PETRONAS DAGANGAN BERHAD

Interim Financial Report

For First Quarter Ended 31 March 2018

88222-D

PETRONAS DAGANGAN BERHAD

QUARTERLY REPORT
FOR FIRST QUARTER ENDED 31 MARCH 2018

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 first quarter ended 31 March 2018 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 20.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 31 March 2018	As at 31 December 2017
ASSETS			
Property, plant and equipment		3,319,613	3,372,292
Prepaid lease payments		461,289	456,821
Investments in associates		1,617	1,556
Investments in joint ventures		15,229	14,630
TOTAL NON-CURRENT ASSETS		**3,797,748**	**3,845,299**
Trade and other inventories		1,010,533	869,241
Trade and other receivables		1,680,268	1,675,951
Cash and cash equivalents		2,692,872	3,357,742
TOTAL CURRENT ASSETS		**5,383,673**	**5,902,934**
TOTAL ASSETS	B1	**9,181,421**	**9,748,233**
EQUITY			
Share capital		993,454	993,454
Reserves		4,730,659	5,008,202
Total Equity Attributable to Shareholders of the Company		**5,724,113**	**6,001,656**
Non-controlling interests		40,878	39,025
TOTAL EQUITY	B1	**5,764,991**	**6,040,681**
LIABILITIES			
Borrowings	B8	44,304	48,909
Deferred tax liabilities		133,408	140,099
Other long term liabilities and provisions		30,706	30,996
TOTAL NON-CURRENT LIABILITIES		**208,418**	**220,004**
Trade and other payables		3,081,460	3,359,112
Borrowings	B8	18,402	18,366
Taxation		108,150	110,070
TOTAL CURRENT LIABILITIES		**3,208,012**	**3,487,548**
TOTAL LIABILITIES	B1	**3,416,430**	**3,707,552**
TOTAL EQUITY AND LIABILITIES		**9,181,421**	**9,748,233**
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.76	6.04

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT
FOR FIRST QUARTER ENDED 31 MARCH 2018

PETRONAS

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

In RM'000	Note	Quarter ended 31 March 2018	2017
Revenue	B1	7,070,116	6,776,966
Operating profit	B1	290,904	321,504
Finance cost		(407)	(1,300)
Share of profit after tax of equity accounted associates and joint ventures		660	930
Profit before taxation	B1	291,157	321,134
Tax expense	B6	(70,826)	(79,963)
Profit from continuing operations		220,331	241,171
Profit from discontinued operations, net of tax		-	13,432
PROFIT FOR THE PERIOD	B13	220,331	254,603
Other comprehensive expenses			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of financial statements of foreign operations		(7,143)	(2,080)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		213,188	252,523
Profit attributable to:			
Shareholders of the Company		218,478	253,152
Non-controlling interests		1,853	1,451
PROFIT FOR THE PERIOD		220,331	254,603
Total comprehensive income attributable to:			
Shareholders of the Company		211,335	251,072
Non-controlling interests		1,853	1,451
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		213,188	252,523
Earnings per ordinary share- basic (sen)			
from continuing operations	B11	22.0	24.1
from discontinued operations	B11	-	1.4

The Unaudited Condensed 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 2017 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT
FOR FIRST QUARTER ENDED 31 MARCH 2018

PETRONAS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to 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**
Quarter ended 31 March 2017							
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	-	(2,080)	-	-	(2,080)	-	(2,080)
Profit for the period	-	-	-	253,152	253,152	1,451	254,603
Dividends paid	-	-	-	(298,036)	(298,036)	-	(298,036)
At 31 March 2017	**993,454**	**49,555**	**(28,109)**	**4,241,110**	**5,256,010**	**35,003**	**5,291,013**
Quarter ended 31 March 2018							
At 1 January 2018							
-As previously stated	**993,454**	**263**	**(18,732)**	**5,026,671**	**6,001,656**	**39,025**	**6,040,681**
-Effect on the adoption of MFRS 9	-	-	-	(2,086)	(2,086)	-	(2,086)
As stated	**993,454**	**263**	**(18,732)**	**5,024,585**	**5,999,570**	**39,025**	**6,038,595**
Exchange difference arising from translation of financial statements of foreign operations	-	(7,143)	-	-	(7,143)	-	(7,143)
Profit for the period	-	-	-	218,478	218,478	1,853	220,331
Dividends paid	-	-	-	(486,792)	(486,792)	-	(486,792)
At 31 March 2018	**993,454**	**(6,880)**	**(18,732)**	**4,756,271**	**5,724,113**	**40,878**	**5,764,991**

