

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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 third quarter ended 30 September 2017 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 18.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 30/09/2017	As at 31/12/2016
ASSETS			
Property, plant and equipment		3,394,928	3,794,252
Prepaid lease payments		457,784	476,856
Investments in associates		1,480	3,431
Investments in joint ventures		13,645	14,234
Long term receivables		-	3,509
Deferred tax assets		-	5,424
TOTAL NON-CURRENT ASSETS		<u>3,867,837</u>	<u>4,297,706</u>
Inventories		826,765	803,374
Trade and other receivables		1,686,673	1,832,196
Cash and cash equivalents		3,480,244	2,431,637
TOTAL CURRENT ASSETS		<u>5,993,682</u>	<u>5,067,207</u>
TOTAL ASSETS		<u>9,861,519</u>	<u>9,364,913</u>
EQUITY			
Share capital		993,454	993,454
Reserves		4,932,275	4,309,520
Total Equity Attributable to Shareholders of the Company		<u>5,925,729</u>	<u>5,302,974</u>
Non-controlling interests		37,569	33,552
TOTAL EQUITY		<u>5,963,298</u>	<u>5,336,526</u>
LIABILITIES			
Borrowings	B7	53,291	84,461
Deferred tax liabilities		140,227	142,128
Other long term liabilities and provisions		28,796	30,169
TOTAL NON-CURRENT LIABILITIES		<u>222,314</u>	<u>256,758</u>
Trade and other payables		3,524,986	3,659,660
Borrowings	B7	18,473	34,310
Taxation		132,448	77,659
TOTAL CURRENT LIABILITIES		<u>3,675,907</u>	<u>3,771,629</u>
TOTAL LIABILITIES		<u>3,898,221</u>	<u>4,028,387</u>
TOTAL EQUITY AND LIABILITIES		<u>9,861,519</u>	<u>9,364,913</u>
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.96	5.34

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In RM'000	Note	3 months ended 30/09/2017	3 months ended 30/09/2016	9 months ended 30/09/2017	9 months ended 30/09/2016
Revenue		6,694,003	5,480,160	19,743,010	15,597,394
Operating profit		439,002	323,372	1,067,707	856,903
Finance cost		(1,575)	(1,820)	(3,701)	(4,536)
Share of profit after tax of equity accounted associates and joint ventures		879	4,040	2,941	6,611
Profit before taxation	B13	438,306	325,592	1,066,947	858,978
Tax expense	B5	(103,684)	(81,840)	(259,038)	(221,131)
Profit from continuing operations		334,622	243,752	807,909	637,847
Profit from discontinued operations, net of tax	A11	427,932	5,879	457,029	48,202
Profit for the period		762,554	249,631	1,264,938	686,049
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statements of foreign operations		(520)	3,406	(19,995)	(6,737)
Disposal of subsidiaries acquired under common control business combination in prior years		(24,924)	-	(27,420)	3,729
Total comprehensive income the period		737,110	253,037	1,217,523	683,041
Profit attributable to:					
Shareholders of the Company		761,726	248,763	1,260,921	683,117
Non-controlling interests		828	868	4,017	2,932
Profit for the period		762,554	249,631	1,264,938	686,049
Total comprehensive income attributable to:					
Shareholders of the Company		736,282	252,169	1,213,506	680,109
Non-controlling interests		828	868	4,017	2,932
Total comprehensive income for the period		737,110	253,037	1,217,523	683,041
Earnings per ordinary share- basic (sen)					
from continuing operations	B11	33.6	24.4	80.9	63.9
from discontinued operations	B11	43.1	0.6	46.0	4.9

The Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Shareholders of the Company						Total Equity
	Non- Distributable			Distributable			
	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits	Total	Non- Controlling Interests	
In RM'000							
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	-	(6,737)	-	-	(6,737)	-	(6,737)
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 years	-	3,729	28,316	(28,316)	3,729	-	3,729
Profit for the period	-	-	-	683,117	683,117	2,932	686,049
Dividends paid	-	-	-	(456,989)	(456,989)	-	(456,989)
At 30 September 2016	993,454	37,205	(28,109)	4,163,586	5,166,136	34,625	5,200,761
At 1 January 2017	993,454	51,635	(28,109)	4,285,994	5,302,974	33,552	5,336,526
Exchange difference arising from translation of financial statements of foreign operations	-	(19,995)	-	-	(19,995)	-	(19,995)
Reversal of capital contribution on disposal of subsidiary	-	-	(14,548)	-	(14,548)	-	(14,548)
Disposal of subsidiary acquired under common control business combination in prior years	-	(27,420)	23,925	(23,925)	(27,420)	-	(27,420)
Profit for the period	-	-	-	1,260,921	1,260,921	4,017	1,264,938
Dividends paid	-	-	-	(576,203)	(576,203)	-	(576,203)
At 30 September 2017	993,454	4,220	(18,732)	4,946,787	5,925,729	37,569	5,963,298

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS Note

In RM'000	9 months ended 30/09/2017	9 months ended 30/09/2016
Profit before taxation from:		
- continuing operations	1,066,947	858,978
- discontinued operations	458,469	48,833
Adjustments for:		
Depreciation and amortisation	267,774	278,905
Impairment loss on receivables	1,369	94,453
Share of profit after tax of equity accounted associates and joint ventures	(2,941)	(6,611)
Gain on disposal of subsidiaries	(430,834)	(35,610)
Net gain on disposal of property, plant and equipment	(22,644)	(16,933)
Interest income	(58,351)	(63,767)
Finance cost	3,701	4,536
Other non-cash items	8,527	10,387
Operating profit before changes in working capital	1,292,017	1,173,171
Inventories	(28,739)	30,779
Trade and other receivables	104,201	89,029
Trade and other payables	(83,749)	195,207
Cash generated from operations	1,283,730	1,488,186
Taxation paid	(206,100)	(215,501)
Net cash generated from operating activities	1,077,630	1,272,685
Interest income from fund and other investments	58,351	63,767
Purchase of property, plant and equipment	(54,279)	(57,241)
Prepayment of leases	(2,620)	(6,973)
Proceeds from disposal of property, plant and equipment	38,168	22,750
Proceeds from disposal of subsidiary, net of cash disposed	552,408	(3,813)
Dividend received from associate and jointly-controlled entity	3,362	1,250
Net cash generated from investing activities	595,390	19,740
Dividends paid	(576,203)	(456,989)
Repayment of term loan	(25,634)	(7,069)
Repayment of revolving credit facilities	(5,928)	(58,263)
Repayment of Islamic financing facilities	(13,236)	(12,768)
Profit margin paid for Islamic financing facilities	(2,609)	(2,692)
Net cash used in financing activities	(623,610)	(537,781)

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Net increase in cash and cash equivalents	1,049,410	754,644
Net foreign exchange differences	(803)	(646)
Cash and cash equivalents at beginning of the period	2,431,637	1,264,393
Cash and cash equivalents at end of the period	<u>3,480,244</u>	<u>2,018,391</u>

Note: Effective quarter ended 30 June 2017, the Group has changed the presentation format of the Statement of Cash Flows from direct method to indirect method so as to provide better information to the users of its financial statements.

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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 2016. 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 2016.

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 September 2017.

Significant Accounting Policies

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 2016 except for the adoption of Amendments to Standards effective as of 1 January 2017.

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

Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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

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 2016.

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

There were no exceptional items during the current quarter under review.

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 2016 that may have a material effect in the current quarter results.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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

A6 CAPITAL COMMITMENTS

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

In RM'000	As at 30/09/2017	As at 31/12/2016
Approved and contracted for	23,402	4,963
Approved but not contracted for	351,501	132,469
	<u>374,903</u>	<u>137,432</u>

A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 September 2017.

