PETRONAS DAGANGAN BERHAD 88222-D

QUARTERLY REPORT
FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

PETRONAS

The Board of Directors of PETRONAS Dagangan Berhad ("PDB" or the Company) is pleased to announce the following Unaudited Condensed Consolidated Financial Statements for PDB Group for the quarter and year ended 31 December 2017 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 18.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 31/12/2017	As at 31/12/2016
ASSETS			
Property, plant and equipment		3,372,292	3,794,252
Prepaid lease payments		456,821	476,856
Investments in associates		1,556	3,431
Investments in joint ventures		14,630	14,234
Long term receivables		-	3,509
Deferred tax assets		-	5,424
TOTAL NON-CURRENT ASSETS		**3,845,299**	**4,297,706**
Inventories		869,241	803,374
Trade and other receivables		1,675,951	1,832,196
Cash and cash equivalents		3,357,742	2,431,637
TOTAL CURRENT ASSETS		**5,902,934**	**5,067,207**
TOTAL ASSETS		**9,748,233**	**9,364,913**
EQUITY			
Share capital		993,454	993,454
Reserves		5,008,202	4,309,520
Total Equity Attributable to Shareholders of the Company		**6,001,656**	**5,302,974**
Non-controlling interests		39,025	33,552
TOTAL EQUITY		**6,040,681**	**5,336,526**
LIABILITIES			
Borrowings	B7	48,909	84,461
Deferred tax liabilities		140,099	142,128
Other long term liabilities and provisions		30,996	30,169
TOTAL NON-CURRENT LIABILITIES		**220,004**	**256,758**
Borrowings	B7	18,366	34,310
Trade and other payables		3,359,112	3,659,660
Taxation		110,070	77,659
TOTAL CURRENT LIABILITIES		**3,487,548**	**3,771,629**
TOTAL LIABILITIES		**3,707,552**	**4,028,387**
TOTAL EQUITY AND LIABILITIES		**9,748,233**	**9,364,913**
Net assets per share attributable to ordinary equity holders of the Parent (RM)		6.04	5.34

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these Condensed Consolidated Financial Statements.

PETRONAS DAGANGAN BERHAD 88222-D

QUARTERLY REPORT
FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

PETRONAS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In RM'000	Note	3 months ended 31/12/2017	3 months ended 31/12/2016	12 months ended 31/12/2017	12 months ended 31/12/2016
Revenue		6,994,850	5,937,164	26,737,860	21,534,558
Operating profit		372,837	333,675	1,440,544	1,190,578
Finance cost		(2,988)	(998)	(6,689)	(5,535)
Share of profit after tax of equity accounted associates and joint ventures		1,061	(1,272)	4,002	5,340
Profit before taxation		370,910	331,405	1,437,857	1,190,383
Tax expense	B5	(90,878)	(73,545)	(349,917)	(294,679)
Profit from continuing operations		280,032	257,860	1,087,940	895,704
Profit from discontinued operations, net of tax	A11	-	2,558	457,029	50,763
Profit for the period/ year	B11	280,032	260,418	1,544,969	946,467
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statements of foreign operations		(3,957)	14,430	(23,952)	7,693
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiaries		-	-	(27,420)	3,729
Total comprehensive income the period/ year		276,075	274,848	1,493,597	957,889
Profit attributable to:					
Shareholders of the Company		278,576	261,490	1,539,496	944,608
Non-controlling interests		1,456	(1,072)	5,473	1,859
Profit for the period/ year		280,032	260,418	1,544,969	946,467
Total comprehensive income attributable to:					
Shareholders of the Company		274,619	275,920	1,488,124	956,030
Non-controlling interests		1,456	(1,072)	5,473	1,859
Total comprehensive income for the period/ year		276,075	274,848	1,493,597	957,889
Earnings per ordinary share- basic (sen)					
from continuing operations	B10	28.0	26.0	109.0	90.0
from discontinued operations	B10	-	0.3	46.0	5.1

