to shareholders		**98,171**	153,375
Adjustments for:			
Property, plant and equipment			
- Depreciation		**57,511**	58,389
- Gain on disposal		**(11,050)**	(23,577)
- Written off		**4,196**	6,316
Long-term asset			
- Amortisation		**20,379**	15,281
- (Gain) Loss on disposal		**(322)**	1,707
- Impairment		**-**	1,757
Intangible asset			
- Amortisation		**1,592**	146
- Written off		**-**	2
Tax expense		**37,815**	50,024
Interest income		**(2,212)**	(728)
Interest expense		**53,754**	23,255
Retirement / separation benefits cost		**5,242**	4,484
Inventory written-down to net realisable value		**-**	5,496
Unrealised foreign exchange (gain) loss		**(953)**	7,999
Changes in working capital:			
Decrease in long-term assets		**7,935**	1,050
Increase in inventories		**(71,446)**	(196,600)
Increase in receivables		**(180,569)**	(325,078)
Increase in amounts due from current related companies		**(146,736)**	-
Decrease (Increase) in amounts due from former related companies		**156,095**	(15,678)
Increase in amounts due to current related companies		**9,889**	-
(Decrease) Increase in amounts due to former related companies		**(569,264)**	162,985
Increase (Decrease) in payables and provisions		**660,519**	(3,189)
Cash generated from (used in) operations		**130,546**	(72,584)
Interest paid		**(53,114)**	(22,934)
Interest received		**2,212**	728
Income taxes paid		**(43,949)**	(117,286)
Retirement / separation benefits paid		**(6,985)**	(3,731)
Net cash flows from (used in) operating activities		**28,710**	**(215,807)**

The accompanying Notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(35,906)**	(46,809)
Purchase of intangible assets		**(13,902)**	-
Payment for long-term assets		**(29,789)**	(13,445)
Proceeds from disposal of property, plant and equipment		**12,048**	26,913
Proceeds from disposal of long-term asset		**400**	664
Net cash used in investing activities		**(67,149)**	**(32,677)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**900,000**	205,246
Repayment of borrowings		**(821,553)**	-
Dividends paid to shareholders		**(28,350)**	(28,350)
Net cash flows from financing activities		**50,097**	**176,896**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**11,658**	**(71,588)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**22,984**	**94,572**
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**34,642**	**22,984**

The accompanying Notes 1 to 29 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

Subject to certain transition elections disclosed in Note 1(b), the Company has consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 1(b) discloses the impact of the transition to MFRS on the Company's reported financial positions, financial performance and cash flows.

The financial statements of the Company have been prepared on the historical cost basis except as disclosed in the summary of significant accounting policies in Note 2.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated February 14, 2013.

a) Standards, amendments to published standards and interpretations that are applicable to the Company but not yet effective

The new standards, amendments to published standards and interpretations to existing standards applicable to the Company that will be effective but have not been early adopted by the Company, are as follows:

i) Standard effective from July 1, 2012

- Amendments to MFRS 101 Financial Statement Presentation. It requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

ii) Standard effective from January 1, 2013

- MFRS 11 Joint Arrangements. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form.
- MFRS 13 Fair Value Measurement. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. **BASIS OF PREPARATION (Continued)**

a) **Standards, amendments to published standards and interpretations that are applicable to the Company but not yet effective (Continued)**

ii) Standard effective from January 1, 2013 (Continued)

- Amendment to MFRS 1 First-time Adoption of MFRSs. The amendment clarifies that an entity that had applied MFRSs or IFRSs in the past but did not do so in its most recent previous annual financial statements must either apply MFRS 1 or MFRS 108 Accounting Policies, Changes in Estimates and Errors in the period that the entity decides to reapply the MFRS framework. The amendment also clarifies that a first-time adopter that capitalised borrowing costs in accordance with its previous GAAP before the date of transition to MFRSs shall carry forward without adjustment the amount previously capitalised at the date of transition. Any borrowing costs incurred after the date of transition that relate to qualifying assets under construction at the date of transition would be accounted for in accordance with MFRS 123 Borrowing Costs.

- Amendments to MFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. The disclosure requirements are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. It also aims to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

- Amendment to MFRS 101 Presentation of Financial Statements. The amendment clarifies that an entity is required to present a third statement of financial position only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. Nevertheless, an entity may present comparative information in addition to the minimum comparative financial statements as long as that information is prepared in accordance with MFRSs.

- Amendment to MFRS 116 Property, Plant and Equipment. The amendment clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

- Amendment to MFRS 132 Financial Instruments: Presentation. The amendment clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

- Amendment to MFRS 134 Interim Financial Reporting. To be consistent with the requirements in MFRS 8 Operating Segments, the amendment clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- Revised MFRS 119 Employee Benefits. The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

iii) Standard effective from January 1, 2014

- Amendment to MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities. It clarifies the requirements for offsetting financial instruments such as the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

1. **BASIS OF PREPARATION (Continued)**

a) **Standards, amendments to published standards and interpretations that are applicable to the Company but not yet effective (Continued)**

iv) Standards effective from January 1, 2015

- MFRS 9 Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities. The revised standard replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value.

The Company will apply the above standards, amendments and interpretations from financial period beginning January 1, 2013, January 1, 2014 and January 1, 2015 respectively.

The adoptions of these standards are not expected to have a material impact on the financial position of the Company except for the revised MFRS 119 Employee Benefits. The adoption of revised MFRS 119 will result in a change in accounting policy. The Company is assessing the financial impact of adopting revised MFRS 119.

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

b) **Transition from FRS to MFRS**

In preparing the opening MFRS Statement of Financial Position as at January 1, 2011 (which is also the date of transition), the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Company's financial position, financial performance and cash flows is set out below. These notes include reconciliations of equity and comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

i) Exemption for previous revaluation as deemed cost - Property, plant and equipment

The Company has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after September 1, 1998. By virtue of this transitional provision, the Company had recorded certain property, plant and equipment at revalued amounts but had not adopted a policy of revaluation and continued to carry those property, plant and equipment on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Company has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Company elected to regard the revalued amounts of property, plant and equipment as at 1982 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that time. Accordingly, the carrying amount of these land and buildings have not been restated.

ii) Prepaid lease payments

In accordance with the transitional provision of FRS 117 Leases, the Company retained the unamortised revalued amount of leasehold land as the surrogate carrying amount of prepaid lease payments. The prepaid lease payments were amortised over the lease term. Upon transition to MFRS, the transitional provision has been removed and the carrying value of the leases were restated to historical cost. Thus, MFRS 117 Leases has been applied retrospectively up to the date of transition from 1 January 2011.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. BASIS OF PREPARATION (Continued)

b) Transition from FRS to MFRSs (Continued)

ii) Prepaid lease payments (Continued)

The carrying amount of prepaid lease payments was reduced by RM1,889,000 on January 1, 2011 (December 31, 2011: RM1,779,000). Retained earnings was reduced by RM1,417,000 on January 1, 2011 (December 31, 2011: RM1,334,000) since the revaluation surplus from the revaluation had been fully distributed. In addition, amortisation of prepaid lease payments was reduced by RM110,000 for the year ended December 31, 2011.

