

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 2006

Following the Shell Refining Company (Federation Of Malaya) Berhad ("the Company") Board of Directors' Meeting on 5 February 2007 and the Board Resolution dated 28 February 2007, the Company is pleased to announce its financial results for the three months ended 31 December 2006.

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 2005.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2006

Condensed Income Statements*Unaudited*

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Sales		2,467,977	2,748,668	10,889,290	9,695,133
Cost of sales		(2,494,000)	(2,582,120)	(10,461,934)	(8,952,566)
Other operating income		3,590	6,911	20,174	27,457
Administrative expenses		(27,997)	(24,393)	(48,419)	(41,441)
Other operating expenses		6,358	(1,118)	(59,252)	(22,784)
Profit from operations		(44,071)	147,948	339,860	705,799
Finance cost		(8,490)	(6,642)	(31,576)	(23,877)
Profit from ordinary activities before tax		(52,561)	141,306	308,284	681,922
Taxation	13	31,234	(46,793)	(70,452)	(159,790)
Profit from ordinary activities after tax		(21,328)	94,514	237,832	522,132
Minority interest		-	-	-	-
Net profit for the period		(21,328)	94,514	237,832	522,132
Estimated average annual effective tax rate		59.42%	33.11%	22.85%	23.43%
Earning per share:		sen	sen	sen	sen
- basic	18	-7.11	31.50	79.28	174.04
- diluted	18	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 12 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 December 2006

Condensed Balance Sheet

Unaudited

	Note	As at 31.12.2006 RM'000	As at 31.12.2005 RM'000
Non-current assets			
Property, plant and equipment		1,247,716	1,317,386
Deferred charges		2,031	
Current assets			
Inventories		805,565	673,128
Trade receivables		128,685	103,631
Other receivables and prepayments		5,288	5,320
Amounts receivable from related companies		1,134,637	880,175
Bank balances		43,009	14,947
Deposit with a licensed bank		0	647,929
Total current assets		<u>2,117,184</u>	<u>2,325,130</u>
Total assets		<u>3,366,931</u>	<u>3,642,516</u>
Capital and reserves			
Share capital		300,000	300,000
Revaluation reserve		15,737	15,738
Retained profit		1,603,684	1,603,452
Shareholders' equity		<u>1,919,421</u>	<u>1,919,190</u>
Current liabilities			
Trade and other payables		63,131	441,453
Amounts payable to related companies		569,076	481,787
Short term debt	19	83,880	0
Total current liabilities		<u>716,087</u>	<u>923,240</u>
Non current liabilities			
Deferred tax liabilities		235,459	267,456
Long term borrowings	19	493,780	529,130
Provision for Liabilities		2,183	3,500
Total non-current liabilities		<u>731,422</u>	<u>800,086</u>
Total Equity & Liabilities		<u>3,366,931</u>	<u>3,642,516</u>

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Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distri-butable	<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 2005	300,000	300,000	15,738	1,247,640	1,563,378
Profit after taxation for the year ended 31 Dec 2005			-	522,132	522,132
Dividend for the period ended:					
- 31 December 2004			-	(75,600)	(75,600)
- 31 December 2005			-	(90,720)	(90,720)
				-	-
At 31 December 2005	300,000	300,000	15,738	1,603,452	1,919,190
At 1 January 2006	300,000	300,000	15,738	1,603,452	1,919,190
Profit after taxation for the year ended 31 December 2006				237,832	237,832
Dividend for the period ended:					
- 31 December 2005			-	(125,280)	(125,280)
- 31 December 2006			-	(112,320)	(112,320)
At 31 December 2006	300,000	300,000	15,738	1,603,684	1,919,422

The notes set out on pages 6 to 12 form an integral part of, and should be read in conjunction with this interim financial report.