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these Condensed Consolidated Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Shareholders of the Company						
	Non- Distributable			Distributable			
In RM'000	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits	Total	Non-Controlling Interests	Total Equity
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	-	7,693	-	-	7,693	-	7,693
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 year	-	-	-	944,608	944,608	1,859	946,467
Dividends paid	-	-	-	(596,072)	(596,072)	-	(596,072)
At 31 December 2016	**993,454**	**51,635**	**(28,109)**	**4,285,994**	**5,302,974**	**33,552**	**5,336,526**
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	-	(23,952)	-	-	(23,952)	-	(23,952)
Reversal of capital contribution on disposal of subsidiaries	-	-	(14,548)	-	(14,548)	-	(14,548)
Disposal of subsidiaries acquired under common control business combination in prior years	-	(27,420)	23,925	(23,925)	(27,420)	-	(27,420)
Profit for the year	-	-	-	1,539,496	1,539,496	5,473	1,544,969
Dividends paid	-	-	-	(774,894)	(774,894)	-	(774,894)
At 31 December 2017	**993,454**	**263**	**(18,732)**	**5,026,671**	**6,001,656**	**39,025**	**6,040,681**

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these Condensed Consolidated Financial Statements.

QUARTERLY REPORT
FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

PETRONAS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS Note

In RM'000	12 months ended 31/12/2017	12 months ended 31/12/2016
Profit before taxation from:		
- continuing operations	**1,437,857**	**1,190,383**
- discontinued operations	**458,469**	**53,419**
Adjustments for:		
Depreciation and amortisation	363,172	390,302
Impairment loss on receivables	5,048	104,238
Write back of impairment loss on trade receivables	(9,268)	(824)
Share of profit after tax of equity accounted associates and joint ventures	(4,222)	(5,619)
Gain on disposal of subsidiaries	(430,834)	(35,610)
Net gain on disposal of property, plant and equipment	(22,688)	(34,566)
Interest income from funds and other investments	(94,716)	(86,288)
Finance cost	7,052	7,661
Other non-cash items	7,821	7,147
Operating profit before changes in working capital	**1,717,691**	**1,590,243**
Inventories	(71,215)	(176,506)
Trade and other receivables	118,665	(251,654)
Trade and other payables	(326,940)	1,060,546
Cash generated from operations	**1,438,201**	**2,222,629**
Taxation paid	(319,485)	(296,027)
Net cash generated from operating activities	**1,118,716**	**1,926,602**
Interest income from from funds and other investments	94,716	86,288
Purchase of property, plant and equipment	(58,781)	(200,030)
Proceeds from disposal of prepaid lease assets	4,195	514
Proceeds from disposal of property, plant and equipment	39,306	47,722
Cash flow on disposal, net of cash disposed of	552,408	(3,813)
Dividend received from jointly-controlled entity	3,362	1,250
Net cash generated from/ (used in) investing activities	**635,206**	**(68,069)**
Dividends paid	(774,894)	(596,072)
Repayment of term loan	(25,619)	(10,570)
Repayment of revolving credit facilities	(5,928)	(65,319)
Repayment of Islamic financing facilities	(17,726)	(17,175)
Interest paid on revolving credit and term loan	(386)	(2,126)
Profit margin paid for Islamic financing facilities	(3,405)	(3,584)
Net cash used in financing activities	**(827,958)**	**(694,846)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net increase in cash and cash equivalents	925,964	1,163,687
Net foreign exchange differences	141	3,557
Cash and cash equivalents at beginning of the year	2,431,637	1,264,393
Cash and cash equivalents at end of the year	3,357,742	2,431,637

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 Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these Condensed Consolidated Financial Statements.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 BASIS OF PREPARATION

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

The condensed financial statements are unaudited and 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. They should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016. The explanatory notes attached to the condensed 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 and year ended 31 December 2017.

Significant Accounting Policies

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for 31 December 2016.

As of 1 January 2017, the Group has adopted the following MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 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 to MFRS Standards 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 pronouncements did not have any material impact to the condensed financial statement.

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 year 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.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 CAPITAL COMMITMENTS

Outstanding capital commitments in respect of capital expenditure at financial position date not provided for at the end of each reporting year are as follows:

In RM'000	As at 31/12/2017	As at 31/12/2016
Approved and contracted for	45,818	4,963
Approved but not contracted for	241,771	132,469
	287,589	137,432

A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A8 DIVIDENDS PAID

During the year under review, 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 2015: 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).

