

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 2007

Following the Shell Refining Company (Federation Of Malaya) Berhad ("the Company") Board of Directors' Meeting on 7 May 2007, the Company is pleased to announce its financial results for the three months ended 31 March 2007.

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 2006.

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Interim report for the three months ended 31 March 2007

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		31.03.2007 RM'000	31.03.2006 RM'000	31.03.2007 RM'000	31.03.2006 RM'000
Sales		2,191,049	2,482,500	2,191,049	2,482,500
Cost of sales		(2,008,131)	(2,427,707)	(2,008,131)	(2,427,707)
Other operating income		4,081	7,709	4,081	7,709
Administrative expenses		1,851	(4,751)	1,851	(4,751)
Other operating expenses		9,989	8,626	9,989	8,626
Profit from operations		198,840	66,377	198,840	66,378
Finance cost		(8,288)	(6,869)	(8,288)	(6,869)
Profit from ordinary activities before tax		190,553	59,508	190,553	59,508
Taxation	13	(53,187)	(13,703)	(53,187)	(13,703)
Profit from ordinary activities after tax		137,366	45,805	137,366	45,805
Minority interest		-	-	-	-
Net profit for the period		137,366	45,805	137,366	45,805
Estimated average annual effective tax rate		27.91%	23.03%	27.91%	23.03%
		sen	sen	sen	sen
Earning per share:					
- basic	18	45.79	15.27	45.79	15.27
- diluted	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

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Condensed Balance Sheet

Unaudited

	Note	As at 31.03.2007 RM'000	As at 31.12.2006 RM'000
Non-current assets			
Property, plant and equipment		1,228,938	1,288,366
Deferred charges		2,016	
		<u>1,230,954</u>	<u>1,288,366</u>
Current assets			
Inventories		1,030,286	1,250,289
Trade receivables		22,268	38,284
Other receivables and prepayments		4,636	6,421
Amounts receivable from related companies		865,465	914,251
Bank balances		30,739	16,676
Deposit with a licensed bank		248,420	330,050
Total current assets		<u>2,201,816</u>	<u>2,555,971</u>
Less: Current liabilities			
Trade and other payables		55,901	131,106
Amounts payable to related companies		586,514	967,605
Short term debt	19	0	
Total current liabilities		<u>642,414</u>	<u>1,098,711</u>
Net Current Assets		<u>1,559,401</u>	<u>1,457,260</u>
Less: Non current liabilities			
Deferred tax liabilities		227,132	259,621
Long term borrowings	19	483,868	517,510
Provision for Liabilities		2,183	3,500
Total non-current liabilities		<u>713,183</u>	<u>780,631</u>
		<u>2,077,172</u>	<u>1,964,995</u>
Capital and reserves			
Share capital		300,000	300,000
Revaluation reserve		15,737	15,738
Retained profit		1,761,435	1,649,257
Shareholders' equity		<u>2,077,172</u>	<u>1,964,995</u>

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Interim report for the three months ended 31 March 2007

Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distri-butable	Total RM'000
	Numbers of Shares ' 000	Nominal Value RM'000	Revaluation reserves RM'000	Retained earnings RM'000	
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			-	258,217	258,217
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	1,624,069	1,939,807
At 1 January 2007	300,000	300,000	15,738	1,624,069	1,939,807
Profit after taxation for the year ended 31 March 2007				137,366	137,366
Dividend for the period ended:					
- 31 March 2006			-	0	0
- 31 March 2007			-	0	0
At 31 March 2007	300,000	300,000	15,738	1,761,435	2,077,172

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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Interim report for the three months ended 31 March 2007

