

SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

In accordance with the approval of the Board of Directors' of Shell Refining Company (Federation of Malaya) Berhad ("the Company") dated 27 February 2017, the Board hereby announces its financial results for the quarter ended 31 December 2016.

The condensed financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Main Market Listing Requirements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015.

SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Condensed Statement of Comprehensive Income

		Unaudited 3 months ended	Unaudited 31.12.2015	Unaudited 31.12.2016	Audited 31.12.2015
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	A8	2,531,826	2,357,490	8,365,330	9,079,637
Purchases		(2,195,083)	(2,136,182)	(7,550,208)	(8,265,031)
Gross profit		<u>336,743</u>	<u>221,308</u>	<u>815,122</u>	<u>814,606</u>
Other income		26,148	5,077	39,685	21,098
Manufacturing expenses		(71,076)	(68,774)	(223,002)	(204,846)
Administrative expenses		(2,859)	(15,466)	(46,021)	(58,428)
Depreciation and amortisation		(55,428)	(42,694)	(195,295)	(167,577)
Other operating (losses) / gains		(11,088)	4,295	(6,162)	5,035
Finance cost		(15,391)	(6,724)	(49,054)	(57,303)
Profit before taxation	A10	<u>207,049</u>	<u>97,022</u>	<u>335,273</u>	<u>352,585</u>
Taxation	A11	761	(525)	-	(797)
Profit for the period / year and total comprehensive income for the period / year		<u>207,810</u>	<u>96,497</u>	<u>335,273</u>	<u>351,788</u>
Earnings per share:					
- basic (sen)	A9	69.27	32.17	111.76	117.26
- diluted (sen)	A9	N/A	N/A	N/A	N/A

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying supplementary notes to these condensed financial statements.

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CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Condensed Statement of Financial Position

	Unaudited As at 31.12.2016 RM'000	Audited As at 31.12.2015 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	851,282	1,029,335
Prepaid lease payments	1,824	1,843
Intangible assets	51,444	-
	<u>904,550</u>	<u>1,031,178</u>
CURRENT ASSETS		
Inventories	825,819	695,704
Trade receivables	950,686	24,513
Other receivables and prepayments	41,514	30,264
Tax recoverable	1,050	3,803
Amounts receivable from related companies	-	684,043
Derivative financial asset	-	305,188
Deposit with licensed banks	328,900	171,820
Bank balances	26,712	3,703
	<u>2,174,681</u>	<u>1,919,038</u>
TOTAL ASSETS	<u>3,079,231</u>	<u>2,950,216</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	300,000	300,000
Performance Share Plan from RDS	-	1,924
Retained earnings	710,439	375,166
	<u>1,010,439</u>	<u>677,090</u>
CURRENT LIABILITIES		
Trade and other payables	651,879	87,027
Amounts payable to related companies	-	705,045
Borrowings	87,324	1,031,054
	<u>739,203</u>	<u>1,823,126</u>
NON-CURRENT LIABILITIES		
Borrowings	1,329,589	450,000
	<u>1,329,589</u>	<u>450,000</u>
TOTAL EQUITY AND LIABILITIES	<u>3,079,231</u>	<u>2,950,216</u>

The above Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying supplementary notes to these condensed financial statements.

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CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Condensed Statement of Changes in Equity

	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>PSP reserve</u> RM'000	<u>Retained earnings</u> RM'000	
Unaudited						
At 1 January 2016	300,000	300,000	1,924	375,166	677,090	
Total comprehensive income for the financial year	-	-	-	335,273	335,273	
Performance Share Plan from RDS						
- recharge by the parent	-	-	(2,983)	-	(2,983)	
- charge during the year	-	-	1,059	-	1,059	
At 31 December 2016	300,000	300,000	-	710,439	1,010,439	
Audited						
At 1 January 2015	300,000	300,000	1,306	23,378	324,684	
Total comprehensive income for the financial year	-	-	-	351,788	351,788	
Performance Share Plan from RDS						
- recharge by the parent	-	-	(1,729)	-	(1,729)	
- charge during the year	-	-	2,347	-	2,347	
At 31 December 2015	300,000	300,000	1,924	375,166	677,090	

The above Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying supplementary notes to these condensed financial statements.