4. An interim dividend of 20 sen per ordinary share amounting to RM198.7 million for the quarter ended 30 September 2017 was paid on 8 December 2017 (Quarter 3 2016: an interim dividend of 14 sen per ordinary share amounting to RM139.1 million).

A9 OPERATING SEGMENTS

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.

- Retail – consist of sales and purchase of petroleum products to the retail sector
- Commercial – consist of sales and purchase of petroleum products to the commercial sector
- Others – comprise mainly of aviation fuelling services, technical services and and business activities other than retail and commercial segments

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Results for year ended 31 December

In RM'000	2017				2016			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	13,855,189	12,863,139	19,532	26,737,860	11,869,189	9,643,067	22,302	21,534,558
Depreciation and amortisation	292,967	44,900	20,279	358,146	306,613	48,870	20,253	375,736
Other income/ (expenses)	332,517	70,308	(197)	402,628	322,605	81,437	(13,546)	390,496
Operating profit for reportable segments	838,330	572,058	30,156	1,440,544	660,797	531,926	(2,145)	1,190,578
Finance cost	(2,665)	(619)	(3,405)	(6,689)	(1,636)	(315)	(3,584)	(5,535)
Share of profit after tax of equity accounted associates and joint ventures				4,002				5,340
Profit before taxation from continuing operations				1,437,857				1,190,383

Note: Operating segments presented are from continuing operations only

A10 VALUATIONS OF 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 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 ("Duta") to P-H-O-E-N-I-X Petroleum Philippines, Inc., 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 on 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	12 months ended 31/12/2017	12 months ended 31/12/2016
Revenue	162,332	282,041
Expenses	(134,697)	(264,232)
Profit from operating activities	27,635	17,809
Tax expense	(1,440)	(2,656)
Gain on disposal of discontinued operations	430,834	35,610
Profit for the year, net of tax	457,029	50,763

Cash flows from disposal of subsidiaries

In RM'000	12 months ended 31/12/2017	12 months ended 31/12/2016
Net cash generated from/ (used in) investing activities	552,408	(3,813)

Effect of disposal on the financial position of the Group

In RM'000	Carrying amount at disposal date 2017	Carrying amount at disposal date 2016
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 operations pursuant to the disposals of TLLCL, PEPI and Duta during the year.

A14 FAIR VALUE INFORMATION

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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

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.

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.

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 Level 3	Carrying amount
Group		
31 December 2017		
Financial Liabilities		
Islamic financing facilities	60,956	67,275
Group		
31 December 2016		
Financial Asset		
Long term receivables	2,397	3,509
	2,397	3,509
Financial Liabilities		
Islamic financing facilities	76,088	85,001
Term loan	25,061	27,425
	101,149	112,426

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

B1 REVIEW OF GROUP PERFORMANCE

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

	Quarter ended					
	Group		Retail		Commercial	
In RM' Mil	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016
Revenue	6,994.8	5,937.2	3,521.2	3,161.1	3,468.5	2,772.0
Operating profit	372.8	333.7	228.2	211.6	137.7	125.4

Group revenue for the quarter ended 31 December 2017 was higher by RM1,057.6 million compared to the corresponding quarter last year as a result of higher sales volume by 1% as well as an increase in average selling price by 17% following the increase in Mean of Platts Singapore ("MOPS") prices.

Group operating profit for the current quarter was higher by RM39.1 million against corresponding quarter last year contributed by both Retail and Commercial Segments.

<u>Retail Segment</u>
The increase in revenue of RM360.1 million was due to an increase in average selling price of 18% impacting Mogas, Diesel and Lubricant. Retail Segment's volume decreased by 6% following challenging market conditions and shifting of diesel customers from Retail Segment to Commercial Segment.

Operating profit registered an increase of RM16.6 million mainly contributed by:
- lower operating expenditure of RM16.4 million contributed by lower salaries, wages and benefit and professional services; and
- higher other income by RM5.2 million mainly from interest income, offset with lower gain on asset disposal.

This was offset by lower margin of RM5.0 million in line with lower volume.

<u>Commercial Segment</u>
Commercial Segment recorded higher revenue by RM696.5 million driven by volume growth and an increase in average selling price by 8% and 16% respectively. The improved volume was contributed by intensified sales and marketing efforts which had successfully captured growth in Jet A1 and Diesel. In addition, bulk LPG sales grew following higher customer demand.

