PETRONAS DAGANGAN BERHAD 88222-D

QUARTERLY REPORT
FOR SECOND QUARTER ENDED 30 JUNE 2016

PETRONAS

The Board of Directors of PETRONAS Dagangan Berhad ("PDB" or the Company) is pleased to announce the following Unaudited Interim Condensed Consolidated Financial Statements for PDB Group for the second quarter ended 30 June 2016 which should be read in conjunction with the accompanying explanatory notes on pages 5 to 18.

` UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
ASSETS		
Property, plant and equipment	3,802,258	3,989,865
Prepaid lease payments	481,093	491,950
Investments in associates	3,157	3,015
Investments in joint ventures	12,783	10,281
Long term receivables	8,711	-
Deferred tax assets	6,803	9,412
TOTAL NON-CURRENT ASSETS	**4,314,805**	**4,504,523**
Inventories	689,413	625,558
Trade and other receivables	1,421,706	1,649,252
Cash and cash equivalents	2,256,495	1,258,637
Assets classified as held for sale	15,060	32,635
TOTAL CURRENT ASSETS	**4,382,674**	**3,566,082**
TOTAL ASSETS	**8,697,479**	**8,070,605**
EQUITY		
Share capital	993,454	993,454
Reserves	4,059,597	3,958,865
Total Equity Attributable to Shareholders of the Company	**5,053,051**	**4,952,319**
Non-controlling interests	33,757	31,693
TOTAL EQUITY	**5,086,808**	**4,984,012**
LIABILITIES		
Borrowings	102,169	113,321
Deferred tax liabilities	150,269	153,066
Other long term liabilities and provisions	27,717	27,427
TOTAL NON-CURRENT LIABILITIES	**280,155**	**293,814**
Trade and other payables	3,193,267	2,602,174
Borrowings	42,720	98,499
Taxation	94,405	67,600
Liabilities classified as held for sale	124	24,506
TOTAL CURRENT LIABILITIES	**3,330,516**	**2,792,779**
TOTAL LIABILITIES	**3,610,671**	**3,086,593**
TOTAL EQUITY AND LIABILITIES	**8,697,479**	**8,070,605**
Net assets per share attributable to ordinary equity holders of the Parent (RM)	5.09	4.98

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

PETRONAS

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 30/06/2016 RM'000	3 months ended 30/06/2015 RM'000	6 months ended 30/06/2016 RM'000	6 months ended 30/06/2015 RM'000
Revenue	5,331,453	6,465,341	10,241,925	12,535,804
Operating profit	249,423	377,683	546,211	663,773
Finance cost	(2,433)	(2,752)	(4,201)	(7,112)
Share of profit after tax of equity accounted associates and joint ventures	2,023	1,171	2,643	2,153
Profit before taxation	249,013	376,102	544,653	658,814
Tax expense	(66,728)	(99,567)	(139,702)	(175,835)
Profit from continuing operations	182,285	276,535	404,951	482,979
Profit/(Loss) from discontinued operation, net of tax	33,158	(2,076)	31,467	(991)
Profit for the period	215,443	274,459	436,418	481,988
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising from translation of financial statements of foreign operations	8,284	983	(10,143)	6,749
Disposal of subsidiary acquired under common control business combination in prior year	3,729	-	3,729	-
Total comprehensive income for the period	227,456	275,442	430,004	488,737
Profit attributable to:				
Shareholders of the Company	214,953	273,210	434,354	478,978
Non-controlling interests	490	1,249	2,064	3,010
Profit for the period	215,443	274,459	436,418	481,988
Total comprehensive income attributable to:				
Shareholders of the Company	226,966	274,193	427,940	485,727
Non-controlling interests	490	1,249	2,064	3,010
Total comprehensive income for the period	227,456	275,442	430,004	488,737
Earnings/ (Loss) per ordinary share- basic (sen)				
from continuing operations	18.3	27.7	40.6	48.3
from discontinued operation	3.3	(0.2)	3.2	(0.1)