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CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Condensed Statement of Cash Flows

	Financial Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	335,273	352,585
Adjustments for:		
Property, plant and equipment		
- depreciation	191,754	167,577
- gain on disposal/write off		(26)
- write off	965	948
Finance cost	40,097	51,022
Interest income	(4,376)	(2,497)
Net foreign exchange (gain)/loss - unrealised	(11,267)	188,517
Fair value (gain)/loss on derivative financial instruments	109,535	(186,623)
Write back of allowance for inventories	(4,917)	(75,823)
(Reversal of allowance)/ allowance for doubtful debts	(759)	343
Amortisation of prepaid lease payments	19	21
Amortisation of intangible assets	3,522	-
PSP from RDS	1,059	2,347
Bad debt written off	-	110
	660,905	498,501
Changes in working capital		
Inventories	(125,198)	181,302
Trade and other receivables	(252,621)	(26,503)
Trade and other payables	(172,757)	127,925
Cash generated from operations	110,329	781,225
Interest received	4,376	2,497
Net tax refund	2,753	(224)
Net cash flow generated from operating activities	117,458	783,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- additions	(14,666)	(98,165)
- proceeds from disposal	-	26
Intangible asset		
- additions	(12,694)	-
Net cash flow used in investing activities	(27,360)	(98,139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(1,480,440)	(916,740)
Net proceeds from borrowings	1,413,043	450,000
Proceeds from the settlement of derivatives	195,653	-
Interest paid	(38,425)	(52,783)
Net cash used in financing activities	89,831	(519,523)
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,929	165,836
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	175,523	8,737
EFFECTS OF EXCHANGE RATE CHANGES	160	950
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	355,612	175,523

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying supplementary notes to these condensed financial statements.

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CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting

A1 Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia (BMSB). These condensed financial statements also comply with IAS 134 Interim Financial Reporting issued by the International Accounting Standards Board. This report should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2015.

The explanatory notes to this report 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 2015.

The financial information presented herein have been prepared in accordance with the accounting policies used in preparing the audited financial statements for the financial year ended 31 December 2015, except for the following standards which became effective on 1 January 2016:

(a) Standards, amendments to published standards and interpretations that are effective

- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above amendments did not have any financial impact on the Company, save for additional disclosures that enhances the understandability of the financial statements.

(b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2017. None of these are expected to have a significant effect on the financial results and position of the Company.

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017)
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017)
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018)
- MFRS 9 'Financial Instruments' (effective from 1 January 2018)
- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018)
- MFRS 16 'Leases' (effective from 1 January 2019)

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A2 Audit report

The audit report of the Company's financial statement for the financial year ended 31 December 2015 was not subjected to any qualification.

A3 Comments about Seasonal or Cyclical Factors

The Company's financial performance is affected by market driven refinery margins, which are influenced by international supply and demand for crude and petroleum products.

A4 Significant events and transactions

As announced on 22 December 2016, Malaysia Hengyuan International Limited ("MHIL") has completed its acquisition of 153,000,000 ordinary shares of RM 1.00 each in the Company, previously held by Shell Overseas Holding Limited ("SOHL"), representing 51% of the issued and paid up share capital of the Company, for a total cash consideration of USD 66,300,000 (equivalent to RM 293,760,000 based on the exchange rate of USD 1 = RM 4.43 as at 19 December 2016).

The loan agreements relating to the borrowings outstanding prior to the takeover date required repayment of the outstanding balance in the event SOHL's shareholding in the Company falls below 51% of the issued and paid up share capital. The Board of Directors have refinanced the said outstanding borrowings with new term loans as disclosed in Note A18.

Further to the change in the shareholding of the Company, SOHL and Royal Dutch Shell PLC ceased to be the Company's immediate and ultimate holding companies. MHIL and Shandong Hengyuan Petrochemical Group Company Limited are now the Company's immediate and ultimate holding companies respectively.

A5 Critical Accounting Estimates and Judgments

There were no changes in estimates that have had a material effect in the current quarter and financial year ended 31 December 2016.

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A6 Debt and equity securities

There were no issuances of new debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 December 2016.

A7 Segmental Reporting

The Company is principally engaged in the oil and gas industry namely refining and manufacturing of petroleum products in Malaysia, which is within a single business geographical segment. Accordingly, no segmental information is considered necessary for analysis by industry segments or by geographical segment.

A8 Revenue

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	2,531,604	2,357,250	8,363,891	9,074,869
- Crude oil	222	240	1,439	4,768
	2,531,826	2,357,490	8,365,330	9,079,637

A9 Earnings per share

		3 months ended		Financial year ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
(a) Basic earnings per share					
Net profit for the period / year	(RM'000)	207,810	96,497	335,273	351,788
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	69.27	32.17	111.76	117.26
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A10 Profit before taxation

