

Company No.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 10 Aug 2011, the Company is pleased to announce its financial results for the three months ended 30 June 2011.

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 2010.

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Condensed Statement of Comprehensive Income

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended	
		30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Revenue		1,616,820	2,708,374	4,820,077	5,192,341
Cost of sales		(1,662,853)	(2,761,644)	(4,676,430)	(5,178,909)
Gross profit		(46,033)	(53,270)	143,647	13,432
Other operating income		13,282	6,799	19,791	13,767
Administrative expenses		(4,549)	(1,358)	(17,393)	(13,754)
Other operating expenses		4,453	(9,532)	16,004	8,606
Finance cost		(4,395)	(981)	(11,018)	(3,317)
Profit before taxation		(37,242)	(58,342)	151,031	18,734
Taxation	14	9,528	11,561	(43,204)	(6,901)
Profit/(Loss) for the year/total comprehensive income for the year		(27,714)	(46,781)	107,827	11,833
Estimated average effective tax rate		25.58%	19.82%	28.61%	36.84%
Earning per share:					
- basic (sen)	19	(9.24)	(15.59)	35.94	3.94
- diluted (sen)	19	N/A	N/A	N/A	N/A

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

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.

Condensed Statement of Financial Position

Unaudited

	Note	As at 30.06.2011 RM'000	As at 31.03.2011 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,287,601	1,189,320
Prepaid lease payments		1,938	1,943
Long term receivables		1,540	1,647
		<u>1,291,079</u>	<u>1,192,910</u>
CURRENT ASSETS			
Inventories		1,222,922	1,207,822
Trade receivables		7,133	7,733
Other receivables and prepayments		2,746	1,868
Amounts receivable from related companies		546,313	1,363,413
Deposit with licensed banks		440,050	76,710
Bank balances		111,535	18,824
		<u>2,330,699</u>	<u>2,676,370</u>
TOTAL ASSETS		<u>3,621,778</u>	<u>3,869,280</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		1,816,492	1,911,706
		<u>2,132,230</u>	<u>2,227,444</u>
CURRENT LIABILITIES			
Trade and other payables		178,790	151,372
Tax payable		60,838	57,244
Amounts payable to related companies		649,078	819,256
		<u>888,706</u>	<u>1,027,872</u>
NON-CURRENT LIABILITIES			
Long term borrowings	18	450,000	450,000
Deferred tax liabilities		150,842	163,964
		<u>600,842</u>	<u>613,964</u>
TOTAL EQUITY AND LIABILITIES		<u>3,621,778</u>	<u>3,869,280</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.

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	
	<u>Numbers of Shares</u>	<u>Nominal Value</u>	<u>Revaluation reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	300,000	300,000	15,738	1,776,165	2,091,903
Profit for the period ended 30 June 2011	-	-	-	107,827	107,827
Dividend for the year ended: - 31 December 2010	-	-	-	(67,500)	(67,500)
At 30 June 2011	300,000	300,000	15,738	1,816,492	2,132,230
At 1 January 2010	300,000	300,000	15,738	1,782,279	2,098,017
Profit for the year ended 31 December 2010	-	-	-	106,386	106,386
Dividend for the year ended: - 31 December 2009 - 31 December 2010	- -	- -	- -	(67,500) (45,000)	(67,500) (45,000)
At 31 December 2010	300,000	300,000	15,738	1,776,165	2,091,903

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.

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Condensed Cash Flow Statement

Unaudited

	6 months ended	
	30.06.2011	30.06.2010
	RM'000	RM'000
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	151,031	18,734
Adjustments for:		
Property, plant and equipment		
- depreciation	58,848	58,115
Interest expense	7,843	6,120
Interest income	(5,512)	(4,602)
Net foreign exchange loss/(gain) - unrealised	952	(55,250)
Fair value (gain)/loss on derivative financial instrument	-	22,474
Allowance for inventories write down	28,043	2,551
Amortisation of prepaid lease payments	10	10
Write back of allowance for doubtful debts	-	36
	<u>241,215</u>	<u>48,188</u>
Changes in working capital		
Inventories	(249,770)	27,594
Trade and other receivables	(2,558)	13,601
Trade and other payables	27,007	(23,417)
Related companies	993,951	123,794
Cash generated from operations	<u>1,009,845</u>	189,760
Interest received	5,512	4,602
Tax paid	-	(28,368)
Tax refund	9,999	-
Net cash flow from operating activities	<u>1,025,356</u>	<u>165,994</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(192,934)	(48,267)
Net (deposits placed)/withdrawals with a related company	(357,005)	36,118
Net cash flow from investing activities	<u>(549,939)</u>	<u>(12,149)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	(7,843)	(6,120)
Net cash flow from financing activities	<u>(75,343)</u>	<u>(73,620)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	400,074	37,386
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	151,511	271,974
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>551,585</u>	<u>309,360</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.

