

**MINUTES OF THE 60<sup>TH</sup> ANNUAL GENERAL MEETING OF  
PETRON MALAYSIA REFINING & MARKETING BHD  
(June 13, 2019)**

**Time and Place**

The 60<sup>th</sup> Annual General Meeting (“AGM”) of **PETRON MALAYSIA REFINING & MARKETING BHD** (the “Company” or “PMRMB”) was held on June 13, 2019 at the Ball Room, Grand Dorsett Subang Hotel, SS12/1, Subang Jaya, Selangor. The meeting commenced at 2:00 p.m.

**Attendance – Directors**

The following members of the Board of Directors the Company were present at the meeting:

Mr. Ramon S. Ang (Chairman)  
Y Bhg Dato’ Zainal Abidin Putih (Independent Director)  
Ms. Chua See Hua (Independent Director)  
Mr. Fong Seow Kee (Independent Director)  
Mr. Antonio Martin Cailao (Independent Director)  
Mr. Lubin B. Nepomuceno (Executive Director/Chief Executive Officer)  
Ms. Aurora T. Calderon (Executive Director)  
Mr. Ferdinand K. Constantino (non-Executive Director)

In attendance were the following Officers:

Pn. Faridah Ali (General Manager)  
Ms. Myrna C. Geronimo (Chief Finance Officer)  
Mr. Manoj Devadasan (General Counsel/Company Secretary)

Also in attendance were:

Mr. Emmanuel E. Erana (Petron Corporation)  
Mr. Jaime O. Lu (Petron Corporation)  
Mr. Joel C. Cruz (Petron Corporation)

### **CALL TO ORDER / NOTICE / PROXIES / QUORUM**

Following confirmation that the Notice of Meeting had been dispatched by post on April 26, 2019, it was confirmed that a total of 768 shareholders/proxies had registered to attend the AGM. It was also confirmed that the Chairman, Mr. Ramon S. Ang, was the corporate representative of Petron Oil & Gas International Sdn Bhd (“POGI”) and, as such, had the necessary right to propose, second and vote on all resolutions on behalf of POGI. There being a quorum in attendance, the Chairman called the meeting to order. The Company Secretary, Mr. Manoj Devadasan, recorded the minutes of the meeting.

### **VOTING PROCESS**

Mr. Devadasan informed the shareholders/proxies present that as voting on all resolutions would be by poll, and as recommended by the Malaysian Corporate Governance Code 2017 (and for the convenience of the shareholders), all voting will be by electronic means. The shareholders/proxies were also informed that the voting by poll will be conducted after the formal proposal and seconding of all the Resolutions. Shareholders/Proxies were also informed that an independent scrutineer would be monitoring and verifying the tabulated votes.

### **PRESENTATION - COMPANY’S PERFORMANCE REPORT**

Puan Faridah Ali, General Manager, delivered a presentation on the Company’s business performance for the year. Key highlights presented were as follows:

- 2018 was filled with challenges marked by volatile oil prices and uncertainties in the local economy. In the first ten (10) months, crude oil prices were relatively high with benchmark Dated Brent averaging USD73/barrel compared to USD54 /barrel in 2017. But because of an overproduction and slower global demand, prices collapsed by nearly 30% in the last two months from USD81 in October 2018 to only USD57 /barrel by year-end.
- The steep decline was mainly caused by an oversupply of oil after the United States of America (US) granted waivers on Iran crude exports sanctions while OPEC was building up inventory and US Shale oil production continued to increase. At the same time, there was a slowdown in demand resulting from a weak global economic outlook and the rising tension between the US and China.

- This unexpected USD24 /barrel price drop in November and December 2018 resulted in inventory holding losses as we sold higher-priced inventory at much lower prices. Likewise, the differential between finished product and crude prices were narrower in 2018 than in 2017, especially in the last quarter. In the first quarter of 2019, crude oil prices slightly recovered due to OPEC production cut and the threat of US sanction on Venezuela and Iran.
- Despite volatile oil prices, we continued to grow in 2018. Total sales volume reached 35.5 million barrels, up 2% from the 34.9 million barrels sold in the previous year. More importantly, Retail volume grew by 8% as we expanded our retail presence, built on our 'Fuel Happy' campaign promoting our high-performance fuels, and strengthened our *PMiles* Loyalty Card Rewards and Partnership programs.
- Our Commercial business was however impacted from softer demand for diesel in the industry due to more favorable prices in the Retail sector. In the 1<sup>st</sup> quarter of 2019, we continued to grow as we sold 9.1 million barrels and recorded a 6% growth in sales volume backed by higher Retail sales. Our commercial segment recorded lower sales as demand in this sector weakened during the period.
- With the steady growth in sales volume and higher oil prices, PMRMB ended the year with total revenue of RM12 billion; a 16% increase from RM10.4 billion recorded in 2017.
- Despite higher revenues, our net income for the year 2018 ended at 225 million Ringgit, 44% lower than the 405 million Ringgit in 2017. Operating income for 2018 was also lower than 2017. The decline was due to significant inventory losses caused by the sudden drop in oil prices in the 4<sup>th</sup> quarter of 2018. Marketing margin continued to improve as we grew our retail volume and enhanced our operational efficiency. Refining margin normalized in 2018 but lower compared to 2017 exceptional levels.
- Despite these challenges, we continued to gain stronger foothold in the industry particularly in the retail segment. In the 1<sup>st</sup> quarter of 2019, we registered 21.1% total motor fuel market share