The adjustments to the carrying amount of prepaid lease payments also reduced the deferred tax liabilities by RM472,000 on January 1, 2011 (December 31, 2011: RM445,000) and increased the income tax expense for the year ended December 31, 2011 by RM27,000.

iii) Exemption for employee benefits

MFRS 1 provides retrospective relief from applying MFRS 119 'Employee benefits', in respect of the recognition of actuarial gains and losses. The Company elected to recognise all cumulative actuarial gains and losses that existed at its transition date as liability in opening retained earnings for its employee benefit plan. The effect of this election is a decrease to the retirement benefits provision of RM7,930,000 as at the date of transition.

The Company's first MFRS interim financial report did not incorporate the impact of the above election.

iv) Estimates

The MFRS estimates at January 1, 2011 and December 31, 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Company to present these amounts in accordance with MFRS reflect conditions at January 1, 2011, the date of transition to MFRS and as of December 31, 2011.

The reconciliations of equity, total comprehensive income and cash flows for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

- Reconciliations of equity as at January 1, 2011 and December 31, 2011

	Note	January 1, 2011 RM'000	December 31, 2011 RM'000
Equity as reported under FRS		757,522	882,528
Add/(Less): Transitioning adjustments			
Reversal of revaluation of leasehold land	1(b)(ii)	(1,889)	(1,779)
Recognition of cumulative actuarial gains	1(b)(iii)	7,930	7,846
Deferred tax arising from transitioning adjustments		(1,510)	(1,517)
Equity on transition to MFRS		**762,053**	**887,078**

1. **BASIS OF PREPARATION (Continued)**

b) **Transition from FRS to MFRSs (Continued)**

- Reconciliations of total comprehensive income for the year ended December 31, 2011

	Note	December 31, 2011 RM'000
Total comprehensive income as reported under FRS		153,356
Add/(Less): Transitioning adjustments		
Reversal of amortisation of leasehold land	1(b)(ii)	110
Reversal of actuarial gains	1(b)(iii)	(84)
Deferred tax arising from transitioning adjustments		(7)
Total comprehensive income upon transition to MFRS		**153,375**

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statement of financial position of the Company at January 1, 2011, unless otherwise stated.

(a) Property, plant and equipment

Property, plant and equipment are initially measured at cost and are stated at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

No depreciation is provided on freehold land and capital projects that are in progress. Buildings and improvements and plant and equipment are depreciated on a straight-line basis to write-off the cost of the assets to their residual values, over the term of their estimated service lives. The residual values and service lives are reviewed at end of the reporting period.

The principal annual rates of depreciation used are as follows:

Buildings and improvements	2% - 5%
Plant and equipment	3% - 10%

Depreciation on assets under construction commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other maintenance and repairs are charged to profit or loss as incurred. Major renewals and improvements are capitalised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income in profit or loss.

Included in the respective property, plant and equipment classifications, is the Company's proportionate share in the joint venture assets of the Multi Product Pipeline System and related distribution terminal facilities (MPP). The Company has a 20% participating interest in the MPP. The accounting policy adopted for these jointly controlled assets is consistent with those adopted for the Company's 100% owned property, plant and equipment.

(b) Intangible assets – software

Intangible assets are stated as cost less 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.

(c) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

The Company's financial assets are loans and receivables. The Company has loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for financial assets with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Such assets are recognised initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, amount due from related corporations and deposit, cash and bank balances (Note 2(g)).

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Impairment of assets

(i) Non-financial assets

The carrying amounts of assets are reviewed annually to determine whether there is any indication that the carrying amounts may not be recoverable. If such an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use and is determined for the cash generating unit to which the asset belongs. Impairment is measured by the amount the carrying value exceeds the recoverable amount. Impairment loss and its subsequent reversal are taken to the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment of assets (Continued)

(ii) Financial assets carried at amortised cost

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes but are not limited to significant financial difficulty of the issuer or obligor, a breach of contract, such as a default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise and indications that a debtor will enter bankruptcy or receivership.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(e) Operating leases

Leases of assets under which a significant portion of risks and benefits of ownership over the economic life of the assets are effectively retained by the lessor are classified as operating leases. Prepaid lease rentals on service station sites made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Payments for all other operating leases are charged to the statement of comprehensive income in the year to which they relate.

(f) 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.

(g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include bank balances, deposits held at call with banks and cash in hand less bank overdrafts and restricted cash. To be included, these items must be readily convertible to cash and must not be subject to a significant risk of a change in value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle an obligation, and when a reliable estimate of the amount can be made. 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. The provisions are reviewed at year end and adjusted to reflect the current best estimate.

(i) Employee / separation benefits

(i) Short-term employee benefits

Wages, salaries, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company.

(ii) Retirement benefits

(a) Defined contribution retirement plan

The Company's contribution to the national defined contribution plan, the Employees Provident Fund, is recognised in profit or loss as incurred.

(b) Retirement benefits obligations

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The liability for employees' retirement benefits is determined based on a periodic independent actuarial reappraisal of the plan assumptions. This is based on the schedule of benefits stipulated in the Company's retirement benefits plan. The most recent reappraisal was carried out in December 2012. The projected unit credit method is used to calculate the actuarial plan benefits based on the estimated years of service and employees' projected compensation during their last year of employment. The liability recognised in the statement of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains or losses and past service cost. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10 per cent of the scheme assets or liabilities ('the corridor approach'). In these circumstances, the excess is recognised in profit or loss over the employees' expected average remaining working lives.

(iii) Separation benefits

Separation benefits are payments due to employees as a result of the separation from employment before the normal retirement age. The liability for separation benefits is recognised when the Company's commitment is confirmed without any realistic possibility of withdrawal.

(j) Share capital

Ordinary stock units with discretionary dividends are classified as equity.

(k) Dividends

Dividends on ordinary stock units are recognised as liabilities when the dividends are approved for payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial liabilities

Financial liabilities of the Company comprise of trade and other payables, borrowings and amounts due to related corporations. Financial liabilities are recognised initially at fair value plus transaction costs and subsequently, where appropriate, are measured at amortised cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowing costs relating to qualifying assets are capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(n) Taxation

The taxation charge in the statement of comprehensive income comprises current and deferred income taxes. Current income taxes are calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are calculated at the end of the reporting period on all temporary differences, using the liability method, between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and tax laws) enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on either the taxable entity, or different taxable entity where there is an intention to settle the balances on a net basis.