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT
FOR FIRST QUARTER ENDED 31 MARCH 2018

PETRONAS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	Quarter ended 31 March 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from:			
- continuing operations		**291,157**	**321,134**
- discontinued operations		**-**	**14,462**
Adjustments for:			
Depreciation and amortisation		86,614	90,795
(Reversal of impairment loss)/ impairment loss on receivables		(617)	5,691
Share of profit after tax of equity accounted associates and joint ventures		(660)	(1,032)
Net gain on disposal of property, plant and equipment		(7,571)	(6,064)
Interest income from funds and other investments		(26,472)	(17,325)
Finance cost		407	1,494
Other non-cash items		113	3,811
Operating profit before changes in working capital		**342,971**	**412,966**
Inventories		(141,293)	13,618
Trade and other receivables		(6,219)	143,352
Trade and other payables		(276,812)	(320,200)
Cash (used in)/ generated from operations		**(81,353)**	**249,736**
Taxation paid		(79,436)	(61,090)
Net cash (used in)/ generated from operating activities	B1	**(160,789)**	**188,646**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from from funds and other investments		26,472	17,325
Purchase of property, plant and equipment		(39,636)	(20,605)
Proceeds from disposal of leases		-	3,717
Proceeds from disposal of property, plant and equipment		8,215	15,435
Net cash (used in)/generated from investing activities	B1	**(4,949)**	**15,872**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(486,792)	(298,036)
Repayment of term loan		-	(2,422)
Repayment of revolving credit facilities		-	(6,164)
Repayment of Islamic financing facilities		(4,537)	(4,238)
Interest paid on revolving credit and term loan		-	(211)
Profit margin paid for Islamic financing facilities		(695)	(1,058)
Net cash used in financing activities	B1	**(492,024)**	**(312,129)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net decrease in cash and cash equivalents	**(657,762)**	**(107,611)**
Net foreign exchange differences	(7,108)	(350)
Cash and cash equivalents at beginning of the period	3,357,742	2,431,637
Cash and cash equivalents at end of the period	2,692,872	2,323,676

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and accompanying explanatory notes attached to the Interim 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 and the accompanying notes for the year ended 31 December 2017. 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 2017.

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 31 March 2018.

A2 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 2017.

As of 1 January 2018, the Group has adopted the following new and revised MFRSs and amendments to MFRS and IC interpretation (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 1 January 2018.

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Revenue from Contracts with Customers: Clarifications to MFRS 15
Amendments to MFRS 128	Investment in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The initial application on the above pronouncements did not have any material impact to the condensed financial statements, except for MFRS 9 and 15 as disclosed in note A3.

A3 ADOPTION OF MFRS 9 AND MFRS 15

i. MFRS 9 Financial Instruments

The Group adopted MFRS 9, Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The three principal classifications categories for financial assets are: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

In RM'000	Impact of adoption of MFRS 9 to opening balance at 1 January 2018
Decrease in retained earnings	2,086
Decrease in trade and other receivables	2,744
Decrease in deferred tax liabilities	658

ii. MFRS 15 Revenue for Contracts with Customers

The Group adopted MFRS 15, Revenue from Contracts with Customers on 1 January 2018. 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. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

Effective 1 January 2018, the Group recognised revenue from contracts with retail dealers, gross of commission on the basis that Group is able to direct the use and the benefit received from the operation of petrol stations. Dealers commission is accordingly recognised as selling and distribution expenses. Comparatives have been represented in accordance with the above changes.

A4 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 2017.

A5 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.