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Shareholders of the Company						
	Non-Distributable			Distributable			
	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	**993,454**	**11,038**	**(44,053)**	**3,791,740**	**4,752,179**	**39,644**	**4,791,823**
Exchange difference arising from translation of financial statements of foreign operations	-	6,749	-	-	6,749	-	6,749
Profit for the period	-	-	-	478,978	478,978	3,010	481,988
Dividends paid	-	-	-	(337,774)	(337,774)	-	(337,774)
At 30 June 2015	**993,454**	**17,787**	**(44,053)**	**3,932,944**	**4,900,132**	**42,654**	**4,942,786**
At 1 January 2016	**993,454**	**40,213**	**(47,122)**	**3,965,774**	**4,952,319**	**31,693**	**4,984,012**
Exchange difference arising from translation of financial statements of foreign operations	-	(10,143)	-	-	(10,143)	-	(10,143)
Reversal of capital contribution on disposal of subsidiary	-	-	(9,303)	-	(9,303)	-	(9,303)
Disposal of subsidiary acquired under common control business combination in prior year		3,729	28,316	(28,316)	3,729	-	3,729
Profit for the period	-	-	-	434,354	434,354	2,064	436,418
Dividends paid	-	-	-	(317,905)	(317,905)	-	(317,905)
At 30 June 2016	**993,454**	**33,799**	**(28,109)**	**4,053,907**	**5,053,051**	**33,757**	**5,086,808**

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 30/06/2016	Period ended 30/06/2015
	RM'000	RM'000
Cash receipts from customers	10,551,433	12,424,102
Cash paid to suppliers and employees	(9,035,724)	(11,608,276)
	1,515,709	815,826
Interest expenses paid	(957)	(548)
Taxation paid	(115,909)	(79,236)
Net cash generated from operating activities	**1,398,843**	**736,042**
Interest income from fund and other investments	43,119	24,039
Purchase of property, plant and equipment	(65,340)	(91,073)
Prepayment of leases	(11,956)	(12,026)
Proceeds from disposal of property, plant and equipment	1,962	4,517
Proceeds from disposal of subsidiary	6,278	-
Net cash used in investing activities	**(25,937)**	**(74,543)**
Dividends paid	(317,905)	(337,774)
Repayment of term loan	(4,710)	(4,598)
Repayment of Islamic medium term notes	-	(300,000)
Net (repayment)/drawdown of revolving credit facilities	(46,248)	29,306
Repayment of Islamic financing facilities	(8,469)	(8,215)
Interest paid on term loan	(689)	(550)
Profit margin paid for Islamic medium term notes	-	(5,280)
Profit margin paid for Islamic financing facilities	(2,216)	(2,544)
Net cash used in financing activities	**(380,237)**	**(629,655)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**992,669**	**31,844**
NET FOREIGN EXCHANGE DIFFERENCES	**307**	**2,003**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,264,393**	**1,839,684**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**2,257,369**	**1,873,531**

Included in the Cash and Cash Equivalents at end of the period is an amount of RM874,125 categorised as Asset Held for Sale.

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1 BASIS OF PREPARATION

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

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements are unaudited and should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in its associates and its joint ventures as at and for the quarter ended 30 June 2016.

<u>Significant Accounting Policies</u>

The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2015 except for the adoption of Amendments to Standards effective as of 1 January 2016.

A. Amendments effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 11	Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation Amortisation)
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

The initial adoption of the above pronouncement did not have any material impact to the interim Financial Statements of the Group.

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group in the interim financial statements:

B. Amendments effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107	Statement of Cash Flows – Disclosure Initiative
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

C. Amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers

D. MFRS effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases

E. Amendments effective for a date yet to be confirmed

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

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective.

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

ii) **MFRS 9, Financial Instruments**
MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

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

iii) **MFRS 16, Leases**
MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

The MASB has issued pronouncements which are not yet effective, but for which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted.