A8 DIVIDENDS PAID

During the 9 months period ended 30 September 2017, the following dividend payments were made:

1. An interim dividend of 30 sen per ordinary share amounting to RM298.0 million for the quarter ended 31 December 2016 was paid on 16 March 2017 (Quarter 4 2016: an interim dividend of 20 sen per ordinary share amounting to RM198.7 million).
2. An interim dividend of 14 sen per ordinary share amounting to RM139.1 million for the quarter ended 31 March 2017 was paid on 16 June 2017 (Quarter 1 2016: an interim dividend of 12 sen per ordinary share amounting to RM119.2 million).
3. An interim dividend of 14 sen per ordinary share amounting to RM139.1 million for the quarter ended 30 June 2017 was paid on 19 September 2017 (Quarter 2 2016: an interim dividend of 14 sen per ordinary share amounting to RM139.1 million).

A9 SEGMENTAL INFORMATION

The Group's reportable segments comprise of Retail, Commercial and Others. Each reportable segment offers different services and 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.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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

Results for period ended 30 September

In RM'000

Business Segments	2017				2016			
	Retail	Commercial	Others	Group	Retail	Commercial	Others	Group
Revenue	10,334,027	9,394,612	14,371	19,743,010	8,708,067	6,871,033	18,294	15,597,394
Depreciation and amortisation	219,284	33,388	15,102	267,774	225,395	38,339	15,171	278,905
Other income/ (expenses)	243,183	46,131	(435)	288,879	238,482	56,007	(15,443)	279,046
Operating profit for reportable segments	610,180	434,353	23,174	1,067,707	449,173	406,499	1,231	856,903
Finance cost	(610)	(482)	(2,609)	(3,701)	(1,603)	(241)	(2,692)	(4,536)
Share of profit after tax of equity accounted associates and joint ventures				2,941				6,611
Profit before taxation for continuing operations				1,066,947				858,978

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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 CHANGES IN COMPOSITION OF THE GROUP

In the current quarter ended 30 September 2017, the Group has disposed 100% equity interest in a subsidiary, PETRONAS Energy Philippines, Inc. ("PEPI") and 40% equity interest in an associated company, Duta Inc to P-H-O-E-N-I-X Petroleum Philippines, Inc., an external party of the Group for a fair value consideration of RM560.5 million resulting in a gain on disposal of RM424.6 million.

Thang Long LPG Company Limited ("TLLCL") was disposed in quarter ended 30 June 2017 to Noi Thuong Bac Joint Stock Company for a fair value consideration of RM18.5 million resulting in a gain of disposal of RM6.2 million.

The net effect of the above disposals on the statement of profit or loss and other comprehensive income, cash flows and carrying amount of assets and liabilities disposed are as follows:

Profit attributable to the discontinued operations

In RM'000	9 months ended 30/09/2017	9 months ended 30/09/2016
Revenue	162,332	212,078
Expenses	(134,697)	(198,855)
Profit from operating activities	27,635	13,223
Tax expense	(1,440)	(631)
Gain on disposal of discontinued operations	430,834	35,610
Profit for the period, net of tax	457,029	48,202

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

Cash flows from disposal of subsidiaries

In RM'000	9 months ended 30/09/2017	9 months ended 30/09/2016
Cash flows used in disposal of subsidiaries		
Net cash from investing activities	552,408	(3,813)

Effect of disposal on the financial position of the Group

In RM'000	Carrying amount at disposal date	Carrying amount at disposal date
Property, plant and equipment	98,602	19,916
Current assets	66,475	23,199
Current liabilities	(2,523)	(33,002)
Borrowings	-	(30,558)
Other liabilities	(1,008)	(17,166)
Other assets	14,043	-
Net assets/ (liabilities) disposed of	175,589	(37,611)
Foreign exchange translation reserve	(27,420)	3,729
Gain on disposal	430,834	35,610
Consideration received, satisfied in cash	579,003	1,728
Less: Cash and cash equivalents of subsidiaries disposed	(26,595)	(5,541)
Cash flow on disposal, net of cash disposed of	552,408	(3,813)

A12 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 2016.