(o) Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Income from the sale of goods is recognised upon delivery of goods and acceptance by customers net of returns, discounts and allowances, in accordance with the terms of sale. Interest income is recognised using the effective interest method. Other income is recognized when earned.

(p) Research and development

Expenditures on research and development are recognised as expense except when there is sufficient certainty that the development efforts will result in future economic benefits for the Company, in which case these costs are capitalised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Foreign currencies

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company is Ringgit Malaysia. Transactions arising in foreign currencies are translated into Ringgit Malaysia at the approximate rates of exchange on the transaction dates. Transactions uncompleted at the end of the reporting period are translated at the closing exchange rates. Foreign currency exchange gains and losses resulting from the translation and settlement of foreign currency transactions are recognised in profit or loss.

(r) Segment reporting

Segment reporting is consistent with the internal reporting to the Company's chief operating decision maker, represented by a committee responsible for allocating resources and assessing performance of the operating segment.

(s) Fair value estimation

The carrying amount of current receivables and payables, carried at amortised cost, approximate their fair values.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes accounting estimates and assumptions concerning the future which may differ from actual results. Estimates and underlying assumptions are reviewed on an on-going basis. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are:

(a) Estimated useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over the term of their useful service lives taking into account residual values where appropriate. The estimated useful lives of these assets should be reflective of factors such as service life experience on the facilities and their maintenance programmes. The useful lives and residual values of assets are reviewed, and adjusted if appropriate, at the end of reporting period. The significant accounting policy for property, plant and equipment is disclosed in Note 2(a).

(b) Retirement benefits obligations

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining net cost (income) for the retirement benefits include the discount rate used to determine the present value of estimated cash outflows expected to be required to settle the retirement benefits obligations, and salary growth rate. Any changes in these assumptions will impact the carrying amount of retirement benefits obligations. Refer to Note 19 for the sensitivity of the overall pension liability to changes in the discount rate and salary growth rate.

4. FINANCIAL RISK MANAGEMENT

a) Market Risk

Given the size and long-term nature of its business, the Company expects that exposure to market risk arising from changes in currency rate and interest rate as well as crude and product prices. As such, the Company will use financial derivative instruments and commodity derivatives products to manage these risks. Any derivative transaction would require senior management approval and periodic review. Speculative derivative activity is strictly prohibited.

(i) Currency risk

The Company's activities are exposed to currency risk primarily arising from US dollar denominated crude purchases. The Company monitors foreign exchange gains and losses and is regularly reviewed by management.

Exposure of foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	2012 Denominated in USD RM'000	2011 Denominated in USD RM'000
Cash and bank balance	**3,265**	-
Receivables	**125,547**	-
Payables	**(681,690)**	(1,684)
Amount due from related corporations	**-**	57
Amount due to related corporations	**(8,321)**	(558,555)
Exposure in the statement of financial position	**(561,199)**	(560,182)

A 10% appreciation / depreciation of the USD against the Ringgit would result in an approximate decrease / increase in pre-tax profit of RM56 million (2011: RM56 million) with all other variables held constant.

(ii) Interest rate risk

The Company is exposed to fluctuations in market interest rates as the Company's operations are financed through a mixture of retained profits and borrowings. The Company's practice is to manage its interest cost through monitoring and reviewing interest rate changes in the market and its impact to the Company's financial performance.

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:

	2012 RM'000	2011 RM'000
Borrowings (unsecured)	**900,000**	821,553

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 change in interest rate affecting the Company's borrowing would not be material to the Company's financial statements.

A rise in the major benchmark rates would result in a higher interest expense and vice versa. The impact of a 10-basis-point change in interest rate at the end of the reporting period would increase / (decrease) after-tax profit by the amounts shown below.

4. FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk (Continued)

(ii) Interest rate risk (Continued)

	2012		2011	
	10bp increase RM'000	**10bp decrease RM'000**	10bp increase RM'000	10bp decrease RM'000
Borrowings (unsecured)	**(3)**	**3**	(616)	616

b) Credit Risk

Credit risk primarily arises from cash and cash equivalents, and credit exposures to trade customers. The Company places its surplus cash with a sister affiliate, Petron Fuel International Sdn. Bhd. (formerly known as ExxonMobil Malaysia Sdn. Bhd.) ("PFISB"), which has been assessed as low risk due to overall strength of Petron group. From time to time, the Company has deposit placement with independently rated banks with a minimum rating of AAA by local rating agency, or equivalent.

The Company manages credit exposure to trade customers by strict adherence to a set of credit policies and procedures whereby customers are thoroughly assessed and risk rated. Daily credit monitoring is an integral part of the credit management process that is administered within the Company's financial and operating system. Risk evaluations are performed internally including reviews of financial positions, business success indicators, past experience and other factors. Individual risk limits are set based on the internal ratings in accordance with guidelines set by management. Risk categories are established for individual customers based on internal credit guidelines ranging from very low to very high risk. The risk categories are intended to reflect the risk of payment default by a customer and are similar to the rating scales established by external rating agencies.

c) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balance, third party borrowing facilities and inter-company financing arrangements. 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 sister affiliate, PFISB. 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 favorable 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.

d) Capital Risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders.

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.

4. **FINANCIAL RISK MANAGEMENT (Continued)**

d) **Capital Risk (Continued)**

The Company's policy is to maintain a sustainable gearing ratio to finance its operation. Debt refers to borrowings whereas capital refers to equity attributable to shareholders.

	Note	**2012** RM'000	2011 RM'000
Borrowings (unsecured)	21	**900,000**	821,553
Equity attributable to shareholders		**956,899**	887,078
Gearing ratio		**0.9**	0.9

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity not less than RM40 million. The Company has complied with this requirement.