F. New pronouncements not applicable to the Group and the Company

Amendments to MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116	Property, Plant and Equipment – Agriculture: Bearer Plants
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
MFRS 141	Agriculture – Agriculture: Bearer Plants

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A2 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2015.

A3 SEASONAL OR CYCLICAL FACTORS

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

A4 EXCEPTIONAL ITEM

Exceptional items during the current quarter under review included impairment of subsidy receivables (as explained in A5) and gain on disposal of subsidiary (as explained in A13).

A5 MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2015 that may have a material effect in the current quarter results, except for impairment on trade and other receivables.

An impairment of RM89.9 million has been made for trade and other receivables with respect to subsidy claims for diesel for the period April 2012 – January 2013. The amount has been recognised under cost of revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The amount is being impaired as no decision on repayment has been made by the Government. Nevertheless, PDB will continue to pursue recovery of the amount.

A6 COMMITMENTS

Outstanding commitments in respect of capital expenditure at financial position date not provided for in the interim financial statements are:-

	As at 30/06/2016	As at 31/12/2015
	RM'000	RM'000
Approved and contracted for	24,633	9,104
Approved but not contracted for	559,755	185,942
	584,388	195,046

A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 June 2016.

A8 DIVIDENDS PAID

During the 6 months period ended 30 June 2016, the following dividend payments were made:

1. An interim dividend of 20 sen per ordinary share amounting to RM198,690,800.00 for the quarter ended 31 December 2015 was paid on 17 March 2016 (Quarter 4 2014: a special interim dividend of 22 sen per ordinary share amounting to RM218,559,880.00).

2. An interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00 for the quarter ended 31 March 2016 was paid on 8 June 2016 (Quarter 1 2015: an interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00).

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A9 SEGMENTAL INFORMATION

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

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

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

Results for 6 months period ended 30 June

In RM'000	2016				2015			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**	**Retail**	**Commercial**	**Others**	**Group**
Revenue	5,780,184	4,449,295	12,446	10,241,925	6,643,214	5,880,074	12,516	12,535,804
Depreciation and amortisation	141,598	27,345	9,399	178,342	124,872	20,929	9,962	155,763
Other income/ (expenses)	149,629	33,696	(7,535)	175,790	123,793	21,623	964	146,380
Operating profit for reportable segments	257,229	285,887	3,095	546,211	346,621	301,854	15,298	663,773
Finance cost	(1,277)	(1,244)	(1,680)	(4,201)	(2,760)	(1,899)	(2,453)	(7,112)
Share of profit after tax of associates and joint ventures				2,643				2,153
Profit before taxation for continuing operations				544,653				658,814

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A10 PROPERTY, PLANT AND EQUIPMENT

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

A11 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The Group has announced its intention to sell one of its subsidiaries, Thang Long LPG Company Ltd ("TLLCL") and the related assets and liabilities of TLLCL are presented as assets/liabilities classified as held for sale. The transaction is expected to complete by the end of 2016. At 30 June 2016, TLLCL comprised of assets amounting to RM15.1 million less liabilities of RM0.1 million.

A12 SUBSEQUENT EVENTS

In the opinion of the Directors, there were no transactions or events of a material or unusual nature that had occurred between 30 June 2016 and the date of this announcement.

A13 CHANGES IN THE COMPOSITION OF THE GROUP

In the current quarter ended 30 June 2016, the Group has disposed 100% of its equity interest in PETRONAS (Vietnam) Co., Ltd. ("PVL") to Totalgaz Vietnam Co. Ltd. ("TOTAL"), an external party of the Group for a fair value consideration of RM1.7 million, resulting in a gain on disposal of RM35.6 million.