from 20.5% in 2018. This reflects the success of our efforts to continuously grow our retail network, offer more innovative products and services, and implement effective marketing campaigns.

- In 2018, together with our sister companies Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd, thirty-two (32) new service stations were opened to bring our total count to more than six-hundred and forty (640) stations. More *Treats* and *P-Kedai* stores were opened, bringing our total to four hundred and seventy (470) stores. We also partnered with more leading food and beverage brands to cater to customers who require more than just refueling.
- Through our Petron Miles Card program, we continued to reward our loyal customers. We serve more than 3 million growing active members, and we enhanced the reward program by giving higher points for every liter purchased.
- Our LPG, *Petron Gasul*, is fast becoming a popular household brand driven by stronger brand awareness. We expanded our distribution channels to serve more customers and increased the product availability. We are proud to be the first in the industry to offer LPG cooking gas at service stations.
- In support of our business expansion, we continue to upgrade our refinery and expand our logistics capabilities. We are on track with the construction of our Diesel Hydrotreater Project at our Port Dickson Refinery to comply with the Government's mandate to implement Euro 5 specifications for Diesel by September 2020. We are also constructing a new Marine Import Facility in our refinery from an acquisition of an existing pipeline nearby. We are upgrading the product jetty, building new pipeline, and constructing two new product tanks.
- We also continued to enhance the productivity of our terminals. We commissioned a new LPG filling machine in our Port Dickson Terminal which will improve plant efficiency and increase LPG supply. We also have a new bottling arrangement in Perak. We also commissioned a new product tank and a new barge loading facility in our Bagan Luar Terminal.

- We added a new hybrid refueller at our Kuala Lumpur International Airport Aviation Facility to support more jet refueling orders and increase operational efficiency.
- Since February this year, all our terminals have started blending and supplying Biodiesel in compliance with the government's B10 biodiesel program. To support our biodiesel requirements, we acquired a small Palm Oil Methyl Ester plant in Lumut, Perak.
- Our desire to fuel happy journeys has led us to forge stronger ties with new and long-time partners. We renewed our support for motorsports in the Formula 4 SEA Championship and in the 4-by-4 Rainforest Challenge, proving the strength and power of our fuels under extreme racing conditions.
- Our partnerships with Malaysia Airlines' *Enrich* program and AirAsia's *BIG* program have allowed us to launch new campaigns such as the Petron-Enrich Fuel & Fly and Epic Asia. We also strengthened our partnership with Marvel Studios as we held special movie screenings and offered Marvel merchandises at our retail stations. These strategic collaborations with leading international brands enabled us to tap into new strategic markets.
- Being our frontline ambassadors, Petron dealers play a crucial role in defining our brand. That is why it is important for us to provide them with opportunities and platforms that will lead to a more rewarding experience for every customer. To promote customer service excellence among service station staff, we continued with our Fuel Happy games. We recognize top performing dealers from all over the country through our annual Service Station of the Year awards. We are indeed grateful for the support of our dealers in growing and strengthening our business. We launched our Clean Toilet national program to ensure our toilets are consistently maintained for customers' use. Our LPG dealers similarly receive regular training from the Company on safety and customer service.