A13 COMPARATIVES

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been re-presented to show the discontinued operation from the continuing operations following divestment of PETRONAS (Vietnam) Co. Ltd., Thang Long LPG Company Limited, PETRONAS Energy Philippines, Inc and Duta Inc.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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

A14 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.

In RM'000	Fair value of financial instruments not carried at fair value		Carrying amount
	Level 3	Total	
Group			
30 September 2017			
Financial Liabilities			
Islamic financing facilities	65,292	65,292	71,764
Group			
31 December 2016			
Financial Asset			
Long term receivables	2,397	2,397	3,509
	2,397	2,397	3,509
Financial Liabilities			
Islamic financing facilities	76,088	76,088	85,001
Term loan	25,061	25,061	27,425
	101,149	101,149	112,426

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.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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

In RM' Mil	Quarter ended					
	Group		Retail		Commercial	
	Sept 2017	Sept 2016	Sept 2017	Sept 2016	Sept 2017	Sept 2016
Revenue	6,694.0	5,480.2	3,377.5	2,961.8	3,311.7	2,512.6
Operating profit	439.0	323.4	264.4	179.4	164.9	149.5

Group revenue for the quarter ended 30 September 2017 was higher by RM1,213.8 million compared to the corresponding quarter last year as a result of higher sales volume by 3% as well as an increase in average selling price by 18% following the increase in Mean of Platts Singapore ("MOPS") prices.

Group operating profit for the current quarter was higher by RM115.6 million against corresponding quarter last year contributed by both Retail and Commercial segments.

Retail Segment

The increase in revenue of RM415.7 million was mainly due to an increase in average selling price of 19% impacting both Mogas and Diesel. During the quarter, Retail Segment has heightened its station upgrading and improvement activities which resulted in some temporary station closures. In addition, there was a switch of diesel customers from Retail to Commercial. These factors have contributed to lower Retail volume by 4%.

Operating profit registered an increase of RM85.0 million mainly contributed by:

- improved margin of RM115.3 million in line with increasing MOPS price trend during the quarter; and
- lower product cost.

This was offset by:

- higher operating expenditure of RM24.3 million contributed by higher professional services; and
- lower other income by RM6.0 million mainly from lower gain on asset disposal.

Commercial Segment

The increase in revenue by RM799.1 million was due to an increase in volume by 12% and an increase in average selling price of 18%. The higher volume was contributed by intensified efforts in capturing growth in Aviation and Diesel segments.

Operating profit increased by RM15.4 million mainly due to:

- improved margins of RM30.3 million from Aviation and Diesel following higher sales volume; and
- lower product cost.

This was partially offset by:

- higher operating expenditure of RM10.4 million mainly from higher salaries, wages and benefit; and
- lower other income of RM4.5 million attributable to lower hospitality income.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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

In RM' Mil	Period ended					
	Group		Retail		Commercial	
	Sept 2017	Sept 2016	Sept 2017	Sept 2016	Sept 2017	Sept 2016
Revenue	19,743.0	15,597.4	10,334.0	8,708.1	9,394.6	6,871.0
Operating profit	1,067.7	856.9	610.2	449.2	434.4	406.5

Group revenue for the period ended 30 September 2017 was higher by RM4,145.6 million against the corresponding period last year as a result of an increase in average selling price by 29% following the increase in MOPS prices, offset by lower sales volume by 2%.

Group operating profit for the period ended 30 September 2017 was higher by RM210.8 million compared to the corresponding period last year attributable to both Retail and Commercial segments.