	Unaudited	Unaudited	Unaudited	Audited
	3 months ended	31.12.2015	Financial Year ended	31.12.2015
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<i>The profit before taxation is arrived at after charging/(crediting):</i>				
Interest income	(1,207)	(1,410)	(4,376)	(2,497)
Operating and transport fees	(3,301)	(3,665)	(13,669)	(18,601)
Interest expense	9,615	11,246	40,097	51,022
Property, plant and equipment				
- Depreciation and amortization	55,429	42,694	191,754	167,577
- Write off	0	948	965	948
Amortisation of prepaid lease payments	5	6	19	21
Amortisation of intangible assets	3,522	0	3,522	0
Write back of allowance for inventories	(1,950)	(152,867)	(4,917)	(76,260)
Allowance for slow moving inventories	0	437	0	437
(Reversal of allowance)/ allowance for doubtful debts	0	339	(759)	343
Foreign exchange (gain)/loss - realised	40,606	(4,744)	(157,697)	62,575
Foreign exchange (gain)/loss - unrealised	(6,061)	(24,379)	(11,107)	189,467
Fair value (gain)/loss on derivatives	4,770	(4,572)	109,535	(186,623)

Save as disclosed above and in the Condensed Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Company.

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A11 Taxation

Details of the Company's taxation are as follows:

	3 months ended		Financial year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<u>Malaysian Tax</u>	RM'000	RM'000	RM'000	RM'000
Current tax	(761)	525	-	797
Deferred tax	-	-	-	-
	(761)	525	-	797

The effective tax rate of the Company varies from the statutory tax rate due to the following.

	3 months ended		Financial year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Applicable tax rate				
Tax effects in respect of:	24%	25%	24%	25%
- Expenses not deductible for tax purposes	1%	1%	1%	1%
- Utilisation of tax losses / deductible temporary	-25%	-26%	-25%	-26%
Effective tax rate	0%	0%	0%	0%

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A12 Dividend

The Company did not declare any dividend for the financial year ended 31 December 2016.

A13 Changes in Composition of the Company

There were no changes in the composition of the Company during the financial year ended 31 December 2016.

A14 Changes in Contingent Assets / Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2015.

A15 Corporate proposal

On 1 February 2016, Shell Overseas Holdings Limited (“SOHL”), the major shareholder of the Company, had entered into a conditional sale and purchase agreement (“SPA”) with Malaysia Hengyuan International Limited (“MHIL”) for the acquisition of 153,000,000 ordinary shares of RM1.00 each held by SOHL in the Company by MHIL, representing 51% of the issued and paid up share capital of the Company for a total cash consideration of USD66,300,000, which was announced by the Company on 2 February 2016 (“Proposed Acquisition”).

The SPA became unconditional on 19 December 2016 and the Proposed Acquisition was completed on 22 December 2016. Please refer to Note A4 for further details regarding the Proposed Acquisition.

A16 Material Litigation

There were no material litigations involving the Company since 31 December 2015.

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A17 Fair value disclosures

(a) Financial instruments carried at amortised cost:

The carrying amounts of financial assets and liabilities of the Company approximated their fair values as at 31 December 2016.

(b) Financial instruments carried at fair value:

The Company measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- 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 financial asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the financial asset or liability that are not based on observable market data (i.e., unobservable inputs).

There were no outstanding derivative financial instruments as at 31 December 2016. Derivative financial instruments outstanding as at 31 December 2015 are detailed below:

<u>Derivatives</u>	As at 31 December 2015	
	Contract Value USD'000	Fair value RM'000
Cross currency interest rate swaps (“CCIRS”) less than 1 year	240,000	305,188
	240,000	305,188

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A17 Fair value disclosures (continued)

The following table presents the Company's assets and liabilities for recurring fair value measurements recognised through profit or loss:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Cross currency interest rate swaps				
At 31 December 2016	0	0	0	0
At 31 December 2015	0	305,188	0	305,188

During the year, there were no transfers between Level 1 & Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement. The fair values were obtained from published rates of counterparty banks.

The Company's financial risk management policies and objectives in managing the derivative financial instrument, its related accounting policies and the contracted terms of the derivative financial instrument are disclosed in the audited annual financial statements for the year ended 31 December 2015.

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A18 Borrowings

Details of the Company's borrowings as at 31 December 2016 are as follows:

	31.12.2016 RM'000	31.12.2015 RM'000
<u>Current</u>		
Term Loan (Secured)	87,324	-
Term Loan (Unsecured)	-	1,031,054
	<u>87,324</u>	<u>1,031,054</u>
<u>Non Current</u>		
Term Loan (Secured)	1,329,589	-
Term Loan (Unsecured)	-	450,000
	<u>1,329,589</u>	<u>450,000</u>
	<u><u>1,416,913</u></u>	<u><u>1,481,054</u></u>
 Currency profile of borrowings:		
- RM	-	450,000
- USD	1,416,913	1,031,054
	<u><u>1,416,913</u></u>	<u><u>1,481,054</u></u>

The Company refinanced all of its borrowings outstanding as at 22 December 2016, pursuant to the terms of the loan agreements prior to the share sale completion, which required a full repayment in the event SOHL's shareholding in the Company falls below 51% of the issued and paid-up capital.