- While the Company has been very focused on growing the business, we did not forget our responsibility to be a good corporate citizen. We continued to work with local governments and communities in caring for the environment. In addition to tree planting and coastal preservation, we continued with our waste and emissions reduction as well as energy conservation programs at our facilities to minimize our carbon footprint.
- We played an active role in promoting safety. Our service stations serve as community safety hubs in collaboration with the Royal Malaysia Police. We worked closely with relevant authorities and other partners in promoting road and fire safety awareness among students. Together with our automotive partners, we conducted car safety inspections at our stations during festive seasons. Vision Petron is growing more popular as an annual student Art competition.
- Our employees gave back to the communities through the Volunteerism-In-Action programs such as Let's Read, book donation, Back-to-School and festive celebrations with the underprivileged.
- Our core values, ExCITES, which stands for Excellence, Customer Focus, Innovation, Teamwork, Ethics, and Safety, are the guiding principles for the Company to deliver the best. In 2018, our collective pursuit of excellence enabled us to achieve prestigious awards and recognitions. Our customer-focused initiatives scored us new victories from the Brandlaurette Awards and Putra Brand Awards. We were recognized as the Social Media Brand of the Year in 2018 and 2019, leading all other brands in Malaysia. We received the Billion Ringgit Club Award from The Edge for the Highest Returns to Shareholders Over Three Years.
- Our refinery received the Prime Minister's Hibiscus Award for 'Exceptional Achievement in Environmental Performance' and the Grand Award for Occupational Safety & Health by the Malaysian Society for Occupational Safety and Health or MSOSH. Seven terminals under the group also won MSOSH gold awards. Further, all our terminals in Peninsular Malaysia have successfully obtained ISO certifications.

## **QUESTIONS FROM SHAREHOLDERS/PROXIES**

Written questions that had been submitted in advance by shareholders, as well as the Minority Shareholders' Watchdog Group, were answered by the Chairman, Chief Executive Officer and Management.

Shareholders/proxies present then posed questions relating to the Company, its performance, operations and audited accounts, to which the Chairman, Chief Executive Officer and Management, provided responses. Some key questions (and response given by the Company) are as follows:

### Written Questions submitted in advance by Shareholder

- 1. The Company reported that it suffered a net loss in the 4th quarter last year because of the sharp decline in prices which resulted in inventory holding losses. We thought that the Company has a commodity risk management process that should have addressed this?**

#### Petron's Response

A lot of oil companies and refiners such as Petron suffered losses due to the sharp decline in oil prices. The commodity risk management may be able to help up to a point but will never be able to fully absorb the impact of price volatility since only a certain percentage of the exposure is covered by hedging.

- 2. Why is Petron's financial performance affected by the drop in oil prices?**

#### Petron's Response

Not all our crudes are purchased and processed within the same month. The company hold approximately three (3) weeks worth of crude and finished product inventory. Some of the crude are eventually processed and products therefrom (such as gasoline, diesel, LPG etc) are sold up to three (3) months from the date of production. As such any fluctuation in oil prices during this time could potentially impact the Company's profitability.

- 3. The Company continued to perform well. Why is the dividend declared lower this year compared to the last year?**

#### Petron's Response

The dividend may be lower this year at 20 sen per share (when compared with that declared for 2017 last year) but it is necessary to bear in mind that the percentage of dividend from the net income this year is higher at 24% as opposed to only 16.7% of the net income in the previous year.

**4. How many new stations were opened in FY2019**

Petron's Response

In the last two (2) years, we added 64 new stations. We are now at 644 stations nationwide.

**5. Why was there a re-statement of financial statements?**

Petron's Response

Last year, several changes were implemented to comply with the new financial reporting standards. Plant, Property and Equipment and Long-term Leases were re-classified. As such, to present the current financials and provide an understandable comparison with that of the previous year's, a re-statement had to be done.

Questions posed to the Board/Management from the Shareholders/Proxies Present

**1. How long do the Company hold stocks (such as Blaze RON 95) at any particular time as earlier it was stated that stocks can last up to 3 months.**

Petron's Response

At terminals, the stocks are stored on an average of seven (7) days. What was said earlier about three (3) months was an illustration of time from when crude arrives at the refinery, is processed, sent to terminals and from there to stations. Also, much would depend on the crude parcels received as well as the blending of different crudes that have been purchased.

**2. How does an oil company earn its income on every liter of fuel sold?**

Petron's Response

Retail fuel prices in Malaysia are generally regulated by the Government and there are certain fixed margins. Oil prices can fluctuate, and retail price setting is based on current month oil prices. However, an oil company does not purchase fuel based on current prices, as this depends on when the company buys the crude or the finished product. Thus, for instance if the company purchases crude, there is a time lag between purchasing the crude, processing it and selling the finished products. Thus, the cost recovery the Government awards the company may be different from the actual prices/costs incurred by the company. The Government provides the company a fixed margin based on certain sen per liter. However, this is a complex calculation based on margin and cost recovery and not a finite sum.



- 3. In the early part of 2019, the Petrol Station Dealers' Association met with the Government and obtained a higher margin. What is the impact to Petron?**

Petron's Response

The increase in margins provided by the Government (3 sen/liter) goes directly to the dealers.

