

Company No.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2010

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 24 February 2011, the Company is pleased to announce its financial results for the three months ended 31 December 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 December 2010

Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Revenue		2,537,416	2,458,607	10,376,394	8,945,794
Cost of sales		(2,370,923)	(2,494,141)	(10,222,602)	(8,528,560)
Gross (loss)/profit		166,493	(35,534)	153,792	417,234
Other operating income		5,172	6,543	26,393	27,332
Administrative expenses		(9,768)	(11,667)	(37,603)	(40,919)
Other operating expenses		(38,203)	6,450	34,542	(10,025)
Finance cost		35,753	(2,817)	(25,991)	(5,317)
(Loss)/profit before taxation		159,447	(37,025)	151,133	388,305
Taxation	13	(44,788)	29,431	(44,747)	(98,376)
Profit for the year/total comprehensive income for the year		114,659	(7,594)	106,386	289,929
Estimated average effective tax rate		28.1%	79.49%	29.61%	25.33%
Earning per share:					
- basic (sen)	18	38.22	(2.53)	35.46	96.64
- diluted (sen)	18	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 11 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 December 2010

Condensed Balance Sheet

Unaudited

	Note	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,153,515	1,107,345
Prepaid lease payments		1,948	1,969
Long term receivables		2,134	3,384
		<u>1,157,597</u>	<u>1,112,698</u>
CURRENT ASSETS			
Inventories		1,001,195	941,046
Trade receivables		6,596	16,947
Other receivables and prepayments		1,083	1,342
Tax recoverable		7,567	65,000
Amounts receivable from related companies		1,220,616	920,626
Deposit with licensed banks		83,045	179,841
Bank balances		68,466	92,133
		<u>2,388,568</u>	<u>2,216,935</u>
TOTAL ASSETS		<u>3,546,165</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		1,776,165	1,782,279
		<u>2,091,903</u>	<u>2,098,017</u>
CURRENT LIABILITIES			
Trade and other payables		151,783	70,862
Amounts payable to related companies		686,435	485,612
Short term borrowings	17	-	479,668
Derivative financial liability	17	-	12,985
		<u>838,218</u>	<u>1,049,127</u>
NON-CURRENT LIABILITIES			
Long term borrowings	17	450,000	-
Deferred tax liabilities		166,044	182,489
		<u>616,044</u>	<u>182,489</u>
TOTAL EQUITY AND LIABILITIES		<u>3,546,165</u>	<u>3,329,633</u>

The notes set out on pages 6 to 11 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 December 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> RM'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
Total comprehensive income for the year			-	106,386	106,386
Dividend for the year ended:					
- 31 December 2009			-	(67,500)	(67,500)
- 31 December 2010			-	(45,000)	(45,000)
At 31 December 2010	<u>300,000</u>	<u>300,000</u>	<u>15,738</u>	<u>1,776,165</u>	<u>2,091,903</u>
At 1 January 2009	300,000	300,000	15,738	1,604,850	1,920,588
Total comprehensive income for the year			-	289,929	289,929
Dividend for the year ended:					
- 31 December 2008			-	(67,500)	(67,500)
- 31 December 2009			-	(45,000)	(45,000)
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 11 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 December 2010

Condensed Cash Flow Statement

Unaudited

	12 months ended	
	31.12.2010	31.12.2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	151,133	388,305
Adjustments for:		
Property, plant and equipment		
- depreciation	123,236	117,222
- write off	1,965	374
Interest expense	13,358	11,388
Interest income	(8,877)	(9,401)
Net foreign exchange loss - unrealised	12,079	5,107
Fair value loss/(gain) on derivative financial instrument	21,805	(4,440)
Allowance for inventories write down	248	14,329
Amortisation of prepaid lease payments	21	20
Write back of allowance for doubtful debts	(39)	(111)
Share based payment	563	296
	<u>315,492</u>	<u>523,089</u>
Changes in working capital		
Inventories	(60,397)	(386,330)
Trade and other receivables	11,899	5,546
Trade and other payables	79,919	11,251
Related companies	(171,445)	(156,671)
Cash generated from operations	<u>175,468</u>	<u>(3,115)</u>
Interest received	8,877	9,401
Tax paid	(33,759)	(73,517)
Tax refund	30,000	180,055
Net cash flow from operating activities	<u>180,586</u>	<u>112,824</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(171,984)	(59,652)
Net withdrawals with a related company	68,550	68,115
Net cash flow from investing activities	<u>(103,434)</u>	<u>8,463</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(12,804)	(11,783)
Dividends paid	(112,500)	(112,500)
Repayment of borrowings	(514,010)	-
Proceeds from long term borrowing	450,000	-
Net cash flow from financing activities	<u>(189,314)</u>	<u>(124,283)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(112,162)	(2,996)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	271,974	274,986
EFFECTS OF EXCHANGE RATE CHANGES	(8,301)	(16)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>151,511</u>	<u>271,974</u>