5. **REVENUES**

	2012 RM'000	2011 RM'000
Sales to former related companies	**1,010,622**	4,011,950
Sales to current related companies	**2,169,634**	-
Third party sales	**8,290,118**	7,224,254
Turnover	**11,470,374**	11,236,204
Interest income:		
Related parties	**1,698**	716
Others	**514**	12
Licence fees	**30,972**	29,562
	11,503,558	11,266,494

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

6. **FINANCE COST**

	2012 RM'000	2011 RM'000
Interest expenses (Note 21):		
Related parties	**6,831**	14,754
Others	**46,923**	8,501
	53,754	23,255

7. **PROFIT BEFORE TAX**

	2012 RM'000	2011 RM'000
The profit before tax is arrived at after charging / (crediting) the following items:		
Property, plant and equipment		
Depreciation	**57,511**	58,389
Gain on disposal	**(11,050)**	(23,577)
Written off	**4,196**	6,316

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. PROFIT BEFORE TAX (Continued)

	2012 RM'000	2011 RM'000
Long- term assets		
Amortisation		
- Prepaid lease rental	**11,791**	11,952
- Marketing assistance to dealers	**3,782**	3,329
- Others	**4,806**	-
(Gain) Loss on disposal	**(322)**	1,707
Impairment	**-**	1,757
Amortisation of intangible assets	**1,592**	146
Auditors' remuneration:		
- Recurring	**348**	197
- Non-recurring	**55**	-
Inventory written-down to net realisable value	**-**	5,496
Cost of inventories recognised as an expense	**11,020,229**	10,664,367
Impairment on and write-off of receivables	**-**	6
Reversal of impairment loss on receivables	**-**	(100)
Foreign exchange		
Realised foreign exchange (gain) loss	**(28,598)**	7,020
Unrealised foreign exchange (gain) loss	**(953)**	7,999
Rental expense for land and buildings	**2,259**	2,650
Hire of plant and machinery	**183**	461
Research and development expense	**3,167**	1,903
Repair and maintenance expense	**41,433**	32,216
Trucking cost	**51,460**	50,080

8. EMPLOYEE BENEFITS EXPENSE

	2012 RM'000	2011 RM'000
Wages, salaries and bonus	**37,984**	37,167
Defined contribution retirement plan -		
Employees Provident Fund	**4,797**	4,637
Provision for retirement benefits -		
Defined benefit retirement plan (Note 19)	**5,214**	4,460
Separation benefits	**28**	24
Other employee benefits	**4,005**	4,993
	52,028	51,281

9. DIRECTORS' REMUNERATION

	2012 RM'000	2011 RM'000
Non-Executive Directors:		
Fees	**126**	126
Others	**44**	34
Executive Directors:		
Short-term employee benefits	**240**	1,075
Retirement benefits	**64**	281
Benefits-in-kind	**1**	47
	475	1,563

Included in the above is the remuneration of Executive Directors employed by related corporations allocated to the Company amounting to RM49,000 (2011: RM340,000). The balance represents remuneration for Directors employed by the Company included in Note 8.

10. TAX EXPENSE

	2012 RM'000	2011 RM'000
Current taxation	**35,576**	56,928
Under/(Over) provision in prior years:		
- Income tax	**324**	(609)
Deferred taxation (Note 22)		
Origination and reversal of temporary differences	**1,915**	(6,295)
	37,815	50,024

The Company's effective tax rate differs from the statutory tax rate and is reconciled as follows:

	2012 %	2011 %
Statutory tax rate	**25**	25
Expenses not deductible for tax	**5**	3
Income not subject to tax	**(2)**	(3)
Effective tax rate	**28**	25

Effective tax rates on non-deductible expenses primarily reflect the varying relationship of the non-deductible expenses (which are relatively fixed over time) to changing levels of profit or loss from period to period.

11. EARNINGS PER ORDINARY STOCK UNIT

Earnings per ordinary stock unit is calculated by dividing the net profit attributable to shareholders by the number of ordinary stock units in issue during the year.

	2012	2011
Net profit attributable to shareholders (RM'000)	**98,171**	153,375
Number of ordinary stock units in issue ('000)	**270,000**	270,000
Basic and diluted earnings per stock unit (sen)	**36.4**	56.8

12. DIVIDENDS

The amounts of dividends paid are as follows:

	RM'000
In respect of the year ended December 31, 2011:	
Final dividend per stock unit, paid on June 21, 2012:	
Ordinary stock unit - 14 sen gross less Malaysian income tax at 25%	28,350
In respect of the year ended December 31, 2010:	
Final dividend per stock unit, paid on June 22, 2011:	
Ordinary stock unit - 14 sen gross less Malaysian income tax at 25%	28,350

The Directors propose that a final dividend of 14 sen gross less Malaysian income tax at 25% per ordinary stock unit, amounting to RM28,350,000 be paid for the year ended December 31, 2012 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings and improvements RM'000	Plant and equipment RM'000	Capital project in-progress RM'000	Total RM'000
Net book value					
At January 1, 2012	200,851	167,478	399,090	41,593	809,012
Additions	191	3,325	3,073	29,317	35,906
Disposals	(998)	-	-	-	(998)
Written off	-	(351)	(2,886)	(959)	(4,196)
Reclassifications	-	15,918	11,584	(27,502)	-
Depreciation	-	(16,829)	(40,682)	-	(57,511)
At December 31, 2012	200,044	169,541	370,179	42,449	782,213
Net book value					
At January 1, 2011	203,132	152,887	408,387	65,838	830,244
Additions	-	11,999	14,264	20,546	46,809
Disposals	(2,281)	(55)	(1,000)	-	(3,336)
Written off	-	(1,818)	(4,494)	(4)	(6,316)
Reclassifications	-	21,050	23,737	(44,787)	-
Depreciation	-	(16,585)	(41,804)	-	(58,389)
At December 31, 2011	200,851	167,478	399,090	41,593	809,012
At December 31, 2012					
Cost	200,044	390,791	1,130,100	42,449	1,763,384
Accumulated depreciation	-	(221,250)	(759,921)	-	(981,171)
Net book value	200,044	169,541	370,179	42,449	782,213
At December 31, 2011					
Cost	200,851	372,595	1,125,211	41,593	1,740,250
Accumulated depreciation	-	(205,117)	(726,121)	-	(931,238)
Net book value	200,851	167,478	399,090	41,593	809,012
At January 1, 2011					
Cost	203,132	344,514	1,106,382	65,838	1,719,866
Accumulated depreciation	-	(191,627)	(697,995)	-	(889,622)
Net book value	203,132	152,887	408,387	65,838	830,244

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 RM56,603,000 (2011: RM60,258,000).

During the year, the Company wrote off certain properties and equipment amounting to RM4,196,000 due to office relocation, on-going rebranding of retail stations and replacement of equipment.

14. LONG-TERM ASSETS

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Prepaid lease rentals	**253,458**	263,684	271,788
Deposits	**2,450**	1,886	1,706
Marketing assistance to dealers	**26,674**	30,256	28,339
Others	**18,626**	3,985	4,992
	301,208	299,811	306,825

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.

Included in the above prepaid lease rentals are leasehold land amounting to RM20,271,000 (2011: RM20,506,000) for the Company's 20% participating interest in the joint venture assets of MPP.

