

Company No.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2010

Following the Shell Refining Company (Federation Of Malaya) Berhad ("the Company") Board of Directors' Meeting on 11 May 2010, the Company is pleased to announce its financial results for the three months ended 31 March 2010.

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2009.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2010

Condensed Income Statements*Unaudited*

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended.	
		31.03.2010 RM'000	31.03.2009 RM'000	31.03.2010 RM'000	31.03.2009 RM'000
Revenue		2,483,967	1,830,221	2,483,967	1,830,221
Cost of sales		(2,417,265)	(1,653,806)	(2,417,265)	(1,653,806)
Gross profit		66,702	176,415	66,702	176,415
Other operating income		6,968	7,982	6,968	7,982
Administrative expenses		(12,396)	(9,097)	(12,396)	(9,097)
Other operating expenses		18,138	(26,967)	18,138	(26,967)
Finance cost		(3,190)	(4,546)	(3,190)	(4,546)
Profit before taxation		76,222	143,787	76,222	143,787
Taxation	13	(18,462)	(38,309)	(18,462)	(38,309)
Profit for the period		57,760	105,478	57,760	105,478
Estimated average effective tax rate		24.22%	26.64%	24.22%	26.64%
Earning per share:					
- basic	18	19.25	35.16	19.25	35.16
- diluted	18	N/A	N/A	N/A	N/A

Condensed Statements of Comprehensive Income

	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended.	
	31.03.2010 RM'000	31.03.2009 RM'000	31.03.2010 RM'000	31.03.2009 RM'000
Profit for the period	57,760	105,478	57,760	105,478
Other comprehensive income				
Unrealised net exchange loss	854	7,212	854	7,212
Total comprehensive income for the period	58,614	112,690	58,614	112,690
Total comprehensive income attributable to:				
- owner of the company	58,614	112,690	58,614	112,690

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2010

Condensed Balance Sheet

Unaudited

	Note	As at 31.03.2010 RM'000	As at 31.12.2009 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,100,821	1,107,345
Prepaid lease payments		1,963	1,969
Long term receivables		13,411	3,384
		<u>1,116,195</u>	<u>1,112,698</u>
CURRENT ASSETS			
Inventories		910,264	941,046
Trade receivables		27,135	16,947
Other receivables and prepayments		15,416	1,342
Tax recoverable		40,217	65,000
Amounts receivable from related companies		1,107,058	920,626
Deposit with licensed banks		115,590	179,841
Bank balances		232	92,133
		<u>2,215,912</u>	<u>2,216,935</u>
TOTAL ASSETS		<u>3,332,107</u>	<u>3,329,633</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained earnings		1,840,894	1,782,279
		<u>2,156,632</u>	<u>2,098,017</u>
CURRENT LIABILITIES			
Trade and other payables		67,950	70,862
Amounts payable to related companies		434,305	485,612
Short term borrowings	17	457,380	479,668
Derivative financial liability	17	35,459	12,985
		<u>995,094</u>	<u>1,049,127</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		180,381	182,489
		<u>180,381</u>	<u>182,489</u>
TOTAL EQUITY AND LIABILITIES		<u>3,332,107</u>	<u>3,329,633</u>

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2010

Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	<u>Total</u> RM'000
	<u>Numbers of Shares</u> 000	<u>Nominal Value</u> 000	<u>Revaluation reserves</u> RM'000	<u>Retained earnings</u> RM'000	
At 1 January 2010	300,000	300,000	15,738	1,782,279	2,098,017
Profit for the year ended 31 March 2010			-	58,614	58,614
Dividend for the year ended:					
- 31 December 2008			-	-	-
- 31 December 2009			-	-	-
At 31 March 2010	<u>300,000</u>	<u>300,000</u>	<u>15,738</u>	<u>1,840,894</u>	<u>2,156,631</u>
At 1 January 2009	300,000	300,000	15,738	1,604,850	1,920,588
Profit for the year ended 31 December 2009			-	289,929	289,929
Dividend for the year ended:					
- 31 December 2009			-	(45,000)	(45,000)
- 31 December 2008			-	(67,500)	(67,500)
At 31 December 2009	<u>300,000</u>	<u>300,000</u>	<u>15,738</u>	<u>1,782,279</u>	<u>2,098,017</u>

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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Interim report for the three months ended 31 March 2010

Condensed Cash Flow Statement

Unaudited

	3 months ended.	
	31.03.2010	31.03.2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	76,222	143,787
Adjustments for:		
Property, plant and equipment		
- depreciation	29,999	28,714
- write off	-	372
Interest expense	2,703	3,910
Interest income	(1,858)	(3,451)
Net foreign exchange (gain)/loss - unrealised	(23,301)	34,334
Fair value loss/(gain) on derivative financial instrument	22,474	(25,704)
Allowance for inventories write down	558	-
Amortisation of prepaid lease payments	6	5
Write back of allowance for doubtful debts	19	-
	<u>106,822</u>	<u>181,967</u>
Changes in working capital		
Inventories	30,224	(282,501)
Trade and other receivables	(10,988)	(47,492)
Trade and other payables	(25,203)	37,647
Related companies	(252,629)	108,260
Cash generated from operations	<u>(151,774)</u>	<u>(2,119)</u>
Interest received	1,858	3,451
Tax paid	(16,175)	(43,068)
Net cash flow from operating activities	<u>(166,091)</u>	<u>(41,736)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,475)	692
Net withdrawals with a related company	36,117	46,430
Net cash flow from investing activities	<u>12,642</u>	<u>47,122</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(2,703)	(3,910)
Net cash flow from financing activities	<u>(2,703)</u>	<u>(3,910)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(156,152)	1,476
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	271,974	274,986
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>115,822</u>	<u>276,462</u>

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2010

Notes to the Financial Statements

1 Basis of preparation

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2009.