Retail Segment

The increase in revenue of RM1,625.9 million was mainly due to an increase in average selling price of 24% impacting both Mogas and Diesel. Volume was lower by 5% in line with market de-growth, switching of diesel customers from Retail to Commercial as well as temporary station closures in Q3 2017 following heightened upgrading and improvement activities.

Operating profit registered an increase of RM161.0 million mainly contributed by:

- improved margins of RM192.5 million due to increasing MOPS price trend; and
- impairment of subsidy receivables in the corresponding period last year.

This was partially offset by higher professional services of RM38.1 million.

Commercial Segment

The increase in revenue by RM2,523.6 million was due to increases in volume and average selling price by 1% and 35% respectively. The higher volume was contributed by intensified activities in Q3 2017 to secure growth in Aviation and Diesel segments.

Operating profit increased by RM27.9 million mainly from improved margins of RM51.0 million contributed by higher volume from Aviation and Diesel. This was offset by:

- higher operating expenditure of RM13.2 million following higher transportation cost; and
- lower other income of RM9.9 million from lower interest income and hospitality income.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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 September 2017 was RM6,694.0 million, an increase of RM252.6 million compared to the preceding quarter mainly due to higher sales volume by 7%, offset by a decrease in average selling price by 3%.

Group operating profit stood at RM439.0 million, an increase of RM131.8 million compared to the preceding quarter mainly due to:

- improved margin of RM151.4 million from Mogas in line with the increasing MOPS price trend during the quarter; and
- higher other income of RM4.1 million mainly from Mesra income.

This was partially offset by higher operating expenditure by RM24.5 million attributable to increase in salaries, wages and benefits.

B3 CURRENT YEAR PROSPECTS

The results of the Group's operations are primarily influenced by petroleum product prices which have a high correlation to crude oil prices and Malaysia's economic outlook such as Gross Domestic Product ("GDP"), Consumer Sentiment Index ("CSI") and Manufacturing Index.

In Q3 2017, Brent crude oil price ranged between USD46.5/bbl to USD59.3/bbl. The Company expects the price will continue to be volatile.

Malaysia's economy registered GDP growth of 5.8% in Q2 2017 (Q1 2017: 5.6%) fueled by private sector spending. However the full year GDP is forecasted to be lower at 5.2%. In addition, inflation rate is higher at 4.3% in Q3 2017 as compared to 3.6% in Q2 2017 reflecting high cost of living which has eroded purchasing power.

The Directors are of the opinion that the business environment outlook for the upcoming months of FY2017 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.

Retail Segment

Retail market is anticipated to be competitive following a decrease in CSI to 77.1 in Q3 2017 (Q2 2017: 80.7) as well as modest car sales growth of 1% compared to same period last year.

Notwithstanding the market challenges, Retail Segment will focus on enhancing customer experience through continuous upgrading of stations and convenience stores. In addition, Retail will pursue strategic partnerships to provide added convenience to customers as well as diversifying its point-of-sales to grow in the e-commerce segment.

Commercial Segment

Manufacturing index declined by 1.2% from 5.9% in Q1 2017 to 4.7% in Q2 2017. Commercial Segment may be impacted if this declining trend continues.

Commercial Segment will emphasise on value maximisation 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.

(Source: BNM, MIER, MAA, DOSM)

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

B4 PROFIT FORECAST

There was no profit forecast issued for the financial period.

B5 TAX EXPENSE

Tax expense on continuing operations comprises the following:

In RM'000	3 months ended 30/09/2017	3 months ended 30/09/2016	9 months ended 30/09/2017	9 months ended 30/09/2016
<u>Income Tax:</u>				
Current Quarter/ Year-to-Date	99,691	87,924	260,787	230,081
<u>Deferred Taxation:</u>				
Current Quarter/ Year-to-Date	3,993	(6,084)	(1,749)	(8,950)
	<u>103,684</u>	<u>81,840</u>	<u>259,038</u>	<u>221,131</u>

Effective tax rates for the period ended 30 September 2017 and 2016 were 24% and 26% respectively. The decrease was mainly due to depreciation of buildings which was disallowed for tax purpose and prior year tax refund.

