

caring for the environment



We are committed to the principle of Sustainable Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

We take to heart that oil and gas is an industry that has profound impact on the surrounding community. Environmental management is top priority within the Shell Group.

Over the years, we have consistently met and exceeded regulatory guidelines and standards as we continue to invest significant resources in our efforts to reduce CO₂ emissions.

corporate **social responsibility**





Corporate Social Responsibility (“CSR”), in brief, is about how companies manage the business processes to produce an overall positive impact on society. In Shell, this practice is known as Sustainable Development, which means helping meet the world’s growing energy needs in economically, environmentally and socially responsible ways.

The Shell Group first made its commitment to Sustainable Development ten years ago by including it in the Shell General Business Principles (page 12).

Meeting this commitment requires us to consciously balance short and long-term interests; integrate economic, environmental and social considerations into business decisions; and regularly engage with our many stakeholders. This mindset is also about being determined to tackle seemingly insurmountable environmental and social problems through creativity and perseverance.

We remain committed to contributing to Sustainable Development because it is aligned with our values and makes us a more competitive and profitable company. It brings us closer to our customers, employees and neighbours, reduces our operating and financial risk, promotes efficiency improvements in our operations and creates profitable new business opportunities for the future.

Shell Malaysia has published annual reports on our Sustainable Development efforts since 1997. This report covers our progress across a wide and demanding range of indicators, from greenhouse gas emissions to safety. Copies are distributed to government officials, opinion leaders, academics, non-profit organisations, staff and contractors. The report is also available on our website (www.shell.com.my).

corporate social responsibility (continued)

marketplace





Corporate Governance

In Shell, our day-to-day business activities are governed by the three core values of Honesty, Integrity and Respect for People, which are captured in our General Business Principles.

In short, our General Business Principles define the “Shell way of doing business”. We ensure the entire range of activities we undertake and all our employees operate in line with the Shell General Business Principles. This involves training, embedding the principles throughout the organisation, and encouraging people to discuss the dilemmas they face in their work. Please turn to page 76 for more on our approach to corporate governance.

Contracts and Procurement Policies

Contracts and procurement encompass the process from identification of the need, market analysis or movement, acquisition, execution and ultimately, disposal. This is in line with Shell Downstream processes and compliance is measured and achieved through operational excellence.

Our commitment to the business is to deliver the right goods and services, to the right place, at the right time, in the most cost effective manner. The scope includes but is not limited to the best possible commercial terms, specific works, materials, services and external expertise, where effort is in line with methods that allow us to effectively manage your Company’s spend.

Our codes of practice and procedures are designed to ensure that commercial dealings with contractors and suppliers are conducted with honesty, integrity and fairness.

A high percentage of our spend is executed through local contracts, and this in turn, contributes directly to the local economy, creates jobs and builds skills, competence and technical know-how.

Product Stewardship

Shell is committed to product stewardship, which means taking a responsible approach to our products over their entire life cycle: from their development and production, to their transport, sale, use and disposal. At each stage in the product’s lifecycle, we are playing an integral role to keep our products safe for the society and the environment.

We take a structured and long-term approach to the product stewardship of our fuels and lubricants. It is essential that we identify, manage and minimise the health, safety and environmental risks of a product.

We manage the potential risks of our products in three key areas:

- The risk to the health and safety of everyone who handles or uses our fuel.
- The risk to the environment of our fuels on the air, soil and water – throughout the lifecycle.
- The risk of financial liabilities and costs for refining, selling or distributing a fuel that is in any way unfit for purpose.

We take a comprehensive approach to countering these risks by:

- Developing fuel policies to support marketing and health, safety and environmental objectives.
- Co-ordinating quality assurance from the refinery to the customers’ fuel tank.
- Ensuring that new and existing fuels are fit for purpose and can be managed safely.
- Maintaining a dialogue on international and local fuel issues with stakeholders including governments, authorities, automotive manufacturers and non-government organisations (“NGOs”).

corporate social responsibility (continued)

workplace





Health and Safety

Your Company aims to have exceptional Health, Safety, Security and Environment ("HSSE") performance, earning the confidence of customers, shareholders and society at large, to be a good neighbour, and to contribute to Sustainable Development. We are committed to:

- Pursue the goal of no harm to people
- Protect the environment
- Use material and energy efficiently

Your Company operates under a common set of business principles, supported by policies and business controls. These include a Shell Group-wide policy, which requires that every Shell company has a systematic approach to HSSE management.

Our HSSE Management System ("HSSE-MS") manual aims to:

- Provide guidance on all aspects of the HSSE-MS within the refinery.
- Ensure that HSSE management controls are in place within the organisation, supported by procedures and documentation.
- Assure the management that major hazards are identified and the corresponding risks effectively managed.

The HSSE-MS takes into account the following:

- Downstream Business Organisation HSSE MS Manual
- Manufacturing Business HSSE MS Manual
- Shell Malaysia Downstream HSSE MS Framework
- Occupational Health and Safety Standard ("OHSAS") 18001
- International Organisation for Standardisation ("ISO") 14001

In addition to the HSSE-MS, your Company has various policies pertaining to HSSE in line with the documents mentioned above, such as alcohol and drugs policies.

Our three **HSSE Golden Rules** give a framework for how we must behave all the time, in every operation and activity, to achieve further improvement in our HSSE performance. The rules are:

You and I:

- Comply with the law, standards and procedures
- Intervene in unsafe or non-compliant situations
- Respect our neighbours

HSSE Performance

To help monitor our safety performance, we use several standard measures, known as the HSSE Key Performance Indicators ("KPI"):

Loss Time Injury ("LTI"): refers to a work related injury or illness which prevents the person from working. Your Company recorded outstanding HSSE performance in 2008 with the achievement of 9.8million exposure hours without LTI in February 2009.

Total Recordable Occupational Illnesses ("TROI"): indicates the number of occupational illness cases for the reporting period. There was zero recordable occupational illness in 2008, a significant improvement from five cases in 2007.

Total Recordable Case Frequency ("TRCF"): indicates the number of injuries of contractors and staff requiring medical treatment or time off work, for every million hours worked. In 2008, our TRCF was 1.51, an increase from 0.73 in 2007. This change was due to an increased number of activities taking place simultaneously in 2008.

corporate social responsibility (continued)



Loss of Primary Containment (“LOPC”): refers to the uncontrolled or unplanned release of a product from a process or storage that serves as primary containment. A key process safety KPI, we started monitoring LOPC in 2007, which reduced from 27 in 2007 to 13 in 2008.

A LOPC occurs and results in:

- a fatality or days away from work incident; or
- a fire or explosion; or
- an acute release of flammable or combustible liquid, gas or vapour; or
- an acute release of a toxic chemical

This KPI is monitored according to the American Petroleum Institute (“API”) guideline, which is mandatory for all Shell facilities. SRC recorded zero Process Safety Incident in 2008.

In addition to these KPIs, your Company implemented the Hazard and Effect Management Process (“HEMP”) which is the methodology used for managing the hazard and effect arising from in-house activities and for managing and minimising the associated risk to a level as low as reasonably practicable (“ALARP”). Furthermore, a Process Safety Analysis (“PSA”) is done every five years on all units in the refinery.