Operating profit increased by RM12.3 million mainly due to:
- improved margins of RM16.3 million from Jet A1 and Diesel following higher sales volume; and
- lower product cost.

This was offset by higher operating expenditure of RM2.8 million mainly from higher transportation cost in line with increased volume.

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 year against last year

	Year ended					
	Group		Retail		Commercial	
In RM' Mil	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016
Revenue	26,737.9	21,534.6	13,855.2	11,869.2	12,863.1	9,643.1
Operating profit	1,440.5	1,190.6	838.3	660.8	572.1	531.9

Group revenue for the year ended 31 December 2017 was higher by RM5,203.3 million against last year as a result of an increase in average selling price by 25% following the increase in MOPS prices. Volume has marginally reduced by only 1% in spite of the price increase.

Group operating profit for the year ended 31 December 2017 was higher by RM249.9 million compared to last year attributable to both Retail and Commercial Segments.

<u>Retail Segment</u>
Retail Segment recorded higher revenue by RM1,986.0 million due to an increase in average selling price of 23% impacting Mogas, Diesel and Lubricant. Volume was lower by 5% in line with market de-growth, higher prices impacting consumer demand and shifting of diesel customers from Retail Segment to Commercial Segment as well as temporary station closures during the year following heightened upgrading and improvement activities.

Operating profit registered an increase of RM177.5 million mainly contributed by:

- improved margins of RM187.8 million from Mogas, Diesel and LPG due to increasing price trend, impairment of subsidy receivables last year and lower product cost; and
- higher interest income by RM8.6 million.

This was partially offset by higher advertising and promotion expenses of RM19.8 million following aggressive promotional activities in Q4 2017.

<u>Commercial Segment</u>
The increase in revenue by RM3,220.0 million was due to improved sales volume and higher average selling price by 3% and 30% respectively. The volume expansion was contributed by Jet A1, Diesel and Bitumen following effective sales strategy as well as increased sales from bulk LPG in line with higher customer demand.

Operating profit increased by RM40.2 million mainly from improved margins of RM67.3 million contributed by higher volume from Jet A1 and Diesel. This was offset by higher transportation cost in line with volume increase.

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

	Quarter ended	
	Group	
In RM' Mil	Dec 2017	Sept 2017
Revenue	6,994.8	6,694.0
Operating profit	372.8	439.0

Group revenue for the quarter ended 31 December 2017 rose by RM300.8 million compared to the preceding quarter mainly due to increase in average selling price by 8%, offset by lower sales volume by 3%.

Group operating profit stood at RM372.8 million, a decrease of RM66.2 million compared to the preceding quarter mainly due to:

- lower margin of RM47.5 million attributable to both Retail and Commercial Segments; and
- higher operating expenditure mainly contributed by increase in advertising and promotion activities as well as training expenses by RM29.7 million.

This was partially negated by higher interest income of RM14.3 million.

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

B3 COMMENTARY ON PROSPECTS

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

Average crude oil price (Brent) increased from USD61.44/bbl in Q3 2017 to USD68.54/bbl in Q4 2017. Full year Brent price averaged at USD54.27/bbl. The Group expects the price to continue to be volatile.

Malaysia's full year GDP in 2017 stood at 5.9% and is forecasted to be between 5.5% to 5.8% in 2018. Inflation rate averaged at 3.7% in 2017. Bank Negara Malaysia forecasts a moderate inflation rate in 2018 and its trajectory to be uncertain depending on the trend of global oil prices.

The volatility of oil price, economic growth and consumers' sentiment will have impact on the Group's profitability. The Group will continue to focus on inventory management, supply and distribution efficiency as well as operating expenditure optimisation to ensure it remains resilient.

Retail Segment

Retail market is anticipated to be competitive in 2018 as car sales have reduced by 1% compared to same period last year. Whilst Q4 2017 CSI has improved to 82.6 (Q3 2017: 77.1), it remains below the 100 point optimism threshold.

Notwithstanding the market challenges, Retail business will focus on enhancing customer experience through superior fuel products, continuous upgrading of stations and convenience stores as well as consistently delivering high level of service. In addition, Retail business 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.

LPG and Lubricant businesses will focus on strengthening distribution channels to grow their market share.