15. INTANGIBLE ASSETS - SOFTWARE

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cost	**24,851**	10,949	11,070
Accumulated amortisation	**(12,541)**	(10,949)	(10,922)
Net book value	**12,310**	-	148

The movement in the intangible assets are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
At cost		
At January 1	**-**	148
Addition	**13,902**	-
Amortisation	**(1,592)**	(146)
Written off	**-**	(2)
Net book value	**12,310**	-

In prior year, the Company wrote off intangible asset with cost of RM121,000 and a net book value of RM2,000.

16. INVENTORIES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Crude oil	**304,313**	292,702	166,333
Petroleum products	**416,719**	357,144	293,238
Materials and supplies	**9,627**	9,367	8,538
	730,659	659,213	468,109

17. RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Trade receivables	**209,046**	89,860	75,546
Less: Allowance for impairment	**(1,908)**	(1,930)	(3,163)
	207,138	87,930	72,383
Subsidies receivable	**511,567**	461,429	152,940
Others	**30,035**	19,236	18,507
Total	**748,740**	568,595	243,830

17. RECEIVABLES (Continued)

(a) Trade receivables

Credit terms of trade receivables range is generally up to 45 days.

At the end of the reporting period, the concentration of credit risk with respect to trade receivables is mainly from Supply and Industrial customers. The allowance for impairment of receivables is considered sufficient to cover collection losses.

The ageing analysis of trade receivables is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Current	**206,762**	73,939	71,863
Overdue and not impaired:			
Less than 3 months	**211**	13,942	362
3 to 6 months	**116**	-	-
6 to 12 months	**-**	-	96
Over 12 months	**49**	49	62
Overdue and impaired:			
Over 12 months	**1,908**	1,930	3,163
	209,046	89,860	75,546
Less: Allowance for impairment	**(1,908)**	(1,930)	(3,163)
	207,138	87,930	72,383

As at December 31, 2012, provisions were made for impaired trade receivables of RM1,908,000 (2011: RM1,930,000). These primarily relate to a few industrial customers which are in financial difficulty, and represent the amount in excess of value of collaterals which have been claimed. The Company believes that the unimpaired amounts are collectible, based on historic payment behaviour and customers' credit ratings.

Movements of the allowance for impairment of trade receivables are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
At January 1	**1,930**	3,163
Written off	**(22)**	(1,133)
Reversal of impairment losses	**-**	(100)
At December 31	**1,908**	1,930

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above.

The Company believes that apart from the above, no impairment is necessary in respect of trade receivables that are not past due, which relates to customers with good payment records with the Company.

(b) Subsidies receivable

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

(c) Others

Others are mainly comprised of prepayments and sundry receivables. The sundry receivables are unsecured, non-interest bearing and not impaired as they are repayable within the next 12 months.

17. RECEIVABLES (Continued)

The currency exposure profile of receivables is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Ringgit Malaysia	**623,193**	568,595	243,830
US Dollar	**125,547**	-	-
	748,740	568,595	243,830

18. PAYABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Trade payables	**749,184**	86,523	74,174
Other payables			
Accruals	**43,517**	44,166	59,613
MPP deposit	**4,148**	7,976	7,705
Others	**173**	718	835
	797,022	139,383	142,327

The currency exposure profile of payables is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Ringgit Malaysia	**115,187**	137,699	141,708
US Dollar	**681,690**	1,684	619
Others	**145**	-	-
	797,022	139,383	142,327

The credit terms for the Company's trade and other payables are generally 30 days.

Other payables are generally those of a non-trade nature that arose from transactions other than the purchase of crude and petroleum products. Included in accruals is an amount of RM1,251,000 (2011: RM1,251,000) for payroll liabilities.

19. RETIREMENT BENEFITS OBLIGATIONS

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 2012.

The changes in the provision for retirement benefits under the defined benefit plan during the year were as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
At January 1	**42,839**	43,459
Net expense charged to the statement of comprehensive income	**5,214**	4,460
Payments to separating employees and retirees	**(6,957)**	(3,707)
Employees transferred to affiliated companies	**(133)**	(1,373)
	40,963	42,839

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RETIREMENT BENEFITS OBLIGATIONS (Continued)

The amounts recognised in the statement of financial position are reconciled as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Present value of unfunded obligations	**60,106**	50,589	43,459
Unrecognised actuarial losses	**(19,143)**	(7,750)	-
Net liability	**40,963**	42,839	43,459

Reflected on the statement of financial position as:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Current	**6,423**	3,987	1,006
Non-current	**34,540**	38,852	42,453
	40,963	42,839	43,459

The movement in the present value of unfunded obligations are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
At January 1	**50,589**	43,459
Current service cost	**2,418**	2,012
Interest cost	**2,530**	2,448
Actuarial loss	**11,659**	7,750
Benefits paid	**(6,957)**	(3,707)
Intercompany transfers	**(133)**	(1,373)
At December 31	**60,106**	50,589

The expense recognised in the statement of comprehensive income is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Current service cost	**2,418**	2,012
Interest cost	**2,530**	2,448
Net actuarial losses recognised	**266**	-
	5,214	4,460

The charge to the statement of comprehensive income is included in the operating expenses and administrative and other expenses.

The principal actuarial assumptions used were as follows:

	2012 %	2011 %
Discount rate	**5.0**	5.8
Expected rate of salary increases	**6.0**	5.6

19. RETIREMENT BENEFITS OBLIGATIONS (Continued)

The discount rate used is based on a market yield local AA corporate bond with 10-year tenure from the Bond Pricing Agency Malaysia with tenure approximating the tenure of the pension liability. The salary growth rate takes into account market factors such as inflation rate.

A 1% higher (lower) discount rate would decrease (increase) the pension liability by approximately RM4,303,000 (2011: RM3,390,000).

A 1% higher (lower) salary growth rate would increase (decrease) the pension liability by approximately RM4,705,000 (2011: RM3,425,000).

20. AMOUNTS DUE FROM / (TO) RELATED COMPANIES

	31.12.2012 **RM'000**	31.12.2011 RM'000	01.01.2011 RM'000
Amounts due from related companies consist of:			
Trade			
- Current related companies	**146,736**	-	-
- Former related companies*	**-**	156,038	140,259
Non-trade			
- Former related companies	**-**	57	158
	146,736	156,095	140,417

*Includes certain balances due from ExxonMobil Malaysia Sdn. Bhd. arising from related party transactions as disclosed in Note 27.