A6 EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

A7 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 2017 that may have a material effect in the current quarter results.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 CAPITAL COMMITMENTS

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

In RM'000	As at 31 March 2018	As at 31 Dec 2017
Approved and contracted for	20,745	45,818
Approved but not contracted for	231,809	241,771
	252,554	287,589

A9 DEBT AND EQUITY SECURITIES

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

A10 DIVIDENDS PAID

During the quarter under review, the Company paid an interim dividend of 27 sen per ordinary share amounting to RM268.2 million and a special dividend of 22 sen per ordinary share amounting to RM218.6 million for the quarter ended 31 December 2017 to shareholders on 27 March 2018 (Quarter 1 2017: an interim dividend of 30 sen per ordinary share amounting to RM298.0 million for the quarter ended 31 December 2016).

A11 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

Revenues derived from petroleum products are predominately sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segment. In this respect, no further disaggregation of revenue is presented.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Results for quarter ended 31 March

In RM'000	2018			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	3,665,212	3,399,938	4,966	7,070,116
Depreciation and amortisation	71,898	9,632	5,084	86,614
Other income	76,607	18,439	1,266	96,312
Operating profit for reportable segments	165,824	119,086	5,994	290,904
Finance cost	231	57	(695)	(407)
Share of profit after tax of equity accounted associates and joint ventures				660
Profit before taxation from continuing operations				291,157

In RM'000	2017			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	3,703,800	3,067,768	5,398	6,776,966
Depreciation and amortisation	72,867	10,864	5,000	88,731
Other income	75,262	13,534	24	88,820
Operating profit for reportable segments	194,054	121,344	6,106	321,504
Finance cost	(197)	(45)	(1,058)	(1,300)
Share of profit after tax of equity accounted associates and joint ventures				930
Profit before taxation from continuing operations				321,134

Note: Operating segments presented are from continuing operations only

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A12 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.

A13 CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2017.

A14 CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

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 2017.

A16 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 subsidiaries and associate in prior year and the effect of the adoption of MFRS 15 as disclosed in note A3 (i).

A17 FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to their relative short term nature of these 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 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 March 2018		
Financial Liability		
Islamic financing facilities	57,086	62,706
Group		
31 December 2017		
Financial Liability		
Islamic financing facilities	60,956	67,275

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

B1 FINANCIAL PERFORMANCE

Consolidated Statement of Financial Position

In RM'000	As at 31 March 2018	As at 31 December 2017	Variance (%)
Total assets	9,181,421	9,748,233	(6)
Total equity	5,764,991	6,040,681	(5)
Total liabilities	3,416,430	3,707,552	(8)
Return on equity (%)	15.3	18.1	(15)

Total assets decreased by RM566.8 million mainly due to lower cash and cash equivalents by RM664.8 million resulting from higher dividend payment during the quarter, partially offset by higher inventories of RM141.3 million due to inventory build-up in preparation for scheduled refinery turnaround.

Group recorded a decrease in total equity of RM275.7 million mainly attributable to net profit registered for the quarter of RM220.3 million being offset with dividend paid to shareholders amounting to RM486.8 million.

A net decrease of RM291.1 million in total liabilities was mainly contributed by lower trade and other payables following higher repayment during the quarter.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In RM'000	Quarter ended 31 March 2018	2017	Variance (%)
Revenue	7,070,116	6,776,966	4
Operating profit	290,904	321,504	(10)
Profit before taxation	291,157	321,134	(9)
Profit for the period	220,331	254,603	(13)

Group revenue for the quarter ended 31 March 2018 was RM7,070.1 million, an increase by RM293.2 million compared to the corresponding quarter last year mainly as a result of increase in sales volume by 3% and increase in average selling prices by 1%.

Operating profit decreased by RM30.6 million against corresponding quarter last year contributed by both Retail and Commercial Segments mainly attributable to higher operating expenses by RM24.2 million, lower margin by RM13.0 million and negated by higher other income of RM7.5 million.

Profit before tax decreased by RM30.0 million in line with lower operating profit.