The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2009.

The same accounting policies and methods of computation are followed in the interim financial statements as for the financial statements for the year ended 31 December 2009.

2 Audit report

The audit report of the Company's preceding annual financial statement was not subjected to any qualification.

3 Comments about Seasonal or Cyclical Factors

The Company's operation is not affected by any seasonal or cyclical factors.

4 Individually significant items

The Company has nothing to disclose as regards to significant items in the quarterly financial statements under review.

5 Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.

6 Debt and equity securities

The Company has nothing to disclose with respect to issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to date.

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Notes to the Financial Statements

7 Dividend

The Company has not declared any dividend for the 3 months period ended 31 March 2010

8 Segmental Reporting

The Company is principally engaged in the oil and gas industry namely refining and manufacturing of petroleum products. Accordingly, no segmental information is considered necessary for analysis by industry segments.

9 Carrying amount of revalue assets

The Company has nothing to disclose as regards to valuations of property, plant and equipment in the quarterly financial statements under review.

10 Significant post balance sheet event

There were no material events subsequent to the end of the current quarter.

11 Changes in Composition of the Company

There were no changes in the composition of the Company during the current quarter.

12 Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2009.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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Interim report for the three months ended 31 March 2010

Notes to the Financial Statements

13 Taxation

Taxation for the quarter ending 31 March 2010 amounting to RM14,716 comprises:

	3 months ended		3 months ended.	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	(20,570)	-	(20,570)	-
Movement in deferred tax	2,108	(38,309)	2,108	(38,309)
	<u>(18,462)</u>	<u>(38,309)</u>	<u>(18,462)</u>	<u>(38,309)</u>

The difference between the statutory tax rate and the effective tax rate in Q1 2010 is mainly arising from the exemption of Real Property Gains Tax (RPGT) of 5% on chargeable gains from the disposal of real property which are held more than 5 years that took effect from 1 January 2010. For 2009, the difference between the statutory tax rate and the effective tax rate in Q1 2009 is mainly arising from unrealised loss on difference in exchange (DIE).

14 Unquoted investments and/or properties

The Company has nothing to disclose with respect to sale of investments and/or properties (other than fixed assets in the normal course of business) in the quarterly financial statements under review.

15 Quoted Securities

There were no purchases or disposal of quoted securities during the current quarter.

16 Corporate proposal

The Company does not have anything to report as regards the status of corporate proposals.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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Interim report for the three months ended 31 March 2010

Notes to the Financial Statements

17 Borrowings

Details of the Company's borrowings as at end of the period are as follows:

	31.03.2010	31.12.2009
	RM'000	RM'000
Term loan (unsecured)		
- Short term	457,380	479,668
	<u>457,380</u>	<u>479,668</u>
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	140,000	140,000

Derivative Financial Instrument

As at 31 March 2010, the Company has a position in the following derivative financial liability :

	<u>Less than 1 year</u>	<u>Between 2 - 3 years</u>
	RM'000	RM'000
As at 31 March 2010		
- Cross Currency Interest Rate Swap	35,459	-
	<u>35,459</u>	<u>-</u>
As at 31 December 2009		
- Cross Currency Interest Rate Swap	12,985	-
	<u>12,985</u>	<u>-</u>

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates. The Company uses cross currency interest rate swaps to hedge its short-term borrowings in order to minimise its exposure to movements on foreign currency positions and interest rate volatility.

18 Earnings per share

		3 months ended	
		31.03.2010	31.03.2009
(a) Basic earnings per share			
Net (loss)/profit for the period	(RM'000)	57,760	105,478
Weighted average number of ordinary shares in issue	('000)	300,000	300,000
Basic (loss)/earnings per share	(sen)	19.25	35.16
(b) Diluted earnings per share	(sen)	N/A	N/A

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Notes to the Financial Statements

19 Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2010 are as follows:

	RM'000
Property, plant and equipment	
Authorised by the Directors and contracted	38,967
Authorised by the Directors and not contracted	27,313
	<u>66,280</u>

20 Profit Before Taxation

The company recorded a profit before tax of RM77 million for the three months ended 31 March 2010 compared to a profit before tax of RM150 million in the same period of 2009 (also see accompanying Management Commentary).

21 Company Performance

A review of the Company's performance in the reporting period is provided for in the accompanying Management Commentary.

22 Financial Instrument

The company has complied with the requirements of FRS 7 and FRS 139. The initial adaptation was initiated from 1 January 2010. The accounts impacted by these standards have been adjusted accordingly wherever necessary.

23 Current Year Prospect

A commentary on the Company's current year prospects is provided for in the accompanying Management Commentary.

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Management Commentary

COMPANY PERFORMANCE

- **Year to date earnings of RM59 million**
- **Over 11 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**

The Company posted an after tax earnings of RM59 million in Q1 2010, as compared to after tax earnings of RM113 million in first quarter of 2009, mainly due to lower refining margins and stockholding losses. Stockholding losses after tax were recorded at RM25 million compared to stockholding gains of RM67 million in the corresponding period in 2009.

Earnings for the quarter have however improved significantly from Q4 2009 which recorded an after tax loss of RM8 million.

In the first quarter of 2010, the refinery processed 8.0 million barrels of crude oil and sold 8.3 million barrels of product.

The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI), resulting in more than 11 million hours worked without LTI since 21 May 2001.

CURRENT YEAR PROSPECTS

Refining margins are expected to be under pressure in Q2 2010 due to continued low global demand. Any changes in oil prices will have an impact on the Company's financial results.