- 4. What would be the impact of the Government's announcement to remove fuel subsidies but to assist the B40 group, there will be a mechanism to assist the group of low income earners?**

Petron's Response

We are yet to be fully informed of the Government's plans but we will assure the shareholders that Petron will implement the new directives once finalized.

- 5. When is the next mandatory refinery turnaround?**

Petron's Response

The mandatory turnaround will be in three (3) years time. The last turnaround was in 2018.

- 6. The Government made Petron an official fuel supplier to the Government, however it is not awarded to PMRMB.**

Petron's Response

The award went to its sister company Petron Fuel International Sdn Bhd. However, Government vehicles registered on the program can fuel up at any Petron station including PMRMB's station. With PMRMB having a lion's share of the stations under Petron Malaysia, PMRMB stands to also benefit from this.

- 7. What would be the impact of electric vehicles to the Company?**

Petron's Resonse

Electric vehicles are getting popular especially with the higher efficiency, better reliability and higher performance. The said vehicles are also getting cheaper and thus are gaining popularity. We will continue to monitor the progress as we plan ahead.

**8. Receivables are noted to be very high and are increasing. Can you comment on that?**

Petron's Response

This was primarily made up of subsidy claims and the GST claims. However, the Government had settled all outstanding GST receivables owing to Petron as at June 2019.

**9. Despite PMRMB's performance the share price is still not increasing. If a higher dividend was paid, this could generate more interest in the shares and the price will increase. The Company has a large reserve, and as such, should consider higher dividend.**

Petron's Response

Management will look into the matter and will consider the best possible dividend. However, at the moment, the Company has to conserve its reserves to finance its Refinery upgrade projects to meet the Government's requirement on low sulfur diesel by 2020. The Company also needs money to finance its business and manage borrowings. The lower margins in recent times require the Company to be prudent and ensure it has sufficient reserves to continue in business and weather any financial storm.

**10. There seems to be related party transactions made between PMRMB and its sister companies. If PMRMB is producing the finished products, why is PMRMB also buying from the sister company?**

Petron's Response

We have several terminals in Malaysia, some are owned by PMRMB and the rest are owned by sister companies. In the circumstances when there is a PFISB's service station that is closer to PMRMB's terminal, the supply to that station will be from PMRMB. The converse is true about where a PFISB's terminal is closer to a PMRMB station. Thus, you would find sales between the companies.

**11. What percentage of the finished products are imported finished products as opposed to that produced by the refinery?**

Petron's Response

Approximately 60% of the fuel requirements are imported.

**12. What would be the Capex incurred by the refinery for the various projects?**

Petron's Response

The total amount would be about USD120 million for the whole diesel hydro-treater project and approximately USD60 million for the marine/jetty facility. The amount allocated for the refinery upgrade is approximately RM500 million for 2019. Of this, a substantial part will go to the diesel hydro-treater project. Another major project that is also being managed in parallel at the refinery is the new jetty and marine pipeline project that involves upgrade of the marine pipeline and additional storage tanks. With the business expansion and the need for additional importation of finished products, a new facility is required to ensure efficiency and reduce demurrage costs caused by shipping related delays at the current jetty.

**13. What would be the impact of the implementation of the IMO 2020 on PMR's diesel sales?**

Petron's Response

IMO2020 refers to International Maritime Organization regulation effective from January 1st, 2020, with a lower 0.5% cap on the sulphur content of marine fuel from the present 3.5% limit. At this point, the market is still weighing the impact of IMO2020. There are several options for the ship owners such as using the more expensive 0.5% Sulphur fuel or installing scrubbers to continue using the cheaper but higher Sulphur fuel or converting to cleaner and cheaper fuel like LNG. In the first few years of implementation, IMO 2020 may have a positive impact on the margin of diesel. There are some market views that the increasing demand for diesel from ships would improve diesel margins benefitting refiners like our Port Dickson Refinery. On the other hand, the price of lower Sulphur crudes, which are being processed at PDR, may increase as more refineries would use these, over higher Sulphur crude, to meet IMO2020 demands.

- 14. Is the Company planning on eco-friendly stations such as those using solar energy/water catchment process?**

Petron's Response

Currently we have one pilot station that is designed for this purpose. However, the cost is expensive. Nevertheless, we do have more such stations in the future, but each are properly evaluated before we proceed with the implementation.

- 15. Is there segmental accounting done for the Company in relation to its refining and marketing businesses?**

Petron's Response

We do not report segmental accounting as we see the entire business as an integrated business. However, for purposes of presentation to the shareholders at the AGM, we do provide some basic information about each business but these figures are for illustration only.