Safety continues to be the target for improvements with the launching of the Manufacturing Cardinal Safety Rules and the Goal Zero awareness programme in 2008.

Manufacturing Cardinal Safety Rules

Manufacturing Cardinal Safety Rules are established to provide clear expectations with respect to what employees and contractors are required to do when performing certain higher risk activities. This is in line with our aim of making sure that everyone who works on-site goes home safely every day.

These Rules also require everyone working on-site to comply with applicable laws, regulations and company requirements. Failure to do so may result in disciplinary action, up to and including termination for employees, and in the case of contractors, be prohibited from working for your Company.



Goal Zero

Goal Zero is a simple message formulated to realise our vision of no harm to people in line with our HSSE processes and procedures including the HSSE Golden Rules as well as the Manufacturing Cardinal Safety Rules. This equates to zero deaths, zero injuries and zero significant incidents. It describes the mindset change

we must achieve when it comes to safety, and it reminds us that safety is always our main priority.



Positive Intervention Walk

Positive Intervention Walk ("PIW") is a conscious effort taken by employees to put the second HSSE Golden Rule in practice, that is, to intervene in unsafe or non-compliant situations. PIW advocates the importance of personal and process safety and encourages a culture of intervention and action in day-to-day operations involving employees of all departments. In 2008, PIW continues to foster good safety behaviours and practices among all employees.

HSSE Training and Awareness

Safe behaviour also depends on staff and contractors being trained and becoming more competent. Each employee is provided with a checklist of HSSE training to complete within a given year. An annual gap analysis is done to ensure each employee understands the importance of acquiring requisite competencies and skills.

Your Company carried out various health and safety training in 2008 for employees to address the gaps, including a secondary focus on educating and increasing the HSSE competencies of contractors.

Safety trainings held in 2008 include the Barrier-Thinking Workshop series which educates employees on the importance of barrier thinking in the safety "bow-tie" concept. The Safe Use of Personal Protective Equipment ("PPE") and Chemical Safety and Hazard Communication Training provide understanding of legislative requirement on the subject and provide information on chemicals hazardous to health, personal safety and emergency procedures.

A three-day tabletop course for emergency response was conducted classroom style where employees were given various emergency scenarios to act upon.

Additional safety training sessions such as Hole-Watcher Training, Confined Space Training and First Aid Training were held prior to the 2008 Major Turnaround.

Health talks and awareness trainings were conducted frequently throughout the year, covering topics such as Awareness on Manual Handling and Office Ergonomics, as well as medical counselling. Hearing Conservation Programmes were also carried out for employees and contractors exposed to loud noise, as required in the Noise Exposure Regulation 1989 under the Factories and Machinery Act ("FMA").

Emergency Response Drill

In March 2008, your Company held a tier 1 deployment drill for our offshore equipment, in a Containment Oil Spill Response exercise off our jetty, with the participation of several members of the Petroleum Industry of Malaysia Mutual Aid Group ("PIMMAG") as observers. The drill was conducted successfully without incident.

In addition, a tabletop emergency response simulation was conducted successfully with support from Shell International Eastern Trading Company ("SIETCO") based in Singapore.

As part of the emergency preparedness strategy, your Company requires all employees to be a part of the Emergency Support Team ("EST") and Emergency Response Team ("ERT"). Training programmes such as fire-fighting were carried out in 2008.

corporate social responsibility (continued)



HSSE Week

HSSE Week was held in October 2008 with the theme, "Protect the Environment". Activities included a recycling campaign, tree-planting in schools and competitions for employees as well as for schoolchildren. The event was a big success with positive participation from not only employees, but the local community and media as well.

Safety Day

The annual Shell Group Safety Day was marked on 11 June 2008, with the theme "Small Changes, Big Difference". With emphasis on personal action, staff and contractors were encouraged to take personal action and pledge to change at least of one aspect in their work that will help improve HSSE performance.

Human Capital Development

Your Company has long recognised the need for skills training and capacity building – not only for our own needs but also for the industry, both in Malaysia and the region. We believe that business success is directly linked to people and their capability to meet current and future business challenges.

Your Company is committed to developing its strategic human capital assets, which are paramount to improving operational efficiency within the organisation and to realising its vision of being the "Top Performing and Most Admired Refinery in Asia". Ensuring this success requires investment in people development.

People development is addressed in two ways – individual employee development within the company and pursuit of further education at external institutions.

Your Company has created a learning environment that enables employees within the organisation to build the capabilities vital to winning performance. Structured and well-planned training modules focusing on technical competence and soft skills enable employees to acquire the right skills to do their jobs and meet business needs.

As part of this approach, elements and tools critical to world-class learning and development have been identified and linked together as part of a global, standardised process. Key elements of the process include competence assessment, creation of development-related goals that is incorporated into individual development plans, and development discussions between the line manager and employee.

In 2008, the number of training hours per employee surged to 102.7 hours per employee which is a 36% increase compared to the previous year. Soft skills related training hours has increased becoming approximately one-third of the total 32,042 training hours, in line with the realisation of producing well balanced and well equipped employees.

Your Company also offer the Continuing Education Scheme to provide assistance for employees to pursue higher education studies in their chosen profession. Such assistance is applicable for part-time Diploma, Undergraduate and Postgraduate studies including MBAs, Masters, and PhDs, provided locally by reputable learning institutions in a field that is relevant to the business.



Work-Life Balance

Notwithstanding the demanding and challenging business targets and strategies set, we recognise that finding the right balance between work, family and other interests is both important to employees and will help develop an effective, dynamic organisation in which people feel supported, empowered and happy to work.

Your Company's work-life balance charter encourages and supports flexible working practices, and at the same time, sets clear guidelines on workload demands and extended work hours. Most importantly, the charter provides a culture where individuals can discuss ways to find the appropriate balance between work and personal interests, where business requirements permit.

We are committed to continuously improve sustainable work-life balance strategies, which meet customer needs, corporate goals and enhance the quality of life for individuals.

We encourage employees to participate in competitive and recreational activities. To support this, your Company organises a variety of sporting events throughout the year. These activities see teams representing business divisions and/or geographical regions during the Shell Games, an event held annually.

Alongside promoting healthy living among the employees, your Company also acknowledges the employees' families via various gatherings and family days.

In addition, we have launched a flexible working policy, on top of the work-life balance charter as mentioned above as well as regular sports and recreational activities. Some noteworthy areas within the flexible work policies include:

Leave Bank: employees have the option to accumulate and 'put away' up to 30 days for future use which can be used twice in an employee's career.

Half Pay Leave: this is offered under two conditions: where the employee has to care for immediate family members who are disabled, injured or suffering from critical illness; or to extend maternity leave; subject to a maximum of 30 days a year.

Career Breaks: a career break is an unpaid leave of between three months and three years. Employees are expected to provide long-term values and the skills and expertise is expected to be in demand in the future.

corporate social responsibility (continued)



Flexible working hours: these are working arrangements agreed between the employee and his/her line manager on working hours. Eligibility will depend on the job role and the employee.