Profit/(Loss) attributable to the discontinued operation was as follows:

	3 months ended 30/06/2016 RM'000	3 months ended 30/06/2015 RM'000	6 months ended 30/06/2016 RM'000	6 months ended 30/06/2015 RM'000
Net loss for the period	(2,451)	(2,076)	(4,142)	(991)
Gain on disposal	35,609	-	35,609	-
	33,158	(2,076)	31,467	(991)

A14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities and contingent assets.

A15 RELATED PARTY TRANSACTIONS

There were no significant transactions with related party in addition to the related party transactions disclosed in the Audited Financial Statements for the year ended 31 December 2015.

A16 COMPARATIVES

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income has been re-presented to show the discontinued operation from the continuing operations.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A17 FAIR VALUE CHANGES OF FINANCIAL INSTRUMENTS

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

- Level 1 – Quoted price in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

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

	Fair value of financial instruments not carried at fair value		
	Level 3	Total	Carrying amount
	RM'000	RM'000	RM'000
Group			
30 June 2016			
Financial Asset			
Long term receivables	7,303	7,303	8,711
	7,303	7,303	8,711
Financial Liabilities			
Islamic financing facilities	82,338	82,338	93,717
Term loan	27,511	27,511	30,618
	109,849	109,849	124,335
Group			
31 December 2015			
Financial Liabilities			
Islamic financing facilities	88,871	88,871	102,697
Term loan	34,159	34,159	37,747
	123,030	123,030	140,444

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

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

B1 REVIEW OF PERFORMANCE

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

	Quarter ended					
	Group		Retail		Commercial	
In RM' Mil	**June 2016**	**June 2015**	**June 2016**	**June 2015**	**June 2016**	**June 2015**
Revenue	5,331.5	6,465.3	2,903.9	3,422.3	2,421.3	3,037.0
Operating profit	249.4	377.7	102.0	209.4	151.5	160.3

Group Revenue for the quarter ended 30 June 2016 was RM5,331.5 million, a decrease of RM1,133.8 million over the results of the corresponding quarter last year mainly as a result of a decrease in average selling price by 20% despite higher sales volume by 3%. The decrease in average selling price was due to a decrease in Mean of Platts Singapore ("MOPS") prices.

Group operating profit for the quarter ended 30 June 2016 was RM249.4 million, a decrease of RM128.3 million compared to the corresponding quarter last year mainly attributable to the Retail segment.

Retail Segment
The decrease in revenue of RM518.4 million was mainly due to a drop in average selling price by 16% impacting both Mogas and Diesel.

Operating profit also registered a decline of RM107.4 million against the corresponding quarter last year. This was mainly due to the impairment of subsidy receivables of RM89.9 million and higher operating expenditure arising from higher depreciation and advertising and promotion activities.

Commercial Segment
The decrease in revenue by RM615.7 million was mainly due to a decrease in average selling price by 23%. Decrease in average selling price had mainly impacted revenue contribution by Aviation and Diesel.

The decrease in operating profit by RM8.8 million was mainly due to lower gross profit for Diesel, in line with lower industry demand from exploration and production as well as fishery sectors.

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

B1 REVIEW OF PERFORMANCE

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

	Period ended					
	Group		Retail		Commercial	
In RM' Mil	**June 2016**	**June 2015**	**June 2016**	**June 2015**	**June 2016**	**June 2015**
Revenue	10,241.9	12,535.8	5,780.2	6,643.2	4,449.3	5,880.1
Operating profit	546.2	663.8	257.2	346.6	285.9	301.9

Group Revenue for the period ended 30 June 2016 was RM10,241.9 million, a decrease of RM2,293.9 million over the results of the corresponding period last year mainly as a result of a decrease in average selling price by 20% despite higher sales volume by 2%. The decrease in average selling price was due to a decrease in MOPS prices.

Group operating profit for the period ended 30 June 2016 was RM546.2 million, a decrease of RM117.6 million compared to the corresponding period last year mainly attributable to the Retail segment.