- 16. What tax allowances does the Company benefit from when constructing stations?**

Petron's Response

We have capital allowances that we can claim under the tax law.

- 17. Are the Executive Directors receiving any remunerations?**

Petron's Response

No, the Executive Directors do not receive any salary or other remunerations.

- 18. KPMG was mentioned in relation to the 1MDB case. Can we get assurance that KPMG should be appointed?**

Petron's Response

Petron works with KPMG in both the Philippines and in Malaysia. Management does a formal evaluation of its auditor before making recommendations to the Audit Committee for their deliberation and then endorsement to the Board. In regard the 1MBD case, it would be unfair for us to talk of KPMG in isolation when many companies were named in the investigations. Further, as mentioned by the KPMG Partner present at the AGM, there were no charges/fines or sanction imposed against KPMG in this regard. The Board is confident of KPMG's continued professionalism and thus its recommendation to the shareholders for KPMG's re-appointment.

### **FORMAL PROPOSAL OF RESOLUTIONS**

Shareholders/proxies were reminded that at the end of the process of formal proposals in respect of each resolution as stated in the Notice of Meeting, the AGM would be temporarily adjourned for the poll voting process. Each of the ordinary resolutions (as well as the one Special Resolution) per the Notice of Meeting, were then formally proposed and seconded.

### **TEMPORARY ADJOURNMENT / POLL VOTING**

Following the formal proposal in respect of each of the Resolutions, the Chairman declared the registration of shareholders/proxies to attend the AGM closed for purposes of conducting the voting. The AGM was temporarily adjourned by the Chairman at 3:08p.m. to allow the shareholders/proxies to cast their votes. Messrs Tricor Investor Issuing House Services Sdn Bhd conducted the poll and the tabulation of votes. Coopers Professional Scrutineers Sdn Bhd acted as Independent Scrutineers.

### **DECLARATION OF RESULTS OF POLL**

At 3.31p.m., the AGM was re-convened by the Chairman. Returning Officer/Independent Scrutineer's Representative, Mr. Chuah Poo Sian, read out the results of the Poll that all the Resolutions tabled at the AGM (as stated below) were duly approved:

Resolution 1 - THAT the payment of final dividend of 20 sen per ordinary share under single tier system for the year ended 31 December 2018, be and is hereby approved.

Resolution 2 - THAT the re-election of Mr. Ferdinand K. Constantino as Director of the Company in accordance to Articles 104 and 105 of the Company's Articles of Association, be

and is hereby approved.

Resolution 3 - THAT the re-election of Ms. Chua See Hua as Director of the Company in accordance to Articles 104 and 105 of the Company's Articles of Association, be and is hereby approved.

Resolution 4 - THAT the appointment of Y. Bhg. Dato' Zainal Abidin Putih as Independent Director in compliance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017, be and is hereby approved.

Resolution 5 - THAT the payment of Directors' Fees for the Independent Directors pursuant to Section 230 of the Companies Act 2016 as follows:

(a) Annual Directors Fees of RM78,000 to be paid to each Independent Director in 2019.

(b) The following payments from June 13, 2019 until the next Annual General Meeting in 2020:

(i) Attendance Allowance of RM3,000 per meeting for each Independent Director Chairperson of a Committee;

(ii) Attendance Allowance of RM2,500 per meeting for each Independent Director; and

(iii) (up to) RM700 per month in fuel allowance /claims by each Independent Director.

be and are hereby approved; and

(iv) An ex gratia bonus payment of RM15,000 for each Independent Director who served a full term in 2018, for services rendered to the Company.

Resolution 6 THAT the appointment of Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2019, to hold office until the conclusion of the AGM in 2019 (with authorization to the Board of Directors to determine their remuneration), be and is hereby approved.

Special

Resolution - **THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in the 'Appendix' of the Circular to Shareholders dated 26 April 2019 dispatched together with the Company's Annual Report 2018 be and is hereby adopted as the Constitution of the Company ("Proposed Adoption");  
**AND THAT**, the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give effect to the Proposed Adoption.

The Chairman then declared each of the resolutions as carried.

**Adjournment**

The Chairman thanked the Shareholders present for their participation and support. There being no further business, the Annual General Meeting was adjourned at 3:51p.m. with a vote of thanks to the Chair.

Respectfully prepared/submitted by

(sgd)

**MANOJ DEVADASAN**

Corporate Secretary

Confirmed by the Board of Directors:

(sgd)

**MR. RAMON S. ANG**

Chairman

Date: August 22, 2019