Working outside office: employees may request to work at a preferred location (e.g. from home) on an ad hoc or regular basis.

Part-time working: employees may opt for working hours that are less than the regular hours of work per week. The minimum work hours for part-time working is 60 percent of full time work (40 hours per week).

Employee Assistance Programme (“EAP”): EAP is a form of a human performance intervention tool via counseling for effective personnel management beyond the normal training and development process. Through it employees will be able to manage, overcome and avoid personal, career, family, interpersonal and work related problems that can impede their performance and productivity.

Diversity and Inclusion (“D&I”)

As an equal opportunity employer, your Company aims to create an environment free of discrimination, be it race, religion, gender, nationality, marital status, ancestry, socio-economic status or physical disabilities. This is enshrined in our Code of Conduct, which is observed at all levels in the organisation.

By subscribing to workplace diversity, your Company creates a workforce that mirrors the communities in which we operate, enabling us to better understand and build relationships within the communities, optimising the positive economic and social impact of Shell’s presence.

We are committed to making sure employees at all levels of the organisation represent the many faces of Malaysia today. As a company, we understand that diversity is an on-going process, and an essential part of who we are. Achieving and maintaining a diverse workforce is not a one-dimensional goal.

The framework we use to deliver against our D&I aspirations focuses on three areas that are key to a successful business model – Talent, Leadership and Competitiveness. We recognise the need to broaden both how and where we look for talent at every level in the organisation, especially in growth markets and regions.



Employee Composition

As an established organisation, we see a diverse staff and an inclusive work environment as vital to building relationships and trust – key ingredients to our continued success.

Gender Diversity

Gender	Percentage (%)
Male	88
Female	12
Total	100

Ethnic Diversity

Ethnic	Percentage (%)
Malay	49
Chinese	31
Indian	17
Others	3
Total	100

Diversity in the workforce is important as it contributes to three factors:

Attraction and Retention of Top Talent

The world's workforce is more diverse than ever before, due to global business operations. The average age of workers is rising, and the number of women in the workforce continues to increase. As employee value propositions and societal expectations continue to change, our success depends on our ability to attract, motivate, and retain this increasingly diverse pool of talent.

Increased Productivity

Studies show that employees who feel respected, valued, and engaged develop stronger relationships and become more involved in their work. This leads to more effective teamwork, enhanced decision-making, increased creativity and innovation, lower absenteeism and staff turnover, and reduced costs.

Stronger Customer/Market Focus

A diverse workforce and inclusive employment practices ensure that we better understand our increasingly varied customer base, as well as build stronger relationships with them. D&I also helps create a workforce that mirrors the communities in which we operate, enabling us to better understand and build relationships within the communities, optimising the positive economic and social impact of our presence.

corporate social responsibility (continued)

environment





Protect the Environment

In its daily operations, your Company adheres to environmental standards specified by the Shell Group in the mandatory Global Environmental Standard ("GES") for its activities worldwide and is in full compliance with Malaysian legislation.

In this regard, your Company adopts a systematic approach to the management of emissions and effluent discharge designed to ensure compliance and to achieve continuous improvement.

Reducing Greenhouse Gas Emissions

Producing and processing oil and natural gas is energy intensive. Hence, managing the carbon dioxide ("CO₂") and other greenhouse gases ("GHG") is a priority.

In your refinery, GHG emission is measured from gaseous emissions of CO₂, methane and nitrous oxide arising from combustion, flaring, venting, storage, fugitive emissions, loading, unloading, and planned and unplanned releases.

In 2008, emissions from your refinery were 13% lower compared to the previous year, at 997 kilotonnes CO₂ equivalent, and 15% lower compared to the 2004 baseline performance. The significant improvement in 2008 was attributed mainly to the reduced total flaring.

Year	2008	2007	2006	2005	2004
GHG emission (kilotonnes CO ₂ equivalent)	997	1148	1287	1093	1178

CO₂ emission in 2008 registered a 7% decrease compared to the previous year as a direct consequence of the reduced level of flaring. The Sulphur Oxide ("SO_x") emissions remained the same as 2007.

Gases (T/100T intake)	2008	2007	2006	2005	2004
CO ₂	20.4	22.0	23.8	19.9	20.2
SO _x	0.11	0.11	0.15	0.11	0.11

Flaring

In 2008, your refinery recorded a 2% decrease in flaring compared to the previous year as a result of our commitment to lower maximum daily allowable flaring activity.

Year	2008	2007	2006	2005	2004
Total Flared Gas (megatonnes)	23410	23976	42370	29763	17247

Waste Management

Responsible and effective waste management seeks, in a structured manner, to minimise the risk of health, safety and environment ("HSE") incidents and liabilities.

In our operations, we pursue progressive reductions of emissions, effluents and discharges of waste materials that are known to have a negative impact on the environment.

corporate social responsibility (continued)



Your Company uses government approved and licensed contractors to dispose of all hazardous waste. The volume of waste split according to disposal on-site, off-site treatment, off-site landfill and other off-site disposal is monitored to measure the effectiveness and target continuous improvement of waste management.

The main sources of solid waste arising from our refinery operations are spent catalysts and spent caustic.

Year	2008	2007	2006	2005	2004
Spent Catalysts (megatonnes)	2563	2741	2661	1655	2568
Spent Caustic (megatonnes)	5483	2879	2743	655	833

We produced an increased amount of spent caustic in 2008 compared to 2007 due to tank cleaning activities. However, we recorded a 6% reduction in the amount of spent catalysts in 2008 due to cessation of production during the 2008 Major Turnaround ("MTA").

Effluents

Your Company monitors the quality of treated effluent water released into the sea at the Shell jetty as part of our biodiversity measures. In addition, we also look at the environmental impact of the jetty operations by closely observing the seawater quality in the surroundings. In 2008, no infringements were recorded.

Energy Consumption

Your Company is committed to using materials and energy efficiently in providing its products and services. Energy use and energy efficiency is actively monitored and a five-year Energy Management Plan is in place, describing the continuous improvement process to maximise the efficiency of energy use and throughput, based on the requirements of the Shell Group GES.

Your Company uses the industry standard Solomon Associates Energy Intensity Index ("EII") to measure and rank the energy efficiency of your refinery. We recorded an improved performance for 2008, at 124.2, versus the target of 126.1, which closely follows your refinery's utilisation performance.

By setting annual EII targets that take into account the year's operational and maintenance plans, we strive to deliver continuous improvements.

Year	2008	2007	2006	2005	2004
Energy Intensity Index (Actual)	124.2	155.0	169.7	166.9	165.9
Energy Intensity Index (Target)	126.1	162.0	166.3	165.3	159.4



Water Consumption

We are finding and applying new ways to reduce our fresh water use and to provide new supplies of usable water to the communities where we work.

In 2008, your Company utilised its massive reserve of firewater for cleaning during the MTA as well as other cleaning activities. This resulted in 62% decrease in water consumption as compared to the utilisation during the MTA in 2005.