Commercial Segment

Manufacturing index recorded an increase from 141.7 in December 2016 to 149.3 in December 2017. In addition, Malaysia FY2017 passenger traffic increased by 11% as compared to FY2016 and is expected to grow at 6.3% in 2018. Commercial business will leverage on growth in these industries as well as capitalising on public and private sector investments in infrastructure and construction projects.

Commercial business and bulk LPG sales will maximise value through effective sales strategies, leveraging on its superior logistics, personalised services and differentiated offerings to sustain existing markets and capture new markets.

(Source: Platts, MIER, MAA, BNM, DOSM, MAHB)

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

B4 PROFIT FORECAST

Not applicable as the Group does not publish any profit forecast.

B5 TAX EXPENSE

Tax expense on continuing operations comprises the following:

In RM'000	3 months ended 31/12/2017	3 months ended 31/12/2016	12 months ended 31/12/2017	12 months ended 31/12/2016
Income Tax:				
Current Quarter/ Year-to-Date	91,006	74,351	351,794	305,258
Deferred Taxation:				
Current Quarter/ Year-to-Date	(128)	(806)	(1,877)	(10,579)
	90,878	73,545	349,917	294,679

Effective tax rates for the year ended 31 December 2017 and 2016 were 24% and 25% respectively. The decrease was mainly due to prior year tax refund received in 2017.

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 31/12/2017	As at 31/12/2016
Non Current – Unsecured	48,909	67,009
Non Current – Secured	-	17,452
	48,909	84,461
Current – Unsecured	18,366	24,337
Current – Secured	-	9,973
	18,366	34,310

The unsecured Islamic financing facilities are governed by the Musharakah Mutanaqisah and Commodity Murabahah principles, and bear a profit margin ranging from 4.27% to 4.41% above the financing bank's cost of fund per annum.

B8 MATERIAL LITIGATION

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

B9 DIVIDENDS

The Board has declared an interim dividend of 27 sen per ordinary share amounting to RM268,232,580 and a special dividend of 22 sen per ordinary share amounting to RM218,559,880 for three months ended 31 December 2017, payable on 27 March 2018 (Quarter 4 2016: an interim dividend of 30 sen per ordinary share amounting to RM298,036,200).

NOTICE IS HEREBY GIVEN that the interim dividend and special dividend will be payable on 27 March 2018 to depositors registered in the Records of Depositors at the close of the business on 13 March 2018. A depositor shall qualify for entitlement to the dividends only in respect of:-

a) Shares transferred into Depositors' Securities Account before 4 pm on 13 March 2018 in respect of ordinary transfer.
b) Shares bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.

B10 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 31 December 2017.

	3 months ended		12 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit attributable to shareholders of the Company (RM'000)				
- continuing operations	278,576	258,932	1,082,467	893,845
- discontinued operations	-	2,558	457,029	50,763
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)				
- continuing operations	28.0	26.0	109.0	90.0
- discontinued operations	-	0.3	46.0	5.1

B11 PROFIT FOR THE PERIOD/YEAR

In RM'000	3 months ended 31/12/2017	3 months ended 31/12/2016	12 months ended 31/12/2017	12 months ended 31/12/2016
Profit for the period/ year is arrived at after charging:				
Depreciation and amortisation	90,379	103,740	363,172	390,302
Impairment loss on long term receivables	-	5,387	2,321	5,387
Impairment loss on trade and other receivables	758	4,005	2,727	98,851
Inventories written off	-	2,465	-	2,465
Interest on revolving credit and term loan	8	274	386	2,126
Net unrealised loss on foreign exchange	-	-	4,643	578
Net realised loss on foreign exchange	6,923	1,251	5,022	-
Profit margin for Islamic financing facility	796	891	3,405	3,584
Property, plant and equipment written off	1,151	3,872	3,178	6,569
and after crediting:				
Net gain on disposal of property, plant and equipment	45	17,633	22,688	34,566
Gain on disposal of subsidiaries	-	-	430,834	35,610
Interest income from from funds and other investment	35,987	22,371	94,716	86,288
Income from rental of premises	657	568	1,958	1,904
Net realised gain on foreign exchange	2,155	7,203	-	11,359
Reversal of impairment losses on trade receivables	9,268	824	9,268	824

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
26 February 2018