Consolidated Statement of Cash Flows

In RM'000	Quarter ended 31 March 2018	2017	Variance (%)
Net cash (used in)/ generated from operating activities	(160,789)	188,646	(>100)
Net cash (used in)/ generated from investing activities	(4,949)	15,872	(>100)
Net cash used in financing activities	(492,024)	(312,129)	58

Net cash generated from operating activities recorded an outflow of RM160.8 million against inflow of RM188.6 million in corresponding quarter last year mainly arising from higher purchase of inventories by RM154.9 million during the quarter due to inventory build-up in preparation for scheduled refinery turnaround.

There was a cash outflow from investing activities of RM4.9 million as compared to cash inflow of RM15.9 million mainly related to purchase of property, plant and equipment ("PPE") of RM39.6 million being offset with interest income of RM26.5 million and proceeds from disposal of PPE of RM8.2 million.

Higher cash outflow from financing activities by RM179.7 million mainly arising from special dividends paid to shareholders in relation to quarter ended 31 December 2017 amounting to RM218.6 million. This was negated by lower repayment of borrrowings in current quarter by RM8.6 million following disposal of subsidiaries.

B2 REVIEW OF GROUP PERFORMANCE

Performance of the current quarter against the corresponding quarter last year

	Quarter ended								
	Group			**Retail**			**Commercial**		
In RM' Mil	**Mar 2018**	**Mar 2017**	**Var %**	**Mar 2018**	**Mar 2017**	**Var %**	**Mar 2018**	**Mar 2017**	**Var %**
Revenue	7,070.1	6,777.0	4	3,665.2	3,703.8	(1)	3,399.9	3,067.8	11
Operating profit	290.9	321.5	(10)	165.8	194.1	(15)	119.1	121.3	(2)

<u>Retail Segment</u>

Retail Segment revenue decreased by RM38.6 million attributable to lower volume by 2% from Mogas and Diesel arising from higher average pump prices and challenging market conditions. This was partially offset by increase in LPG revenue following effective sales strategies and competitive pricing.

Operating profit decreased by RM28.3 million mainly contributed by:

- increase in cost due to higher product cost as well as higher production of cylinders to grow sales volume, which have led to the lower margin of Retail LPG by RM18.6 million, partially offset by higher margin for Mogas by RM6.7 million following lower product cost; and
- higher operating expenditure of RM17.7 million following higher salaries, wages and benefit expenses.

<u>Commercial Segment</u>

Commercial Segment recorded higher revenue by RM332.1 million driven by volume growth and an increase in average selling price by 8% and 2% respectively. The improved volume was contributed by intensified sales and marketing efforts which had successfully captured growth in Fuel Oil. In addition, Diesel, bulk LPG and Sulphur sales grew following higher customer demand.

Operating profit has marginally decreased by RM2.2 million following higher operating expenditure mainly contributed by salaries, wages and benefit expenses.

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

B3 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		
In RM' Mil	Mar 2018	Dec 2017	Var %
Revenue	7,070.1	7,160.9	(1)
Operating profit	290.9	372.8	(22)

Group revenue for the quarter ended 31 March 2018 marginally decreased by 1% compared to the preceding quarter mainly attributable to lower sales volume by 4% despite increase in average selling price by 3%.

Group operating profit stood at RM290.9 million, a decrease of RM81.9 million compared to the preceding quarter mainly due to:

- lower margin of RM102.4 million attributable to both Retail and Commercial Segments contributed by higher product cost, lower volume and increasing Mean of Platts Singapore ("MOPS") trend in preceding quarter; and
- lower other income of RM17.4 million mainly contributed by Mesra income and interest income.

This was partially negated by lower operating expenditure by RM40.4 million due to lower advertising and promotion cost as well as professional services.

B4 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 (Brent) and Malaysia's economic growth reflected in the Gross Domestic Product ("GDP"), Consumer Sentiment Index ("CSI") and Manufacturing Index.

Brent price averaged at USD66.42/bbl in Q1 2018 which was higher than the full year average price for 2017 of USD54.27/bbl. Despite this upward trend, the Group expects the price to continue to be volatile.

Malaysia recorded a GDP growth of 5.4% in Q1 2018 as compared to 5.9% in Q4 2017. For 2018, GDP is estimated to grow within 5.0% to 5.5%. Consumer Sentiment Index in Q1 2018 improved to 91.0 but remained below the 100-point optimism threshold.