Year	2008	2007	2006	2005
Water Consumption (cubic metres)	569,781	1,006,254	914,954	1,512,044

Biodiversity

We take responsibility in protecting and supporting biodiversity seriously. We have an in-house mapping system to help identify environmentally sensitive sites and map them against existing or planned activities. This helps us identify potential areas of high biodiversity value at an early stage when developing projects.

Essentially, there are four Shell-wide business drivers for addressing biodiversity adopted by your Company:

Contributing to Sustainable Development: Shell has made a commitment to contribute to Sustainable Development. As a key part of the Sustainable Development agenda, biodiversity provides Shell with opportunities to demonstrate this commitment. By taking biodiversity into account at every level – from policies and standards to operations, Shell is putting the principles of Sustainable Development into action.

Risk Management: It is clearly in the interest of Shell to manage negative impacts on biodiversity, as these impacts are a risk to the company's reputation and operations. The public is increasingly moved to action against activities causing species loss and habitat destruction which can affect Shell through campaigns, at the pump, in financial markets and in our ability to bring in highly qualified new staff. These affect the bottom line operations of the Group over both the short and long term.

License to Operate: Biodiversity also affects our license to operate. Proving ourselves as a responsible operator may open opportunities in sensitive environments but our license to operate may be jeopardised by irresponsible operations.

Competitive Advantage: Managing biodiversity effectively can also provide us with competitive advantage in terms of being a preferred operator or partner, in avoiding risk and the associated costs, in increasing the market value of our shares, and in providing customers with a differentiator for our products.

We are committed to early engagement with identified key stakeholders. It is through this process that we work to maintain ecosystems and make a positive contribution towards the conservation of global biodiversity.

corporate social responsibility (continued)

community





Employment of Local Workforce

The investment in our people, through a strong employee value proposition, has attracted and retained a workforce that is motivated to break new frontiers, meet customers needs and develop our business into the future. Our people are our strength. At the end of 2008, we employed 313 people, 98% of whom are Malaysians.

Internship Programme

As part of our CSR initiatives, we introduced an internship programme for students and undergraduates residing around the area of Port Dickson. The internship programme received positive response from the community, with the participation of 46 trainees in 2008.

The programme consists of well-defined projects with clear objectives and deliverables that will allow the interns to work with skilled and experienced colleagues on projects that have real business impact.

Varying in duration, from eight weeks to twelve months, the programme is carefully framed to allow the interns to benefit from continuous performance evaluation and feedback from fellow professionals, thus developing the younger generation of the community in their technical and soft skills as well as their business acumen.

As a manufacturing company, we strive for balance and diversity in the composition of the interns as shown below.

Number of Interns for 2008

Gender	No. of Trainee	Percentage (%)
Male	26	56.5
Female	20	43.5
Total	46	100

Social Performance

Social Performance ("SP") is the social dimension of our commitment to contribute to Sustainable Development. The SP Plan detail how we address the short and long-term, positive and negative, direct and indirect social impacts of our business on the communities and societies in which we operate.

How we manage these impacts will affect the well-being of our neighbours – and ultimately of our business. In short, being a good neighbour is good for business.

SP involves:

- Working to manage our impact on local communities
- Striving to deliver benefits such as jobs, business opportunities and social investment
- Taking an active interest in broader societal issues directly or indirectly related to our business
- Listening to and engaging with our various stakeholders

corporate social responsibility (continued)



Working with Stakeholders

Our daily operations have an impact on surrounding communities, and we recognise the interest our stakeholders have in our business and the need to listen and respond to them.

In this respect, the Port Dickson community is fully engaged on our activities via letter-drops and engagement sessions with neighbours and residents. A communication platform is also provided to enable stakeholders to channel concerns in a timely manner. The local authorities have held us in good stead with the proactive role that we embarked on.

Local Development

Finding ways for our operations to help development and reduce poverty in the communities where we operate is an important part of our commitment to Sustainable Development.

Supporting community projects is another contribution we make to local development. Our strategy is to promote greater interaction and integration with the local communities by promoting and initiating projects that address issues directly linked to our business.

Our contributions do not always take the form of direct funding and monetary sponsorships. We also provide employment and business opportunities to local contractors, as well as invest in programmes and initiatives to raise the socio-economic status of Port Dickson communities and to further enhance their quality of life. This non-quantifiable contribution has been widely acknowledged by the local Government, authorities and community leaders alike.

Our community outreach programme, "We Care, We Share" ("WCWS"), helps raise the quality of life in the communities where we operate. Since 1998, staff, family members, retirees and members of the community have been volunteering their time for WCWS programmes.

With the full support of Shell, employees have been helping in many ways, such as taking special needs children to development camps and joining local communities in keeping public surroundings clean.

We are also supportive of programmes which emphasise the proficiency of English and science and technology.



The programmes we have organised, participated in, and/or supported by your Company in 2008, include:

Education

- Overhead bridge safety awareness campaign at Port Dickson High School
- Fire safety and disaster briefing at Sekolah Menengah Dato' Abdul Samad
- Fire prevention campaign with the Fire Department and Sekolah Teknik Port Dickson
- Negeri Sembilan state-level Design Innovation Exploration programme organised by the Malaysian Design Council
- Education and Careers Carnival Negeri Sembilan
- Participation of the District Majlis Sukan Sekolah-Sekolah Malaysia ("MSSM") contingent to the Negeri Sembilan State meet.
- District English Language Carnival at Sekolah Menengah Tanah Merah
- "Waja Diri" teambuilding camp with 80 primary students from Sekolah Kebangsaan Port Dickson
- Negeri Sembilan Orphans Sports Carnival

Social

- Anti Drug and Crime Campaign with Agensi Anti-Dadah Kebangsaan
- Negeri Sembilan Rotary Club International Conference

Environment and Biodiversity

- Malaysian Nature Society Raptor Watch 2008 at Tanjung Tuan, Port Dickson
- Tree planting programme with Sekolah Menengah Dato' Abdul Samad ("SDASA")
- Environmental awareness programme with selected secondary schools

Good neighbour

- Host Refinery visits by various NGOs, government bodies, and secondary school and university students
- Community dialogues with NGOs, neighbours and government authorities
- Health and Safety Days in Kampung Arab and Kampung Gelam
- Festival Road Safety Campaign in conjunction with Lions Club and the Royal Malaysian Police