Condensed Cash Flow Statement

Unaudited

	Note	3 months ended	
		31.03.2007 RM'000	31.03.2006 RM'000
Cash flows from operating activities			
Profit after taxation		137,366	45,805
Adjustment for:			
Depreciation		26,804	31,270
Gain on disposal of property, plant and equipment			105
Taxation		53,187	13,703
Exchange (gain)/ losses on foreign currency translation		(21,901)	(10,476)
Interest income		(1,554)	(4,825)
Interest expense		7,467	6,090
		201,370	81,672
Changes in working capital			
Increase in inventories		(200,580)	(577,161)
Increase/(Decrease) in trade and other debtors		106,755	64,225
Increase in trade and other creditors		(109,189)	(90,349)
Increase in amounts receivable from related companies		262,133	(34,076)
Increase/(Decrease) in amounts payable to related companies		17,438	292,664
Cash generated from operations		277,926	(263,025)
Interest received		1,554	4,825
Interest paid		(7,467)	(6,051)
Taxation paid		(27,851)	(49,565)
Net cash generated from operating activities		244,162	(313,815)
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,011)	(2,334)
Net cash used in investing activities		(8,011)	(2,334)
Net increase in cash and cash equivalent		236,150	(316,149)
Cash and cash equivalent at the beginning of the year		43,009	662,876
Cash and cash equivalent at the end of the year		279,159	346,727

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2007

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 2006.

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 2006.

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 2006.

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

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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Interim report for the three months ended 31 March 2007

Notes to the Financial Information

7 Dividend

The Company did not pay any dividend in the 3 months period ended 31 March 2007.

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 2006.

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Interim report for the three months ended 31 March 2007

Notes to the Financial Information

13 Tax

Taxation for the quarter ending 31 March 2007 amounting to RM 53,187,000 comprises:

	3 months ended	
	31.03.2007	31.03.2006
	(RM'000)	(RM'000)
Income tax for current period	(53,443)	(21,537)
Transfer from deferred tax	256	7,834
	<u>(53,187)</u>	<u>(13,703)</u>

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 March 2007

Notes to the Financial Information

18 Earnings per share

		3 months ended	
		31.03.2007	31.03.2006
(a) Basic earnings per share			
Net (loss) /profit for the period	(RM'000)	137,366	45,805
Weighted average number of ordinary shares in issue	('000)	300,000	300,000
Basic earnings per share	(sen)	45.79	15.27
(b) Diluted earnings per share	(sen)	N/A	N/A

19 Bank borrowings

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

Term loan (unsecured) less current portion	RM'000	
	<u>483,868</u>	
Restated in loan's original currency:	USD'000	RM'000
Bank borrowings denominated in foreign currency (USD)	140,000	equivalent 483,868

20 Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2007 are as follows:

	RM'000
Authorised by the Directors and contracted	7,341
Authorised by the Directors and not contracted	<u>8,990</u>
	<u>16,331</u>
Analysed as follows:	
- Property, plant and equipment	<u>16,331</u>

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Interim report for the three months ended 31 March 2007

Notes to the Financial Information

21 Profit/(Loss) Before Taxation

The first quarter of 2007 reported a higher profit before taxation in the current quarter compared to the same period of the previous year. The Company recorded a profit before tax of RM 190.5 million for the first quarter of 2007 compared to profits before tax of RM 59.5 million in the first quarter of 2006 (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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Interim report for the three months ended 31 March 2007

Management Commentary

COMPANY PERFORMANCE

- **Quarterly net profit after tax of RM 137.4 million**
- **Over 6.7 million manhours without “Lost-Time-Injury” since May 2001**
- **Zero TRCF (Total Reportable Case Frequency) incidents for Q1 2007**

The Company posted an after-tax net profit of RM 137.4 million for the first quarter of 2007. The increase of 200% as compared to the net income after tax of RM 45.8 million recorded in the same quarter last year was mainly due to higher refining margin and to a lesser extent the stockholding gain of RM 91 million for Q1 2007 as compared to RM 79 million for Q1 2006.

Compared to the fourth quarter of 2006, the Company's first quarter of 2007 net profit after tax recorded an increase of RM 138 million or 146%. This was primarily due to the impact of stockholding losses and lower refining margin in Q4 2006.

The refinery successfully processed 8.2 million barrels of crude oil and feedstock and sold 10 million barrels of products during the quarter in spite of planned and unplanned shutdowns of its Crude Distiller and LRCC Unit respectively. The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) up to 31 March 2007, resulting in 6.7 million man-hours without any LTI since 21 May 2001.

CURRENT YEAR PROSPECTS

Refining margins are expected to be at a satisfactory level in the second 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.

The Company will continue to pursue operational excellence, proactive margin improvement and cost reduction, whilst maintaining strong Health, Safety and Environment performance.