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A18 Borrowings (continued)

The Company obtained the following term loans in the current quarter, details of which are set out below:

USD200 million Term Loan I

This loan is repayable in six-monthly instalments, with the first instalment falling due on 21 June 2017. The principal is repayable in the following tranches:

- 10% of the principal amount for the first 3 consecutive years from the first utilisation date
- 20% of the principal amount repayable in the 4th year
- Balance principal amount repayable in year 5

The loan requires repayment of the outstanding balance in the event that MHIL cease to hold, directly or indirectly, beneficial ownership of 51% or more of the share capital of the Company;

The loan is subject to interest at the annual rate of LIBOR + 3.5%;

Debt Service Cover Ratio (EBITDA to Debt Service) to be maintained at least 1.3:1 for each 12-month period;

This facility is secured by:

- Land and buildings of the Company;
- Inventories and accounts receivables;
- Corporate guarantee by the Company's ultimate holding company;
- Lease supply and tenancy agreements;
- Manufacturing and operating agreements.

USD150 million Term Loan II

The loan is repayable in six-monthly instalments, with the first instalment falling due on 21 June 2019. The principal is repayable in the following tranches:

- 10% of the principal amount in year 3
- 20% of the principal amount in year 4
- 70% of the principal amount in year 5

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A18 Borrowings (continued)

The Company is allowed to draw on this facility up to the lesser of USD150,000,000 and an amount equivalent to 85% of cash deposits placed by Shandong Hengyuan Petrochemical Company Limited (an intermediate holding company), with the lender.

The loan is subject to interest at the annual rate of LIBOR + 2.0%.

A19 Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2016 are as follows:

	RM'000
Property, plant and equipment	
Authorised by Directors and contracted for	20,705
Authorised by Directors but not contracted for	30,451
	<u>51,156</u>

A20 Company's Performance

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

A21 Current Year Prospects

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

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Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(continued)

A22 Related Party Disclosure

Below are the significant party transactions, which were carried out on terms and conditions negotiated with the related parties.

	3 months ended		Financial Year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM '000	RM '000	RM '000	RM '000
Sales of refined products to	2,480,305	2,211,250	7,992,712	8,643,998
Tariff revenue on the use of properties / facilities	4,206	5,333	17,405	21,977
Purchase of crude and products	2,079,869	1,889,169	7,605,245	8,206,797
Central management, admin expenses and licence fee, net of cost recoveries	4,442	16,956	43,590	50,377

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**Supplementary Information Disclosed
Pursuant to Bursa Malaysia Securities Berhad Listing Requirements**

A23 Retained Earnings

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

Total retained earnings of the Company:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
Realised	715,324	497,743
Unrealised	(4,885)	(122,577)
	<u>710,439</u>	<u>375,166</u>

The unrealised losses disclosed above relate to the unrealized foreign currency exchange losses, net of unrealised gains on derivative financial instruments.

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CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Review of Performance – YTD Q4 2016 vs. YTD Q4 2015

The Company recorded revenue of RM8.4 billion for the financial year ended 31 December 2016 as compared to RM9.1 billion in the prior year, and a 7% increase in its sales volume (39.0 mbb) against 36.3 mbb sold in FY2015. However, revenue is lower by 8% in 2016 mainly attributable to lower product prices which are driven by market forces.

Year on year, the Company posted an after-tax profit in 2016 of RM335.3 million compared to RM351.8 million in 2015. The Company recorded an improved gross profit margin due to the gradual recovery of crude and product prices during the year. However, this was offset by a higher depreciation cost as the turnaround cost in FY2015 is depreciated up to the next scheduled turnaround event.

B2 Variation of results against previous quarter – Q4 2016 vs. Q3 2016

The Company registered revenue of RM2.53 billion in Q4 2016, compared to RM 1.96 billion in Q3 2016. Revenue is higher by 29% in Q4 2016 mainly due to higher product prices and increase in sales volume by 5% from 9.37mbb in Q3 to 9.84 mbb in Q4.

The Company closed the current quarter with an after-tax profit of RM207.8 million as compared to an after-tax loss of RM80.9 million in the previous quarter, as a result of improved gross profit margin and the recovery of crude and product prices in the current quarter.

SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
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CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016

Part B: Additional Information Required By Bursa Malaysia Listing Requirements
(continued)

B3 Current Year Prospects

Refinery margins are expected to remain uncertain. Operational efficiency, product quality and financial risk management will continue to remain the Company's key focus in maximising margin opportunities for FY2017.

B4 Profit Forecast

We do not issue any profit forecast.

BY ORDER OF THE BOARD

Lim Hooi Mooi (MAICSA 0799764)
Ong Wai Leng (MAICSA 7065544)
Company Secretaries

Kuala Lumpur
2016