We Care, We Share

- Visit to Port Dickson Day Care Centre for special children programme, "Melahirkan Modal Insan"
- Visit to nursing home with students from Sekolah Menengah Lukut, Port Dickson for "Majlis Meraikan Warga Emas"
- Breaking of fast with Port Dickson Foundation orphans
- Health screening and awareness programme with Port Dickson Women's Community Club ("PDWCC") and the National Kidney Foundation
- Raised funds for Sengkang Tamil School, Port Dickson
- Raised funds for Sekolah Menengah Panglima Adnan, Port Dickson, a school for special children

highlights



5 March
Fire Safety Programme with Sekolah Teknik
Port Dickson



26 March
Port Dickson District English Carnival
for Secondary Schools



11 April
8 million Man-hours without Lost Time Injury
Celebrations



13 August
WCWS Programme – Health Awareness Programme
with National Kidney Foundation and PDWCC



27 August
WCWS Programme – “Majlis Meraikan
Warga Emas” with SM Lukut



5 October
WCWS Programme with Special Children
(PDK Port Dickson)



23 October
Shell Tree Planting Programme with SDASA



October
HSSE Week 2008 Launch



8 November
SRC Annual Dinner

of the year



23 April
"Kem Waja Diri" with PD Primary School



30 May
Community Update on Major Turnaround 2008



28 July
WCWS Programme – "Melahirkan Modal Insan"
(Special Children)



10 October
Chinese New Year Road Safety Campaign



18 October
SRC Hari Raya Open House 2008



22 October
Environmental Awareness Programme with
PD Secondary School



12 November
WCWS Programme with SRK (T) Sengkang



November
Shell Executive Vice President's Awards
Winners 2008



27 December
WCWS Programme – "Gotong Royong" with
JKKK Kampung Gelam

audit committee **report**

Terms of Reference

In line with the best practice of Corporate Governance, your Audit Committee ("AC") is governed by the following terms of reference:

Constitution

Your Board of Directors ("BOD") established the AC on 22 September 1993 to:

- a. Assist in discharging your BOD's responsibilities relating to your Company's management of internal controls, accounting policies and financial reporting;
- b. Provide by way of regular meetings, a line of communication between your BOD and your Company's internal and external auditors.

Membership

- a. Your AC consists of four members. Three members of your AC are Independent Non-Executive Directors to fully comply with paragraph 15.10 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").
- b. The Chairman is one of the appointed Independent Non-Executive Directors.
- c. At least one (1) member:
 - i. Must be a member of the Malaysian Institute of Accountant ("MIA"); or
 - ii. If he is not a member of the MIA, he must have at least three (3) years of working experience and:
 - He must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - He must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

Quorum and Frequency of Meeting

- a. A quorum shall be the majority of Independent Non-Executive Directors.
- b. Meetings shall be held at least four (4) times each calendar year, usually preceding the meetings of your BOD.
- c. The Internal Audit Manager shall be the secretary of your AC.
- d. The external auditors have the right to appear or may request a meeting if they consider it necessary in any AC meeting.
- e. At least twice a year, your AC shall meet with the external auditors without any Non-Independent member present.
- f. The Managing Director and the Finance Manager shall attend the quarterly meetings although they do not have any voting rights.

Authority

- a. Your AC is authorised by your BOD to investigate any activity within its terms of reference and shall have unrestricted access to information it requires from any employee, and all employees are directed to co-operate with any request made by your AC.
- b. Your AC is authorised by your BOD to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise whenever it deems necessary.



Duties and Responsibilities

The following are the main duties and responsibilities of your AC, and where appropriate, report to your BOD on the following:

a. Risk Management & Internal Control

- i. Review the adequacy of and to provide independent assurance to your BOD on the effectiveness of the Company's risk management process.
- ii. Evaluate the quality and effectiveness of your Company's internal controls and management information systems, including compliance with applicable laws, rules and guidelines.
- iii. Recommend to your BOD the Statement of Internal Control and any changes to the said statement.

b. Financial Reporting

- i. Review the quarterly, half-yearly and annual financial statements before submission to your BOD, focusing particularly on:
 - Any changes in accounting policies and practices;
 - Significant or material adjustments with financial impact arising from the audit;
 - Significant unusual events or exceptional activities;
 - Financial decision-making with the presumptions of significant judgments;
 - The going concern assumptions; and
 - Compliance with approved accounting standards, stock exchange and other regulatory requirements.
- ii. Propose best practices on disclosure in financial results and annual reports of your Company in line with the principles set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.

c. External Audit

- i. Recommend the appointment and audit fee of the external auditors to your BOD.
- ii. Make appropriate recommendations to your BOD on matters of resignation or dismissal of the external auditors.
- iii. Review and discuss the nature and scope of the external audit strategy and plan.
- iv. Review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditors' evaluation of the system of internal control any other matters the external auditors may wish to discuss (in the absence of management, if required)

d. Internal Audit

- i. Review the scope, function, resources and authority of the internal audit function in carrying out its work.
- ii. Review the risk-based internal audit plans and programmes.
- iii. Ensure co-ordination between the internal and external auditors.
- iv. Review the major findings reported by internal audit and follow up on management's implementation of the recommended actions.
- v. Assess performance of services provided by the internal audit function.

audit committee report (continued)

e. Significant Related Party Transactions (“RPT”)

Review and recommend to your BOD matters regarding significant RPT including disclosures and situations involving potential conflict of interest that may arise within your Company, including any transaction, procedure or course of conduct that raises questions on management integrity.

f. Other Matters

- i. To report to BMSB, if your AC views that a matter resulting in a breach of the listing requirements of BMSB reported by your AC to your BOD has not been satisfactorily resolved by your BOD.
- ii. Such matters as your AC considers appropriate or as defined by your BOD from time to time.

Attendance of Meetings

Your AC held five (5) meetings in the year 2008. The attendance records are as follows:

Member	Attendance	Percentage
Dato’ Jaffar Indot (Chairman)	5/5	100%
Thomas Michael Taylor	5/5	100%
Dato’ Seri Talaat Bin Haji Husain	5/5	100%
Tan Sri Saw Huat Lye – Resigned on 15 May 2008	3/3	100%
Tan Sri Datuk Clifford Francis Herbert – Appointed on 1 June 2008	2/2	100%

Your Company’s Managing Director, Finance Manager and external auditors (as and when required) attended these meetings to brief your AC on specific issues. Chairman of your AC and the Independent Directors had three meetings with the external auditors on 14 August, 12 November 2008 and 17 February 2009 to discuss the results of the audit, including matters related to independence of the external auditors and any other observations they may have during the audit process.

Minutes of meeting of the AC were circulated to all members and significant issues are highlighted by your AC Chairman at your BOD meeting for further discussion and deliberation.

Highlights of Activities

During the financial year 2008, your AC carried out the following activities:

Internal Audit

- a. The Assurance Plan 2008 consisted of 16 internal audit/review. Your AC had reviewed and endorsed the Assurance Plan to ensure adequate scope and comprehensive coverage over the activities of your Company.
- b. Reviewed all internal audit/review report in 2008 as listed below on a range of business processes and regulatory compliance. Where appropriate, your AC had directed management to rectify and improve internal control processes based on the auditors’ recommendations and suggestions for improvement.

Name of Audit/Review	Period Conducted
Capital Project and Global Processes Audit	Quarter 2
ISO 9001 Surveillance/ Recertification Audit	Quarter 3
ISO 14001 Surveillance/ Recertification Audit	Quarter 3
OHSAS 18001 Surveillance/ Recertification Audit	Quarter 3
ISO 17025 Surveillance/ Recertification Audit	Quarter 3
Related Party Transaction Audit	Quarter 3
Major Turnaround Post Implementation Review	Quarter 3
Security Review	Quarter 3
Financial Management Information Process and Controls Review	Quarter 4
Group Business Assurance Letter Review	Quarter 4
Inland Revenue Board Tax Audit	Quarter 4
Focused Asset Integrity Review on Pressure Equipment Integrity	Quarter 4
Shell Aviation Quality Assurance Audit	Quarter 4
Process Safety Assessment on Complex 2	Quarter 4
Process Safety Assessment on Off Plot Engineering and Maintenance	Quarter 4
Contract Audit	Quarter 4

- c. Monitored the corrective actions on outstanding audit issues to ensure that all the key risks and control lapses have been addressed.