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

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 2010.

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 2010.

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 2010.

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 Reclassification of prior year comparative

The reclassification of prior year comparative did not affect the recognition and measurement of the Company's net assets. Interest expense & interest income reflected in the condensed cash flow statement has been restated.

The Directors are of the opinion that this classification better reflects the operating activities of the Company.

7 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.

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Notes to the Financial Statements

8 Dividend

During the financial half year ended 30 June 2011, a final dividend of RM0.30 less Malaysian Income Tax @ 25% per unit of ordinary share in respect of the financial year ended 31 December 2010, amounting to RM67,500,000 was paid on 22 June 2011.

9 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.

10 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.

11 Significant post balance sheet event

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

12 Changes in Composition of the Company

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

13 Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2010.

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Notes to the Financial Statements

14 Taxation

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

	3 months ended		6 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	(3,594)	15,994	(58,405)	(4,576)
Movement in deferred tax	13,122	7,312	15,201	9,420
	<u>9,528</u>	<u>23,306</u>	<u>(43,204)</u>	<u>4,844</u>
Prior Period				
Income tax	-	-	-	-
Movement in deferred tax	-	-	-	-
	<u>9,528</u>	<u>23,306</u>	<u>(43,204)</u>	<u>4,844</u>

The effective tax rate for quarter ending 30 June 2011 is 25.58%, marginally higher than the statutory tax rate on account of expenses that are not deductible for tax. Expenses that are not deductible for tax include unrealised DIE due to material USD movements and depreciation on non-qualified assets.

15 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.

16 Quoted Securities

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

17 Corporate proposal

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

Company No.

3926	U
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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Notes to the Financial Statements

18 Borrowings

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

	30.06.2011	31.03.2011
	RM'000	RM'000
Term loan (unsecured)		
- Long term	450,000	450,000
	<u>450,000</u>	<u>450,000</u>

Derivative Financial Instrument

The Company does not have any derivative financial instrument as at the end of the current quarter.

19 Earnings per share

		3 months ended		6 months ended	
		30.06.2011	31.06.2010	30.06.2011	30.06.2010
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	(27,714)	(46,781)	107,827	11,833
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(9.24)	(15.59)	35.94	3.94
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

20 Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2011 are as follows:

	RM'000
Property, plant and equipment	
Authorised by the Directors and contracted	191,720
Authorised by the Directors and not contracted	587,140
	<u>778,860</u>

21 Profit Before Taxation

The company recorded a loss before tax of RM 37 million for the three months ended 30 June 2011 compared to a loss before tax of RM 58 million in the same period of 2010 (also see accompanying Management Commentary).

Company No.

3926	U
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(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2011

Notes to the Financial Statements

22 Company Performance

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

23 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.

24 Current Year Prospect

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

25 Retained Earnings

The following analysis of realised and unrealised retained earnings 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>2011</u>
	RM'000
- Realised	1,968,003
- Unrealised	(151,511)
	<hr/>
	1,816,492
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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.

Company No.

3926	U
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Interim report for the three months ended 30 June 2011

Management Commentary

COMPANY PERFORMANCE

- **Year to date earnings of RM108 million**
- **Over 13 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**

For the half year ending 30 June 2011, the Company declared after tax earnings of RM108 million as compared to after tax earnings of RM12 million in the corresponding period in 2010.

The Company reported an after tax loss of RM28 million in Q2 2011 due to weak refining margins and lower production as a result of the major statutory turnaround, as compared to the after tax loss of RM47 million in Q2 2010. Inventory gains after tax in Q2 2011 were recorded at RM16 million attributed to strengthening oil prices mainly in April 2011, compared to inventory losses after tax of RM32 million in the corresponding period in 2010.

The 2011 Statutory Major Shutdown has been completed in July 2011 within budget.

In the second quarter of 2011, the refinery processed 12.4 million barrels of crude oil and sold 13.4 million barrels of product.

The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI), proudly achieving 10 years LTI-free equivalent to more than 13 million hours worked, since 21 May 2001.

CURRENT YEAR PROSPECTS

Refining margins are expected to be under pressure in Q3 2011 due to growing concerns over oil prices and crude oil availability. The Company continues to take every opportunity to optimise margins.

In 2011, the Company has commenced construction of the new 6,000 tonnes per day diesel processing unit in the refinery. The RM810 million investment will allow the Company to vary feedstock options and improve refining margins.