The currency exposure profile of amounts due from related companies is as follows:

	31.12.2012 **RM'000**	31.12.2011 RM'000	01.01.2011 RM'000
Ringgit Malaysia	**146,736**	156,038	140,253
US Dollar	**-**	57	164
	146,736	156,095	140,417

	31.12.2012 **RM'000**	31.12.2011 RM'000	01.01.2011 RM'000
Amounts due to related companies consist of:			
Trade			
- Former related companies	**-**	(563,096)	(390,704)
Non-trade			
- Current related companies	**(8,321)**	-	-
- Former related companies	**-**	(6,168)	(6,203)
	(8,321)	(569,264)	(396,907)

The currency exposure profile of amounts due to related companies is as follows:

	31.12.2012 **RM'000**	31.12.2011 RM'000	01.01.2011 RM'000
Amounts due to related companies consist of:			
Ringgit Malaysia	**-**	(10,709)	(4,145)
US Dollar	**(8,321)**	(558,555)	(392,762)
	(8,321)	(569,264)	(396,907)

Amounts due from / (to) related companies are unsecured and are interest free as amounts are typically settled within one month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. BORROWINGS (UNSECURED)

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Floating interest rate loan from former related companies	**-**	526,553	366,307
Short-term notes	**-**	250,000	250,000
Revolving credit	**-**	45,000	-
Working capital facility	**900,000**	-	-
	900,000	821,553	616,307

(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 November 23, 2011, the validity of the two facilities was extended (subject to exercise of annual rollover option) up to December 31, 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 December 31, 2012.

On April 27, 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 Petron Oil & Gas International Sdn. Bhd. and 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 PFISB. The facility 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.

The Company had renewed the facility for another year to December 31, 2013.

The loan was fully settled during the year and there was no fresh loan at year end.

(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 June 4, 2012, been cancelled from the Fully Automated System for Issuing/Tendering ("FAST").

(c) On April 19, 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.

Interest rates and profit elements for the Company's borrowings and deposit placements depend on the lenders' cost of funds, and generally vary with the Kuala Lumpur interbank rates. The interest rates / profit elements on loans and deposits ranged from 3.0% to 5.9% per annum during the year (2011: 2.8% to 3.6%).

22. DEFERRED INCOME TAX

	31.12.2012 RM'000	31.12.2011 RM'000
At January 1	**70,229**	76,524
Charged/(Credited) to the statement of comprehensive income	**1,915**	(6,295)
At December 31	**72,144**	70,229

The components of deferred income tax amounts after appropriate offsetting are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Deferred income tax assets	**(1,407)**	(3,722)	(3,964)
Deferred income tax liabilities	**73,551**	73,951	80,488
	72,144	70,229	76,524

The components of deferred income tax assets and liabilities prior to offsetting are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Subject to income tax			
Deferred income tax assets:			
Provision for retirement benefits	**(1,216)**	(3,265)	(3,964)
Others	**(191)**	(457)	-
	(1,407)	(3,722)	(3,964)
Deferred income tax liabilities:			
Property, plant and equipment	**73,551**	73,951	78,918
Others	**-**	-	1,570
	73,551	73,951	80,488

At December 31, 2012, the Company applied the tax rate of 25% on the temporary differences (2011: 25%).

23. SHARE CAPITAL

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Authorised:			
300,000,000 ordinary stock units of RM0.50 each	**150,000**	150,000	150,000
Issued and fully paid:			
270,000,000 ordinary stock units of RM0.50 each	**135,000**	135,000	135,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RESERVES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Capital redemption reserve (non-distributable)	**8,000**	8,000	8,000
Retained earnings (distributable)	**813,899**	744,078	619,053
	821,899	752,078	627,053

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 (ITA) to frank approximately RM264,931,000 (2011: RM293,281,000) of the retained profits as at December 31, 2012 if paid out as dividends in 2013.

The Finance Act 2007 introduced a single tier tax system which took effect from January 1, 2008. Under the single tier system, tax on company profits is a final tax, and dividends distributed to shareholders will be exempted from tax. All companies will automatically move to the single tier tax system on January 1, 2014 even if they still have a credit balance in the Section 108 account as at December 31, 2013. As such, the Section 108 tax credit as at December 31, 2012 is available to the Company until such time the credit is fully utilised or upon expiry of the five-year period on December 31, 2013, whichever is earlier. Additionally, subject to the approval of the tax authorities, the Company has a tax exempt account available to frank tax exempt dividends up to approximately RM210,269,000 (2011: RM210,269,000).

25. CASH AND CASH EQUIVALENTS

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Deposit with a former related company (Note 21)	**-**	-	82,651
Deposit, cash and bank balances	**38,724**	30,910	19,610
Less: Deposit with a licensed bank	**(4,082)**	(7,926)	(7,689)
	34,642	22,984	94,572

Deposit with a licensed bank represents monies held in accordance with the sale and purchase agreement relating to the Company's purchase of a participating interest in the MPP. The amount will be utilised for payment in respect of the vendors' real property gains taxes upon decision by the Inland Revenue Board.

26. SEGMENTAL INFORMATION

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, sales to Concord Energy Pte. Ltd. and ExxonMobil Asia Pacific Pte. Ltd. ("EMAPPL"), Singapore. A breakdown of the revenues by geographical location is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Singapore	**1,488,568**	1,625,745
Domestic	**10,014,990**	9,640,749
	11,503,558	11,266,494

Approximately RM4,013,526,000 (2011: RM3,997,553,000) of the revenues are derived from two (2011: two related parties) major customers, one of whom is a related party to the Company.

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

27. SIGNIFICANT RELATED PARTY DISCLOSURES

Prior to completion of the acquisition by Petron Oil & Gas International Sdn. Bhd. ("POGI"), an indirect wholly-owned subsidiary of Petron, on March 30, 2012, the Company was a subsidiary of ExxonMobil International Holdings Incorporated, whose ultimate holding company is Exxon Mobil Corporation. Both corporations are incorporated in the United States of America. Exxon Mobil Corporation was regarded by the Directors as the ultimate holding company of the Company. Therefore, Exxon Mobil Corporation and its other subsidiaries were considered as former related parties to the Company.

Subsequent to the completion of acquisition by POGI, the Company became a subsidiary of Petron and the Directors regard San Miguel Corporation as the ultimate holding company of the Company. Both corporations are incorporated in the Republic of Philippines.

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.

Transactions with related parties prior to March 30, 2012 were made with related parties within the ExxonMobil group ("former related parties") while transactions after March 30, 2012 were made with related parties within the Petron group ("current related parties").

Balances in respect of transactions with the Exxon Mobil group are classified in the statement of financial position as amounts due from / (to) former related companies while balances in respect of transactions the Petron group are classified in the statement of financial position as amounts due from / (to) current related companies.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions ("RPTs").