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 are as follows:

In RM'000	As at 30/09/2017	As at 31/12/2016
Non Current – Unsecured	53,291	67,009
Non Current – Secured	-	17,452
	<u>53,291</u>	<u>84,461</u>
Current – Unsecured	18,473	24,337
Current – Secured	-	9,973
	<u>18,473</u>	<u>34,310</u>

All borrowings are RM denominated. The unsecured Islamic financing facilities are governed by the Musharakah Mutanaqisah and Commodity Murabahah principles, and bear a profit margin ranging from 3.91% to 4.27% above the financing bank's cost of fund per annum.

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

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 September 2017, there were outstanding foreign currency forward contracts denominated in USD amounting to USD11.55 million.

B9 MATERIAL LITIGATION

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

B10 DIVIDENDS

The Board has declared an interim dividend of 20 sen per ordinary share amounting to RM198,690,800 for three months ended 30 September 2017 payable on 8 December 2017 (Quarter 3 2016: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 8 December 2017 to depositors registered in the Records of Depositors at the close of the business on 27 November 2017. A depositor shall qualify for entitlement to the dividends only in respect of:-

- Shares transferred into Depositors' Securities Account before 4 pm on 27 November 2017 in respect of ordinary transfer.
- Shares bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.

B11 BASIC EARNINGS 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 September 2017.

	3 months ended		9 months ended	
	<u>30/09/2017</u>	<u>30/09/2016</u>	<u>30/09/2017</u>	<u>30/09/2016</u>
Profit attributable to shareholders of the Company (RM'000)				
- continuing operations	333,794	242,884	803,892	634,915
- discontinued operations	427,932	5,879	457,029	48,202
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)				
- continuing operations	33.6	24.4	80.9	63.9
- discontinued operations	43.1	0.6	46.0	4.9

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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 September 2017 into realised and unrealised profits is as follows:

RM'000	<u>Group</u>	
	<u>30/09/2017</u>	<u>31/12/2016</u>
Total retained profits		
- realised	5,057,905	4,485,008
- unrealised	(154,898)	(110,233)
	<u>4,903,007</u>	<u>4,374,775</u>
Total retained profit of associates attributable to the Group		
- realised	950	1,472
Total retained profit of joint ventures attributable to the Group		
- realised	12,591	13,180
Less: Consolidation adjustments	30,239	(103,433)
Total retained profits	<u>4,946,787</u>	<u>4,285,994</u>

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2017



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

B13 PROFIT BEFORE TAXATION

In RM'000	3 months ended 30/09/2017	3 months ended 30/09/2016	9 months ended 30/09/2017	9 months ended 30/09/2016
Profit before taxation for the period is arrived at after charging:				
Depreciation and amortisation	90,328	92,454	267,774	278,905
Impairment loss on trade and other receivables	3	504	1,369	94,453
Net unrealised loss on foreign exchange	2,285	-	6,970	7,391
Net realised loss on foreign exchange	3,649	-	2,815	-
Net unrealised loss on forward contract	-	138	-	299
Net realised loss on forward contract	-	1,603	-	-
Profit margin for Islamic financing facility	758	1,012	2,609	2,692
Property, plant and equipment written off	21	2,044	1,729	2,697
and after crediting:				
Net gain on disposal of property, plant and equipment	5,533	16,269	22,644	16,933
Interest income from deposits	21,737	18,214	58,351	63,767
Income from rental of premises	610	337	1,301	1,335
Net realised gain on foreign exchange	-	2,804	98	7,949
Net unrealised gain on foreign exchange	5	3,836	5	-
Net realised gain on forward contract	4,619	-	4,619	4,724
Net unrealised gain on forward contract	182	-	167	-

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

10 November 2017