The notes set out on pages 6 to 11 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 December 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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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2010

Notes to the Financial Statements

7 Dividend

	12 months ended 31 December 2010		12 months ended 31 December 2009	
	Gross dividend per share Sen	Amount of dividend net of 25% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 25% tax RM '000
Final dividend approved by shareholders in respect of the year ended 31 December 2009, paid on 23 June 2010 (2008: paid on 18 June 2009)	30	67,500	30	67,500
Interim dividend approved in respect of the year ended 31 December 2010 paid on 30 September 2010 (2009: paid on 15 October 2009)	20	45,000	20	45,000

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 December 2010

Notes to the Financial Statements

13 Taxation

Taxation for the quarter ending 31 December 2010 amounting to RM 44.8 million comprises:

	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	(42,716)	20,562	59,853	(16,758)
Movement in deferred tax	(4,833)	9,205	(16,446)	(81,282)
	<u>(47,549)</u>	<u>29,767</u>	<u>43,407</u>	<u>(98,040)</u>
Prior Period				
Income tax	2,761	(336)	1,340	(336)
Movement in deferred tax	-	-	-	-
	<u>(44,788)</u>	<u>29,431</u>	<u>44,747</u>	<u>(98,376)</u>

The variance between the statutory tax rate and the effective tax rate in Q4 2010 is mainly due to expenses not deductible for tax. The difference between the statutory tax rate and the effective tax rate in Q4 2009 is mainly arising from recognition of deferred tax asset on allowance for inventories write-down. The adjustment is a reduction in the tax charge.

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 December 2010

Notes to the Financial Statements

17 Borrowings

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

	31.12.2010	31.12.2009
	RM'000	RM'000
Term loan (unsecured)		
- Short term	-	479,668
- Long term	450,000	-
	<u>450,000</u>	<u>479,668</u>
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	-	140,000

Derivative Financial Instrument

The Company's position in its derivative financial liability is as follows:

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

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Interim report for the three months ended 31 December 2010

Notes to the Financial Statements

18 Earnings per share

		3 months ended		12 months ended	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	114,659	(7,594)	106,386	289,929
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	38.22	(2.53)	35.46	96.64
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

19 Capital commitments

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

	RM'000
Property, plant and equipment	
Authorised by the Directors and contracted	186,939
Authorised by the Directors and not contracted	646,512
	<u>833,451</u>

20 Profit Before Taxation

The company recorded a profit before tax of RM 159 million for the three months ended 31 December 2010 compared to a loss before tax of RM 37 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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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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24 Retained Earnings

The following analysis of realised and unrealised profits or losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total retained earnings of Shell Refining Company (Federation of Malaya) Berhad:

	<u>2010</u>
	RM'000
- Realised	1,954,288
- Unrealised	(178,123)
	<hr/>
Retained earnings as at 31 December	1,776,165
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The unrealised losses disclosed above relates to charges relating to the recognition of deferred tax liabilities and unrealised foreign exchange losses.

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2010

Management Commentary

COMPANY PERFORMANCE

- **After tax earnings of RM115 million**
- **Over 12 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**

The Company posted an after tax earnings of RM115 million in Q4 2010, as compared to after tax losses of RM8 million in the fourth quarter of 2009, mainly due to higher refining margins and stockholding gains. Stockholding gains after tax for 2010 were recorded at RM108 million.

In the fourth quarter of 2010, the refinery processed 9.3 million barrels of crude oil and sold 10.0 million barrels of product. The reliability of the refinery has improved to a record 98.9% compared to 96.6% in 2009 from continued focus on process safety and maintenance.

The refinery has recorded zero Lost Time Injury (LTI), resulting in more than 12 million hours worked without LTI since 21 May 2001. The Company received the 2010 Shell Global Manufacturing Executive Vice President’s Award in recognition of its best practices in the areas of Process Safety, Health, Safety, Security & Environment and Margin in December 2010.

In December 2010, Minority Shareholder Watchdog Group (MSWG) recognised the Company as one of the Top 20 rated companies for its Corporate Governance Index. The Company received the Malaysian Corporate Governance (MCG) Index Awards 2010 under “Best Corporate Social Responsibility” Award and “Special Mention (Achievement)” in Class A for its social responsibility performance and improved corporate governance respectively.

CURRENT YEAR PROSPECTS

Refining margins are expected to be under pressure in Q1 2011 due to volatile oil prices and tensions in some oil producing countries.