	2012 **RM'000**	2011 RM'000
Purchases of crude oil from former fellow subsidiary:		
ExxonMobil Exploration and Production Malaysia Inc.	**1,368,471**	4,971,020
Purchases of petroleum products from former fellow subsidiaries:		
ExxonMobil Asia Pacific Pte. Ltd.	**773,995**	3,348,073
ExxonMobil Malaysia Sdn. Bhd.	**307,276**	1,109,662
Others	**12,906**	68,641
Purchases of petroleum products from current fellow subsidiary:		
Petron Fuel International Sdn. Bhd. (formerly known as ExxonMobil Malaysia Sdn. Bhd.)	**940,929**	-
Sales of petroleum products to former fellow subsidiaries:		
ExxonMobil Asia Pacific Pte. Ltd.	**308,487**	1,625,745
ExxonMobil Malaysia Sdn. Bhd.	**702,135**	2,371,808
ExxonMobil Borneo Sdn. Bhd.	**-**	14,397
Sales of petroleum products to current fellow subsidiaries:		
Petron Fuel International Sdn. Bhd. (formerly known as ExxonMobil Malaysia Sdn. Bhd.)	**2,168,576**	-
Air Philippines Corporation	**1,058**	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. SIGNIFICANT RELATED PARTY DISCLOSURE (Continued)

	2012 RM'000	2011 RM'000
Central management, shared facilities and services costs with former fellow subsidiaries, mainly ExxonMobil Asia Pacific Pte. Ltd., ExxonMobil Business Support Centre Malaysia Sdn. Bhd. and ExxonMobil Exploration and Production Malaysia Inc.		
Charged from:	**26,143**	115,473
Charged to:	**(768)**	(3,171)
	25,375	112,302
Central management, shared facilities and services costs with current fellow subsidiaries, Petron Fuel International Sdn. Bhd. (formerly known as ExxonMobil Malaysia Sdn. Bhd.) and Petron Oil (M) Sdn. Bhd. (formerly known as ExxonMobil Borneo Sdn. Bhd.)		
Charged from:	**35,004**	-
Charged to:	**(946)**	-
	34,058	-

Directors of the Company who are the key management personnel are also considered as related parties to the Company. Their compensation is disclosed in Note 9 to the financial statements.

28. COMMITMENTS FOR CAPITAL EXPENDITURES

	2012 RM'000	2011 RM'000
Commitments for the purchase of property, plant and equipment authorised by the Directors but not provided for in the financial statements:		
Contracted	**206,449**	15,567
Not contracted	**170,368**	7,774
	376,817	23,341

Included in the above are non-contracted commitments for the joint venture assets of the MPP amounting to RM38,200,000 (2011: contracted RM16,000).

29. LEASING COMMITMENTS

	2012 RM'000	2011 RM'000
As at end of the reporting period, leasing commitments under non-cancellable operating leases are as follows:		
Within 1 year	**2,819**	6,337
After 1 year but within 5 years	**2,275**	2,505
After 5 years	**704**	1,603
	5,798	10,445

30. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits:		
- realised	**885,090**	822,306
- unrealised	**(71,191)**	(78,228)
Total retained profits	**813,899**	744,078

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Ramon S. Ang and Dato' Zainal Abidin Putih, two of the Directors of Petron Malaysia Refining & Marketing Berhad (formerly known as Esso Malaysia Berhad), state that in the opinion of the Directors, the financial statements set out on pages 40 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Company as at December 31, 2012 and of the results of the Company and its cash flows for the year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act 1965.

In accordance with a resolution of the Board of Directors dated February 14, 2013.

....
Ramon S. Ang

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

Kuala Lumpur,
February 14, 2013

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 Berhad (formerly known as Esso Malaysia Berhad), do solemnly and sincerely declare that the financial statements set out on pages 40 to 71, 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.

....
Josue C. Banez, Jr.

Subscribed and solemnly declared by the above named Josue C. Banez, Jr. at Kuala Lumpur in Malaysia on February 14, 2013 before me,

....
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BERHAD
(formerly known as Esso Malaysia Berhad)
(Incorporated in Malaysia)
(Company No. 3927 V)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Petron Malaysia Refining & Marketing Berhad (formerly known as Esso Malaysia Berhad) on pages 40 to 70 which comprise the statement of financial position as at 31 December 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 29.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2012 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PETRON MALAYSIA REFINING & MARKETING BERHAD (CONTINUED)
(formerly known as Esso Malaysia Berhad)
(Incorporated in Malaysia)
(Company No. 3927 V)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 30 on page 71 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. As stated in Note 1 to the financial statements, the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ERIC OOI LIP AUN
(No. 1517/06/14 (J))
Chartered Accountant

Kuala Lumpur
14 February 2013

Information on Shareholdings

As at 26th March, 2013

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	282	3.077	12,443	0.004
100 - 1,000	2,835	30.939	2,587,005	0.958
1,001 - 10,000	5,035	54.949	19,868,594	7.358
10,001 - 100,000	935	10.204	25,671,668	9.508
100,001 - 13,499,999	75	0.818	23,681,227	8.770
13,500,000 and above	1	0.010	198,179,063	73.399
	9,163	**100.000**	**270,000,000**	**100.000**

THIRTY LARGEST SHAREHOLDERS
As at 26th March, 2013

	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.	LIM GAIK BWAY @ LIM CHIEW AH	1,163,600	0.430
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD DBS BANK FOR DEVA DASSAN SOLOMON (270504)	1,153,800	0.427
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (8041850)	1,013,000	0.375
6.	NEOH CHOO EE & COMPANY, SDN BERHAD	1,000,000	0.370
7.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY-HIAN PTE LTD (ACCOUNT CLIENTS)	934,000	0.345
8.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	803,768	0.297
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	780,000	0.288
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BANK OF SINGAPORE LTD FOR DEVA DASSAN SOLOMON	597,500	0.221
11.	QUARRY LANE SDN BHD	550,000	0.203
12.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PTE LTD (CLIENT A/C-NR)	491,784	0.182
13.	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND SD4N FOR GOVT OF THE PROVINCE OF ALBERTA	490,000	0.181
14.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG	475,000	0.175
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANY A/P M J ARUMANAYAGAM (8061712)	464,900	0.172
16.	ENG GUAN CHAN SDN BERHAD	453,800	0.168
17.	YEOH KEAN HUA	450,000	0.166
18.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (USA)	429,900	0.159
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG CHIN CHYE (472268)	412,000	0.152
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (473163)	400,000	0.148
21.	LEE YEOW TENG	392,600	0.145
22.	LIM SOO HIAN	347,000	0.128
23.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG (CEB)	339,600	0.125
24.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON	333,500	0.123
25.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR INBAMANY A/P M J ARUMANAYAGAM	308,900	0.114
26.	KIM POH HOLDINGS SDN BHD	300,000	0.111
27.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PARAGON PACIFIC VENTURES SDN BHD (MARGIN)	285,000	0.105
28.	NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
29.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING	276,100	0.102
30.	LIM SOO THEAN	256,500	0.095
		215,021,315	**79.637**