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 the Company remains resilient.

Retail Segment

Retail market is anticipated to be competitive as car sales have continued to decline since 2015, coupled with increasing number of energy efficient vehicles as well as the rise in usage of public transportation and e-hailing services.

Notwithstanding these challenges, Retail Segment will continue to strengthen its product branding and focus on elevating customer experience through superior fuel, continuous upgrading of stations and convenience stores as well as consistently delivering high level of service. 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.

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

Commercial Segment

Manufacturing index in February 2018 was 104.4, a growth of 4.7% year-on-year. Growth in manufacturing activities may lead to stronger demand for petroleum products, which provides an opportunity to the Commercial Segment.

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, MOF, DOSM)

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

B5 PROFIT FORECAST

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

B6 TAX EXPENSE

Tax expense on continuing operations comprises the following:

In RM'000	2018	Quarter ended 31 March 2017
Income Tax:		
Current Quarter	77,191	82,602
Deferred Taxation:		
Current Quarter	(6,365)	(2,639)
	70,826	79,963

Effective tax rates for the quarter ended 31 March 2018 and 2017 were comparable to the statutory tax rate of 24%.

B7 STATUS OF CORPORATE PROPOSALS ANNOUNCED

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

B8 BORROWINGS

Particulars of the Group's borrowings are as follows:

In RM'000	As at 31 March 2018	As at 31 December 2017
Non Current – Unsecured	44,304	48,909
Current – Unsecured	18,402	18,366
	62,706	67,275

The unsecured Islamic financing facilities are in Ringgit Malaysia and governed by the Musharakah Mutanaqisah and Commodity Murabahah principles, and bear a profit margin ranging from 4.27% to 4.42% above the financing bank's cost of fund per annum. There was no drawdown or repayment of facilities during the quarter.

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

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 13 sen per ordinary share amounting to RM129,149,020 for quarter ended 31 March 2018, payable on 14 June 2018 (Quarter 1 2017: 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 14 June 2018 to depositors registered in the Records of Depositors at the close of the business on 5 June 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 5 June 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.

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 31 March 2018.

		Quarter ended 31 March
	2018	2017
Profit attributable to shareholders of the Company (RM'000)		
- continuing operations	218,478	239,720
- discontinued operations	-	13,432
Number of ordinary shares ('000)	993,454	993,454
Earnings per ordinary share (sen)		
- continuing operations	22.0	24.1
- discontinued operations	-	1.4

B12 TRADE RECEIVABLES

In RM'000	As at 31 March 2018	As at 31 December 2017
Trade receivables		
- Third party	1,094,918	940,714
- Related companies	80,560	95,550
Less:		
- Impairment loss: specific	(8,097)	(8,236)
- Impairment loss: general	(2,036)	-
	1,165,345	1,028,028

In RM'000	As at 31 March 2018	As at 31 December 2017
At net		
Current	1,115,587	980,055
Past due 1 to 30 days	30,077	32,882
Past due 31 to 60 days	11,236	5,747
Past due 61 to 90 days	3,214	2,339
Past due more than 90 days	7,267	7,005
Less:		
- Impairment loss: general	(2,036)	-
	1,165,345	**1,028,028**

As at 31 March 2018, there are no indications that the debtors will not meet their payment obligations except for impairment losses recognised above.

B13 PROFIT FOR THE PERIOD

	Quarter ended 31 March	
In RM'000	2018	2017
Profit for the period is arrived at after charging:		
Depreciation and amortisation	86,614	90,795
Impairment loss on long term receivables	-	1,884
Impairment loss on trade and other receivables	-	3,807
Interest on revolving credit and term loan	-	211
Net unrealised loss on foreign exchange	113	1,322
Net realised loss on foreign exchange	226	-
Profit margin for Islamic financing facility	695	1,058
Property, plant and equipment written off	-	2,489
and after crediting:		
Net gain on disposal of property, plant and equipment	7,571	6,064
Interest income from from funds and other investment	26,472	17,325
Income from rental of premises	410	422
Net realised gain on foreign exchange	-	1,332
Reversal of impairment loss on trade and other receivables	617	-

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
18 May 2018