**Financial Reporting**

- a. Reviewed the quarterly unaudited financial results before recommending them for approval to your BOD.
- b. Reviewed the annual audited financial statement with the external auditors prior to submission to your BOD for their approval. The review was to ensure compliance with:
 - i. Provisions of the Companies Act 1965;
 - ii. Listing Requirements of BMSB;
 - iii. Applicable approved accounting standards; and
 - iv. Other legal and regulatory requirements

External Audit

- a. Reviewed and approved external auditors audit plan, audit strategy and scope for the year.
- b. Evaluate the performance and effectiveness of the external auditors and make recommendations to your BOD on their appointment.
- c. Reviewed the results of the annual audit report and management letter of the external auditors, including the management's response.

Risk Management and Internal Control

Reviewed and approved your Company's risk profile and ensure compliance to Shell Group Risk Management Manual.

Whistle Blowing

Reviewed the whistle blowing cases (if any) reported via Shell Global Helpline and ensure the appropriate action were taken by Shell Business Integrity Department in addressing the concern reported. There were no whistle blowing cases reported in 2008.

Significant Related Party Transactions

There was no significant related party transaction, which required announcement to BMSB entered into by your Company in 2008.

Internal Audit Function

Your Company outsourced the Internal Audit Function ("IAF") to its affiliate company, Shell Malaysia Limited, via a Service Level Agreement. The Internal Audit Manager reports to your AC.

The IAF assists management to identify, evaluate significant risks and develop risk-based audit plans for approval by your AC. The IAF provides independent assessment and reasonable assurances on areas of operation reviewed and advises on the best practices that will improve and add value to your Company.

corporate **governance statement**

Your Board of Directors is dedicated to implement the highest standards of corporate governance at all levels within your Company and has adopted the Shell General Business Principles (“SGBP”) – a governance blueprint developed by Royal Dutch Shell plc, your Company’s ultimate holding company. Your Company’s policies and procedures are upheld by internal controls that are regularly audited and reviewed to ensure their effectiveness. These policies and procedures is designed to support a robust corporate governance system.

Additionally, your Board of Directors supports the Principles of Corporate Governance as laid out in the Malaysian Code of Corporate Governance (as revised in 2008) and is committed to ensuring that the highest standards of corporate governance are implemented and maintained throughout in enhancing shareholders’ value and the long term value of your Company.

These principles and practices, supported by existing internal controls processes, are regularly audited and reviewed, to ensure transparency and accountability. Royal Dutch Shell plc has developed a governance guide, series of policies and management systems, training modules and reporting mechanisms that are designed to support a strong system of corporate governance. The SGBP, as adopted by your Board, spells out clearly the key business principles that govern the way your Company conducts its business.

Shell General Business Principles (“SGBP”)

The SGBP, which first came into being in 1976 has remained consistent ever since, because the core values on which the Principles were originally based have endured, namely

- Honesty
- Integrity
- Respect for people

Your Company also firmly believes in the fundamental importance of the promotion of trust, openness, teamwork and professionalism, and in pride in what it does. These underlying corporate values determine your Company’s principles. These principles apply to all transactions, large or small, and describe the behaviour expected of every employee in your Company in the conduct of its business. In turn, the application of these principles is underpinned by procedures within your Company, which are designed to ensure that its employees understand the principles and that they act in accordance with them. Your Company recognises that it is vital that its behaviour matches its intentions.

All the elements of this structure – values, principles and the accompanying procedures are necessary. It is our firm belief that maintaining the trust and confidence of shareholders, employees, customers and other people with whom your Company does business, as well as the communities in which our refinery is situated, is crucial to its continued growth and success. Your Company intends to merit this trust by conducting itself according to the standards set out in these principles. These principles have served your Company well for many years. It is the responsibility of Management to ensure that all employees are aware of these principles, and behave in accordance with the spirit as well as the letter of the SGBP.

A reputation for integrity is a priceless asset. In December 2006, the Shell Group Code of Conduct was launched with the expectation that every employee carries out his/her duty in accordance with the SGBP guided by a single Code. The thrust of the Code is premised on both legal and ethical compliance.

The Shell Group’s shared core values of honesty, integrity and respect for people underpin everything that each of your Company’s employee founded on the SGBP. The Code of Conduct crystallises the basic rules, standards and behaviours necessary to achieve those objectives. It provides requirements and guidance, expressed as clearly, concisely and consistently as possible, within a single, company-wide document for all the employees on a number of enterprise-wide risk areas.

As part of the Shell Group, your Company operates in an ever-changing world. The Code is a place to start the search for guidance, advice and answers when employees are faced with questions in their daily work, because it provides a great deal of useful information.

- It provides practical advice on how to comply with laws and regulations
- It provides requirements and guidance about how an employee should relate to colleagues, customers, shareholders, communities, vendors, competitors and governments
- It directs employees to other useful information sources
- It can help employees resolve difficult questions about business conduct – and it explains how to get confidential advice

This Code of Conduct is a further commitment to integrity for all.



Board of Directors

Your Board is committed in ensuring that the Principles of Corporate Governance set out in the Malaysian Code of Corporate Governance are effectively employed and adhered to in your Company.

Board Composition and Balance

Your Board currently consists of nine Directors, namely, a Non-Executive Non-Independent Chairman, two Executive Directors, where one is the Managing Director, and six other Directors, three of whom are Independent Non-Executive Directors, which is in compliance with paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The roles of the Non-Executive Chairman and the Managing Director are distinct and separate with their responsibilities clearly defined to ensure a balance of power and authority. The Non-Executive Chairman is the Country Chairman of Shell Malaysia and contributes his considerable experience to the Board. He is also responsible for the integrity and effectiveness of the relationship between the Independent Non-Executive Directors and the remaining Directors. His active interactions with other industry leaders and excellent relationships with key stakeholders as the Chairman of your Company as well as for Shell Malaysia, allows him to provide great insights and invaluable foresight in strategic planning of your Company.

The Independent Non-Executive Directors, all of whom are persons of high calibre and integrity, respected and experienced present or past business leaders in their own right, play important roles by exercising independent judgment and objective participation in the proceedings and decision-making processes of your Board. The presence of the Independent Non-Executive Directors is essential in order to ensure that the interests of other parties, such as the minority shareholders, are properly safeguarded. The Independent Non-Executive Directors do not engage in the day-to-day management of your Company to facilitate them to discharge their duties free from any business or other relationship, which could materially interfere with their independent judgment as defined under paragraph 1.01 of Bursa Malaysia Listing Requirements and void of any conflict of interest possibilities.