SUBSTANTIAL SHAREHOLDER
As at 26th March, 2013

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

Top 10 Properties

AS AT DECEMBER 31, 2012

	Tenure	L.A.(sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value (RM)
FEDERAL TERRITORY							
Petron East-West Link Lot 18113, Lebuhraya Hubungan Timur-Barat	F	2,974	Service station	01.01.2004		9	6,390,119
Petron Sg. Besi West Highway Lot 26494, Mile 6.5 Jalan Sg. Besi	F	5,669	Service station	01.05.1995		18	5,688,078
Petron MRR2 Melati PT 8085, SPK. Jalan Taman Melati	F	2,992	Service station	01.01.2008		5	7,144,164
SELANGOR							
Esso Puncak Jalil Lot PT 62357, Taman Puncak Jalil	L	4,047	Service station	06.01.2004	09.06.2103	9	6,053,228
Esso Jalan Kebun Klang Mile 3, Jalan Kebun, Klang	L	2,787	Service station	01.12.1996	30.06.2099	17	5,655,277
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		53	11,583,251
Esso Jalan Jelawat Lot 5371, Jalan Jelawat Mukim 1, Seberang Jaya	L	3,693	Service station	01.07.2003	18.08.2073	10	6,804,136
Esso Jalan Hussein Onn Lot 2188 (1445), Jalan Hussein Onn Butterworth	F	3,488	Service station	30.09.2001		12	5,431,951
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		53	10,641,825
MPP and KVDT	L	784,000	MPP/KVDT facilities	01.03.2001	01.02.2100	12	18,285,848

'Esso' brand is proprietary to Exxon Mobil Corporation.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-fourth Annual General Meeting of the Company will be held at the BALLROOM, GROUND LEVEL, GRAND DORSETT SUBANG HOTEL, JALAN SS12/1, 47500 SUBANG JAYA, SELANGOR on Friday, May 31, 2013 at 9:30a.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, 2012 and the Directors' and Auditors' Reports thereon. (Resolution 1)

2. To approve the declaration of final dividend of 14 sen less Malaysian income tax at 25% per ordinary share unit of 50 sen each for the year ended December 31, 2012. (Resolution 2)

3. To re-elect the following Directors, retiring in accordance with Articles 104 and 105 of the Company's Articles of Association AND to appoint the same as Independent Directors in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

   a. Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin bin Syed Salim (Resolution 3a)
   b. Y. Bhg. Dato' Zainal Abidin bin Putih (Resolution 3b)

4. To appoint Y. Bhg. Tan Sri Abdul Halim bin Ali as an Independent Director in compliance with 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. Mr. Ramon S. Ang (Resolution 5a)
   b. Mr. Eric O. Recto (Resolution 5b)
   c. Ms. Aurora T. Calderon (Resolution 5c)
   d. Mr. Lubin B. Nepomuceno (Resolution 5d)

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 authorise the Directors to determine their remuneration. (Resolution 7)

8. As Special Business, to consider and, if thought fit, pass the following resolution as a Special Resolution:-

   "THAT the alterations, modifications, variations or additions to the Memorandum and Articles of Association of the Company as set out per Appendix A attached to the Circular to the Shareholders dated April 26, 2013 be and are hereby approved; and

   THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary in order to give full effect to the Proposed Amendments, with full power to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."

9. 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 May 23, 2013.

<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 June 6, 2013, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on June 20, 2013.

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 6, 2013 in respect of transfers;

b) Securities deposited into the Depositor's Securities Account before 12:30p.m. on June 4, 2013 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 26, 2013

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 at Ground Level, Grand Dorsett Subang Hotel) will be opened from 8:30a.m. and will close at 9:40a.m.
2. Refreshments will be served at the same place from 8:30a.m. to 9:40a.m.

Statement Accompanying Notice of Annual General Meeting

1. **Directors standing for re-election**

- Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin bin Syed Salim and 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, along with Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin bin Syed Salim 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 three said Directors be appointed as Independent Directors, to hold office until conclusion of the next Annual General Meeting.

- Mr. Ramon S. Ang, Mr. Eric O. Recto, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno, retire pursuant to Article 109 of the Company's Articles of Association and are eligible to be elected to the Board of Directors.

2. **Details of Directors standing for re-election**

(i) Profiles

The profiles of the Directors standing for election/re-election are set out in pages 16 and 17 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.

3. **Proposed Amendments to the Articles of Association**

Proposed amendments to the Articles of Association are to cater for the directive by Bursa Malaysia Securities Berhad dated September 22, 2011 to bring the Company's Articles of Association to be in line with amendments made to Chapter 7 of the Main Market Listing Requirements, by December 31, 2013.

4. **Appointment of Auditors**

As external auditors of ExxonMobil, PricewaterhouseCoopers ("PwC") was appointed as Auditors of the Company, at the Annual General Meeting of the Company held on March 29, 2012. Effective March 30, 2012, the Company became a subsidiary of Petron Corporation. KPMG is Petron Corporation's auditors and for purposes of aligning the necessary financial auditing and reporting, the proposal by the Board of Directors is that KPMG be appointed as the new auditors of the Company for the ensuing year.

PETRON MALAYSIA REFINING & MARKETING BHD
(Formerly known as Esso Malaysia Berhad)
(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 Friday, May 31, 2013 at 9:30a.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 the Company's Audited Accounts		
2. Approve the declaration of dividend		
3. (a) Re-elect Y. Bhg. Tan Sri Dato' Dr. Syed Jalaludin bin Syed Salim		
(b) Re-elect Y. Bhg. Dato' Zainal Abidin bin Putih		
4. Appoint Y. Bhg. Tan Sri Abdul Halim bin Ali as Independent Director		
5. (a) Elect Mr. Ramon S. Ang		
(b) Elect Mr. Eric O. Recto		
(c) Elect Ms. Aurora T. Calderon		
(d) Elect Mr. Lubin B. Nepomuceno		
6. Payment of Independent Directors' Fees for 2013		
7. Appoint KPMG as Auditors and authorize the Directors to determine their remuneration		
8. Amendments to the Memorandum and Articles of Association		
9. 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 corporation's Common Seal or under the hand of an officer or attorney duly authorised. A proxy need not to 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.

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AFFIX
STAMP

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

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PETRON MALAYSIA REFINING & MARKETING BHD
(Company No. 3927V)
(formerly known as Esso Malaysia Berhad)
Level 12A, Menara I & P1, No. 46 Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur, Malaysia