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Interim report for the three months ended 31 December 2006

Condensed Cash Flow Statement

Unaudited

Note	12 months ended	
	31.12.2006 RM'000	31.12.2005 RM'000
Cash flows from operating activities		
Profit after taxation	237,832	522,132
Adjustment for:		
Depreciation	110,348	123,458
Property, plant and equipment write off /(back)	0	11,581
Provision for decommissioning and site restoration cost	(1,317)	3,500
Gain on disposal of property, plant and equipment	105	(64)
Taxation	70,452	159,790
Exchange (gain)/ losses on foreign currency translation	(22,108)	(2,995)
Interest income	(8,310)	(9,841)
Interest expense	29,662	20,327
	416,664	827,888
Changes in working capital		
Increase in inventories	(132,437)	(45,797)
Increase/(Decrease) in trade and other debtors	(25,021)	64,098
Increase in trade and other creditors	14,309	57,608
Increase in amounts receivable from related companies	(254,461)	(149,632)
Increase/(Decrease) in amounts payable to related companies	(163,228)	211,165
Cash generated from operations	(144,175)	965,330
Interest received	8,310	9,841
Interest paid	(28,926)	(20,247)
Taxation paid	(175,072)	(136,224)
Net cash generated from operating activities	(339,863)	818,700
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,678)	(105,620)
Long Term Asset - Leasehold land	(2,031)	0
Proceeds from disposal of property, plant and equipment	(105)	64
Net cash used in investing activities	(42,814)	(105,556)
Cash flow from financing activities		
Repayment of term borrowings	0	(45,600)
Dividends paid	(237,189)	(168,484)
Net cash flow used in investing activities	(237,189)	(214,084)
Net increase in cash and cash equivalent	(619,866)	499,060
Cash and cash equivalent at the beginning of the year	662,875	163,816
Cash and cash equivalent at the end of the year	43,009	662,876

The notes set out on pages 6 to 12 form an integral part of, and should be read in conjunction with this interim financial report.

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Interim report for the three months ended 31 December 2006

Notes to the Financial Information

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 2005.

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 2005.

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 2005 except as disclosed below.

The Company has adopted the following accounting standards, which are applicable to its operation:

FRS 1 First-time Adoption of Financial Reporting Standards
FRS 2 Share-based Payment
FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 117 Leases
FRS 121 The Effects of Changes in Foreign Exchange Rates
FRS 124 Related Party Disclosures
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings per Share
FRS 136 Impairment of Assets

The adoption has resulted in a change in the accounting policy from the adoption of FRS 117.

The change in the accounting policy from the adoption of FRS 117 is as follows:

(a) FRS 117: Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. The Company is hence required to reclassify leasehold land from Property, Plant and Equipment to Prepaid land lease payments.

Finance Charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining lease liabilities.

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Notes to the Financial Information

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 significant items in the quarterly financial statements under review.

5 Changes in Estimates

During the first quarter of 2006, the Company conducted a review of the Useful Economic Life (UEL) of its property, plant and equipment in line with an initiative undertaken by the Royal Dutch Shell Downstream business to streamline the UEL rates used. This revision, with effect from 1 January 2006, has resulted in changes to the annual depreciation rates of the Company's assets as follows:

	Existing	Revised
Land improvements and buildings	2.5% - 10.0%	2.5% - 5.0%
Plant and machinery	4.0% - 7.0%	3.3% - 25.0%
Furniture and fittings	10.0% - 15.0%	7.0% - 20.0%

The revision was accounted for as change in accounting estimates and as a result, the depreciation charges for the year-to-date financial period ending 31 December 2006 have been reduced by an estimated RM 18,459,640.

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

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Interim report for the three months ended 31 December 2006

Notes to the Financial Information

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.

7 Dividend

	12 months ended 31 December 2006		12 months ended 31 December 2005	
	Gross dividend per share Sen	Amount of dividend net of 28% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 28% tax RM '000
Special interim gross dividend approved by shareholders in respect of the quarter ended 31 December 2005, paid on 26 April 2006	20	43,200	-	-
Final dividend approved by shareholders in respect of the year ended 31 December 2005, paid on 9 June 2006 (2004: paid on 10 June 2005)	38	82,080	35	75,600
Special interim dividend approved in respect of the quarter ended 31 March 2006, paid on 23 June 2006 (2005: paid on 22 June 2005)	20	43,200	10	21,600
Interim dividend approved in respect of the quarter ended 30 June 2006, paid on 29 Sept. 2006. (2005: paid on 7 Oct 2005)	12	25,920	12	25,920
Special Interim dividend approved in respect of the quarter ended 30 June 2006, paid on 29 Sept. 2006.	20	43,200	-	-

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Interim report for the three months ended 31 December 2006

Special Interim dividend approved in respect of the quarter ended 30 September 2005, paid on 29 Dec. 2005	-	-	20	43,200
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Notes to the Financial Information

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 revalued assets

The Company has nothing to disclose as regards 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 2005.