The other Non-Executive Non-Independent Directors, being senior executives within the Shell Group, also bring with them a wide range of essential business and financial experience relevant to your Company. The independence of the Non-Executive Non-Independent Directors is constantly reviewed and benchmarked against Shell Group's governance requirement and regulatory provisions.

The profile of each Director is given on pages 26 to 29. All the Directors attended all the Board meetings for the year during their tenure.

Responsibility

Your Board has the overall responsibility for corporate governance and strategic direction of your Company and is entrusted to exercise reasonable and proper care in utilising your Company's resources for the best interests of its shareholders and to safeguard its assets. The Managing Director is primarily responsible for the day-to-day operations of your Company. In addition, the Managing Director has the principal responsibility of reporting, clarifying and communicating matters relating to day-to-day operations of your Company to its Board.

All the Directors in office as of 31 December 2008 have attended the Mandatory Accreditation Programme ("MAP"). The Board firmly believes in the continuing education of individual Directors consistent with the requirements of paragraph 15.09 of the Listing Requirements (hereinafter referred to as "CEP requirements"). Your Board has taken on the onus in reviewing, evaluating and determining the specific and continuous training and the competency development of individual directors during its meetings resulting in in-house training being carried out in addition to participation in public sessions. The Directors are also kept up-to-date on changes in the regulatory/legal/commercial risks environment as and when required through various means.

corporate governance statement (continued)

Details of the Directors' attending MAP pursuant to paragraph 15.09 of the Listing Requirements and the in-house trainings, aimed at improving the Directors' competency are summarised as follows:

Courses	Dato' Saw Choo Boon	Dato' Jaffar Indot	Dato' Seri Talaat Bin Haji Husain	Tan Sri Saw Huat Lye	Raja Ahmad Murad Bin Raja Bahrin	Dato' Mohzani Bin Abdul Wahab	Thomas Michael Taylor	Mark Owen Stevens	Tan Sri Datuk Clifford Francis Herbert [#]
2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements – An Update	✓	✓	✓	✓	✓	✓	✓	✓	–
Single Tier Dividend System – Its Impact	✓	✓	✓	✓	✓	✓	✓	✓	–
How Malaysia is affected by the Sub-Prime Debt Crises	✓	✓	✓	✓	✓	✓	✓	✓	–
The Politics of Climate Change	✓	✓	✓	✓	✓	✓	✓	✓	–
MAP	✓	✓	✓	✓	✓	✓	✓	✓	✓

[#] Tan Sri Datuk Clifford Francis Herbert was appointed on 1 June 2008.

Board Meetings

Your Board meets at least four (4) times a year scheduled well in advance before the end of the preceding financial year for early planning. In exceptional circumstances, additional meetings may be convened with sufficient notice. During Board meetings, the Managing Director, and members of the Management team, will table and present comprehensive reports for your Board's consideration, deliberation and direction. The Chairman of your Audit Committee would inform the Directors at each Board meeting of any salient matters noted by your Audit Committee and which require your Board's notice or direction.

Your Directors have full and unrestricted access to all information pertaining to your Company's business or affairs to enable them to discharge their duties. Written reports on health, safety, security and environment, operational performance and profitability, human resources, business plans and various financial indicators are made available in advance to members of your Board to ensure a lively and robust debate.

Your Directors are given the following documents for their perusal, in advance of each Board meeting:

- Agenda;
- Management Report;
- Financial Statements;
- Board Papers; and
- other relevant documents.

In addition, members of the Management are frequently invited to your Board meetings to explain and clarify the items tabled to your Board. This allows the Directors to support and at the same time challenge viability of key business propositions and challenge the sufficiency of mitigating measures to address principal risks.

Minutes of each Board meeting are circulated to each Board member prior to confirmation of the minutes in the next Board meeting.



Details of the Directors' attendance at meetings during 2008 are summarised as follows:

Directors	Number of Board Meetings		Number of Audit Committee Meetings		General Meetings	
	Held [#]	Attended	Held [#]	Attended	Ordinary	Extra-ordinary
Y. Bhg. Dato' Saw Choo Boon	5	5	Non-member	Non-member	Yes	Nil
Y. Bhg. Tan Sri Saw Huat Lye ^{##}	3	3	3	3	Yes	Nil
YM Raja Ahmad Murad Bin Raja Bahrin	5	5	Non-member	Non-member	Yes	Nil
Y. Bhg. Dato' Jaffar Indot	5	5	5	5	Yes	Nil
Y. Bhg. Dato' Mohzani Bin Abdul Wahab	5	5	Non-member	Non-member	Yes	Nil
Mr. Thomas Michael Taylor	5	5	5	5	Yes	Nil
Mr. Mark Owen Stevens	5	5	Non-member	Non-member	Yes	Nil
Y. Bhg. Dato' Seri Talaat Bin Haji Husain	5	5	5	5	Yes	Nil
Y. Bhg Tan Sri Datuk Clifford Francis Herbert ^{###}	2	2	2	2	No	Nil

[#] Number of Board meetings held during tenure as Director.

^{##} Resigned with effect from 15 May 2008.

^{###} Appointed with effect from 1 June 2008.

Details of place, date and time of the 49th Annual General Meeting:

Place Sime Darby Convention Centre,
1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur.
Date Thursday, 15 May 2008.
Time 11.00 a.m.

There were no Extraordinary General Meetings held in 2008.

Whenever independent professional advice is required by the Directors to carry out their duties, an outside expert may be engaged at your Company's expense. All Directors have unlimited access to the advice and services of the Company Secretary, whose appointments and resignations are subject to Board approval. The Company Secretary regularly inform the Board on the changes to statutory and regulatory requirements pertaining Directors.

Your Board takes a particular interest in your Company's role as a responsible and caring member of the community. To this end, your Board has adopted various initiatives including:

- promoting the goal of Sustainable Development by adopting a systematic approach to health, safety and environmental management; and
- supporting the implementation of the Social Performance Plan (pg 67), which is aimed to increase our social performance levels and benefit the stakeholders as well as your Company.

Appointment and Re-Election of Directors

In accordance with your Company's Articles of Association, the Directors may fill any casual vacancy occurring in your Board. The new appointee shall retain his office until the next Annual General Meeting but is eligible for re-election by the shareholders at that meeting.

The Articles of Association also provide for retirement by rotation, where one-third of Directors shall retire from office at least once every three years but shall be eligible for re-election by the shareholders at the Annual General Meeting.

corporate governance statement (continued)

Section 129 of the Companies Act, 1965, provides that Directors who are over the age of seventy (70) shall retire at every Annual General Meeting but may offer themselves up for re-election.

Nomination Committee

The nomination process is formal and transparent, and is in line with the intent of the recommendation of Malaysian Code on Corporate Governance. After taking into account the present process and circumstances particular to your Company, your Board has elected not to appoint a nomination committee. Instead, the Chairman in consultation with relevant stakeholders seeks nominations, deliberates and endorses candidates for appointment as Directors. The nomination process takes into account the skills, experience, expertise and core competencies the candidates would bring to your Board. Your Board makes the final decision on the appointment of Directors in accordance with your Company's Articles of Association. The appointment of senior management is made in consultation with relevant stakeholders and a non-executive member of the Board.