<u>Retail Segment</u>
The decrease in revenue of RM863.0 million was mainly due to a drop in average selling price by 14% impacting both Mogas and Diesel.

Operating profit also registered a decline by RM89.4 million against the corresponding period last year. This was mainly due to the impairment of subsidy receivables of RM89.9 million and higher operating expenditure arising from higher depreciation and increased advertising and promotion activities.

<u>Commercial Segment</u>
The decrease in revenue by RM1,430.8 million was mainly due to a decrease in average selling price by 26%. Decrease in average selling price had mainly impacted revenue contribution by Aviation and Diesel.

The decrease in operating profit by RM16.0 million was mainly due to lower gross profit for Diesel, in line with lower industry demand from exploration and production, as well as fishery sectors.

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

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

Group revenue for the quarter ended 30 June 2016 was RM5,331.5 million, an increase of RM421.0 million compared to the preceding quarter mainly due to the increase in average selling price by 5% and higher sales volume by 3%.

Group operating profit stood at RM249.4 million, a decrease of RM47.4 million compared to the preceding quarter mainly due to the impairment of subsidy receivables and higher operating expenditure. Excluding the impairment of subsidy receivables, Group operating profit was higher by RM42.5 million, in line with higher sales volume in both Retail and Commercial segments.

Higher operating expenditure was mainly due to reversal of bonus provision in the preceding quarter and higher repair and maintenance expenses in the current quarter.

B3 CURRENT YEAR PROSPECTS

Oil price (Brent) rose by 35% from USD 34/bbl (Q1 2016) to USD 46/bbl (Q2 2016). Nevertheless, oil price is expected to remain volatile given the continued oversupply situation in the global market.

Domestic demand continued to expand in 2016, albeit slower than 2015 by registering a growth in Gross Domestic Product (GDP) of 4.2% in Q1 2016. The full year GDP is forecasted to grow at 4.4% in 2016.

Malaysia's Consumer Confidence Index rose by 5.6 points from 72.9 (Q1 2016) to 78.5 (Q2 2016), but is still below the threshold level of confidence. Consumers remain cautious in spending due to increasing cost of living which may potentially impact both fuel and non-fuel demand.

(Source: Bank Negara Quarterly Bulletin, World Bank and Malaysian Institute of Economic Research)

The Directors are of the opinion that the economic and business environment outlook for FY2016 remains challenging. The Group will continue to focus on inventory management, supply and distribution efficiency as well as operating expenditure optimisation to ensure the Company remains resilient in the face of a challenging environment.

Retail Segment
Retail Segment will push for higher sales of petroleum products, leveraging on its superior products, namely PRIMAX 95 with Advanced Energy Formula and PRIMAX 97 Euro 4M with Advanced Energy Formula. Retail Segment will further expand the availability of Euro 5 Diesel at selected stations in the second half of 2016. It will also focus on enhancing further customers' experiences at the service stations.

Commercial Segment
Commercial Segment will emphasise on value by improving margins in targeted product and market segments, leveraging on the public and private sector investments on infrastructure and construction projects. In addition, the Commercial Segment will also leverage on its superior logistics, personalised services and differentiated offerings to sustain existing markets and capture new markets.

B4 PROFIT FORECAST

There was no profit forecast issued for the financial period.

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

B5 TAX EXPENSE

Tax expense on continuing operations comprises the following:

	3 months ended 30/06/2016	3 months ended 30/06/2015	6 months ended 30/06/2016	6 months ended 30/06/2015
	RM'000	RM'000	RM'000	RM'000
Income Tax:				
Current Quarter/ Year-to-Date	70,275	91,428	142,565	179,809
Deferred Taxation:				
Current Quarter/ Year-to-Date	(3,547)	8,139	(2,863)	(3,974)
	66,728	99,567	139,702	175,835

The effective tax rate was higher than the statutory tax rate mainly due to depreciation of buildings which was disallowed for tax purposes.

There was no tax expense on discontinued operation.