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Interim report for the three months ended 31 December 2006

Notes to the Financial Information

13 Tax

Taxation for the quarter ending 31 December amounting to RM 31,234,000 comprises:

	3 months ended		12 months ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax for current period	15,907	(47,549)	(102,449)	(165,519)
Transfer from deferred tax	15,327	757	31,997	5,729
	31,234	(46,793)	(70,452)	(159,790)

The difference between the statutory tax rate and the effective tax rate is mainly due to the depreciation expense of non-qualifying assets.

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.

17 Financial instruments

The Company does not have any financial instruments to disclose.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2006

Notes to the Financial Information

18 Earnings per share

		3 months ended		12 months ended	
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
(a) Basic earnings per share					
Net (loss) /profit for the period	(RM'000)	(21,328)	94,514	237,832	522,132
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(7.11)	31.50	79.28	174.04
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

19 Bank borrowings

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

	RM'000	
Short term borrowings (unsecured)	83,880	
Current portion of term loan (unsecured)	-	
Term loan (unsecured) less current portion	493,780	
	<u>577,660</u>	
Restated in loan's original currency:	USD'000	RM'000 equivalent
Bank borrowings denominated in foreign currency (USD)	140,000	493,780

20 Capital commitments

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

	RM'000
Authorised by the Directors and contracted	3,665
Authorised by the Directors and not contracted	3,053
	<u>6,718</u>
Analysed as follows:	
- Property, plant and equipment	<u>6,718</u>

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Notes to the Financial Information

21 Profit/(Loss) Before Taxation

The fourth quarter of 2006 reported a loss before taxation compared to profits in the same period of the previous year. The Company recorded a loss before tax of RM 52.6 million for the fourth quarter of 2006 compared to profits before tax of RM 141.3 million in the fourth quarter of 2005 (also see accompanying Management Commentary).

22 Company Performance

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

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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Interim report for the three months ended 31 December 2006

Management Commentary

COMPANY PERFORMANCE

- **Quarterly net loss after tax of RM 21.3 million**
- **Over 6.5 million manhours without “Lost-Time-Injury” since May 2001**
- **Zero TRCF (Total Reportable Case Frequency) incidents for 2006**

The Company posted an after-tax net loss of RM 21.3 million for the fourth quarter of 2006. The decrease of 123% as compared to the net income after tax of RM 94 million recorded in the same quarter last year was mainly due to the stockholding loss and lower refining margin incurred in Q4 2006. There was an after-tax stockholding loss of RM 55 million (Q4 2005: after-tax stockholding loss of RM 46 million).

Compared to the third quarter of 2006, the Company's fourth quarter net loss after tax recorded a decrease of RM 88.8 million or 132%. This was primarily due to the impact of stockholding losses in Q4 2006.

The refinery successfully processed 9.7 million barrels of crude oil and feedstock and sold 10.3 million barrels of products during the quarter due to excellent plant reliability and utilisation. The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) up to 31 December 2006, resulting in 6.5 million man-hours without any LTI since 21 May 2001.

The Directors have agreed to recommend a final dividend of 38 sen per unit of share of RM1.00 each, less 27% Malaysian Income Tax in respect of the financial year ending 31 December 2006, payable on 15 June 2007 to the shareholders registered in either the Record of Depositors or the Register of Members at the close of business on 28 May 2007. This dividend recommendation is subject to the approval of shareholders at the Company's forthcoming 2007 Annual General Meeting.

CURRENT YEAR PROSPECTS

Refining margins are expected to be at a satisfactory level in the first quarter of 2007. Any changes in oil prices will have an impact on the Company's financial results, given the stock accounting practice adopted by the Company.