B6 STATUS OF CORPORATE PROPOSALS ANNOUNCED

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

B7 BORROWINGS

Particulars of the Group's borrowings as at 30 June 2016 are as follows:

	As at 30/06/2016	As at 31/12/2015
	RM'000	RM'000
Non Current – Unsecured	76,260	85,640
Non Current – Secured	25,909	27,681
	102,169	113,321
Current – Unsecured	38,010	88,433
Current – Secured	4,710	10,066
	42,720	98,499

B8 DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts are entered into by the Group in currencies other than the functional currency to manage exposure to the fluctuations in foreign currency exchange rates.

Foreign currency forward contracts are recognised on the contractual dates and are measured at fair value with changes in fair value recognised in profit or loss.

As at 30 June 2016, there were no outstanding foreign currency forward contracts.

B9 MATERIAL LITIGATION

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

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

B10 DIVIDENDS

The Board has declared an interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00 for three months ended 30 June 2016 payable on 9 September 2016 (Quarter 2 2015: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 9 September 2016 to depositors registered in the Records of Depositors at the close of the business on 30 August 2016. A depositor shall qualify for entitlement to the dividends only in respect of:-

a) Shares transferred into Depositors' Securities Account before 4 pm on 30 August 2016 in respect of ordinary transfer.
b) Share bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.

B11 BASIC EARNINGS/(LOSS) PER SHARE

Basic earnings per share is derived based on the profit attributable to shareholders of the Company and based on the number of ordinary shares outstanding as at 30 June 2016.

	3 months ended		6 months ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit/(Loss) attributable to shareholders of the Company (RM'000)				
- continuing operations	181,795	275,286	402,887	479,969
- discontinued operation	33,158	(2,076)	31,467	(991)
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings/(Loss) per ordinary share (sen)				
- continuing operations	18.3	27.7	40.6	48.3
- discontinued operation	3.3	(0.2)	3.2	(0.1)

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

B12 REALISED AND UNREALISED PROFIT

The breakdown of the retained earnings of the Group as at 30 June 2016 into realised and unrealised profits is as follows:

	Group	
	30/06/2016	31/12/2015
	RM'000	RM'000
Total retained profits		
- realised	4,237,469	4,119,185
- unrealised	(105,927)	(111,775)
	4,131,542	4,007,410
Total retained profit of associates attributable to the Group		
- realised	1,198	1,056
Total retained profit of joint ventures attributable to the Group		
- realised	11,729	9,228
Less: Consolidation adjustments	(90,562)	(51,920)
Total retained profits	4,053,907	3,965,774

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

B13 PROFIT BEFORE TAXATION

	3 months ended 30/06/2016 RM'000	3 months ended 30/06/2015 RM'000	6 months ended 30/06/2016 RM'000	6 months ended 30/06/2015 RM'000
Profit before taxation is arrived at after charging:				
Depreciation and amortisation	96,783	74,061	178,342	155,763
Impairment loss on trade and other receivables	92,963	243	93,949	280
Inventories written off	-	1,721	-	5,157
Interest on revolving credit and term loan	672	243	1,487	734
Profit margin for Islamic financing facility	1,058	1,228	1,680	2,453
Profit margin for Islamic Medium Term Notes	-	-	-	2,321
Property, plant and equipment written off	289	1,393	653	8,699
Net loss on forward contract	-	-	161	-
and after crediting:				
Net gain on disposal of property, plant and equipment	1,020	2,910	664	2,836
Interest income from deposits	18,338	11,347	45,595	24,295
Income from rental of premises	864	124	998	430
Net gain on foreign exchange	469	3,102	245	13,797
Net gain on forward contract	-	208	-	3

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

BY ORDER OF THE BOARD
Hasnizaini Mohd Zain (LS 0009780)
Yeap Kok Leong (MAICSA 0862549)
Joint Secretaries
Kuala Lumpur
15 August 2016