Directors' Remuneration

After taking into account the present process and circumstances particular to your Company, your Board has elected not to

appoint a remuneration committee. Instead, your Board has the Shell Group's remuneration policy to set the remuneration of the Managing Director. The remuneration level is also benchmarked internally with other Shell operating companies in Malaysia based on the level of seniority, individual performance as well as corporate performance. The Managing Director does not participate in the setting of his remuneration package.

All Independent Directors are paid directors' fees. The remuneration received by the Independent Non-Executive Directors is based on the competitive market situation, taking into consideration the Directors' business and financial experience relevant to your Company. The determination of Independent Non-Executive Directors' fees is a matter for the your Company's Board of Directors as a whole and the Independent Non-Executive Directors concerned do not participate in the deliberations and voting on decisions in respect of their remuneration. The Board, as a whole, recommends the remuneration payable to the Independent Non-Executive Directors to the shareholders for approval at the general meeting, as and when required. The remuneration of the Independent Non-Executive Directors was increased in 2007 as approved by the shareholders in the 2007 Annual General Meeting.

An analysis of the aggregate Directors' remuneration paid by your Company for the year ended 31 December 2008 is set out below:

Name of Directors	Basic Salary RM'000	Directors' & Audit Fees RM'000	Attendance and other fees RM'000	Bonus RM'000	Contribution to Provident Fund RM'000	Benefits in-kind and Others RM'000	Total RM'000
Executive YM Raja Ahmad Murad Bin Raja Bahrin [^]	498	-	-	170	122	170	960
Non-Executive Y. Bhg. Tan Sri Datuk Clifford Francis Herbert	-	22.5	4	-	-	-	26.5
Y. Bhg. Dato' Jaffar Indot	-	45	11	-	-	-	56
Y. Bhg. Tan Sri Saw Huat Lye	-	22.5	7	-	-	-	29.5
Y. Bhg. Dato' Seri Talaat Bin Haji Husain	-	45	11	-	-	-	56

[^] Please note Raja Ahmad Murad's director's interest under Shell's Performance Share Plan.



The Non-Independent Non-Executive Directors of your Company receive their remuneration from other Shell companies and do not receive any form of remuneration from your Company.

The Audit Committee

The Audit Committee of your Board was established in 1993. Your Audit Committee comprises of four Directors, three of whom are Independent Non-Executive Directors and one of the Independent Non-Executive Directors chairs the Audit Committee. One of the Directors in your Audit Committee is a qualified accountant as prescribed by the Malaysian Institute of Accountants. The Managing Director and the Finance Manager normally attend your Audit Committee meetings.

There were five meetings of your Audit Committee in the financial year 2008, during which management made presentations on your Company's state of internal controls and progress on the Assurance Plan. The Independent Non-Executive Directors of your Audit Committee meet independently, at least twice a year, with the external auditors.

Your Company has also established an internal audit function to obtain sufficient assurance of regular review and appraisal of the effectiveness of your Company's internal controls. The Internal Audit Manager acts as Secretary to your Audit Committee. Your Audit Committee has wide powers with authority to regulate its own procedures and has its own terms of reference. Your Audit Committee's role, and functions and activities are set out on pages 72 to 75 of this Annual Report.

Annual Report and Annual General Meeting

Your Company continues to acknowledge the importance of transparency and accountability to its shareholders and investors in compliance with the Malaysian Code on Corporate Governance. Your Company uses different channels of communication to provide shareholders, investors and other stakeholders with information to fulfil these objectives. An important channel to reach shareholders and investors is the Annual Report. As such your Company does not only include comprehensive details of the business, financial performance and other activities of your Company in the Annual Report, but also continually enhances its contents to achieve and maintain the highest standards of corporate governance.

In addition, an important forum for communication and dialogue with your Company's shareholders is the Annual General Meeting. Your Company's Annual Report contains written clarifications on each item on the agenda of the Annual

General Meeting so that shareholders are suitably briefed on matters that are to be discussed to enable their effective participation. The Chairman and your Board encourage shareholders to attend and participate in the Annual General Meeting. Questions posed are, where possible, answered in detail either at the Annual General Meeting itself or thereafter. Shareholders are welcome to raise queries by contacting your Company at any time throughout the year and not just at the Annual General Meeting. Your Company's Registrars or appropriate officers will attend to queries in a prompt and efficient manner.

Financial Reporting

It is the commitment of your Board to provide a balanced, clear and meaningful assessment of the financial position and prospect of your Company in all the reports to shareholders and investors. Your Company presents quarterly public financial announcements and they include details of your Company's business performance and current issues and concerns. Your Directors scrutinise these announcements during their Board Meetings prior to publication to ensure that they are accurate and present a balanced assessment of your Company's affairs. Your Board is assisted by the Audit Committee to oversee the financial reporting process and the quality of financial reporting of your Company. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 94 of this Annual Report.

Investor Relations

Another key channel of communication with shareholders, investors and analysts is your Company's Investor Briefing Session. This regular event, that commenced in the second quarter of 2004 allows your Company to have direct communication with the investment community and address issues that investors may have and to explain or clarify aspects of the business and operations of your Company. This is further testimony to your Company's continued commitment to transparency in reporting and is one of the ways in which the Company supports Bursa Malaysia's Best Practice in Corporate Disclosures recommendations. Your Company's web page is another communication tool to provide the latest information to the shareholders and investing public. The updated information on the website includes, among others, financial results, investor presentations, capital structure information, press releases and relevant information.

Your Company's webpage address is accessible from www.shell.com.my.

corporate governance statement (continued)

Shell Global Helpline

The Global Helpline was launched in during 2006 and implemented through 2007; to provide a facility whereby employees could report on, or seek clarification on, any compliance related issue.

This helpline is available to all employees for reporting of and advice on legal and ethical non-compliance incidents, dilemmas and concerns. The facility is hosted by a third party service provider with broad language capability and is available 24 hours a day, 365 days a year. To assist with the continued promotion of the Global Helpline, posters have been developed for each country to be displayed on notice boards in public office areas and where employees congregate. The posters contain the toll free number for their particular country and are available in the languages appropriate for that country.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required under the Companies Act, 1965 to prepare financial statements for each financial year which have been made in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965, which give a true and fair view of the state of affairs of your Company at the end of the financial year and of the results and cash flows of your Company for the financial year.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards and provisions of the Companies Act, 1965 have been followed; and
- based such statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that your Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that your Company keeps accounting records which disclose with reasonable accuracy the financial position of your Company and which enable them to ensure that the financial statement comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps that are reasonably open to them to safeguard the assets of your Company to prevent and detect fraud and other irregularities.

Internal Control

Your Board continues to maintain a sound system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures to safeguard shareholder's investment and your Company's asset. The Statement of Internal Control, is set out on pages 84 to 85.

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement of Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to your Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process your Board has adopted in the review of the adequacy and integrity of internal controls of your Company. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures.

Relationship with External Auditors

Your Board via the Audit Committee has established a formal and transparent professional relationship with the external auditors of your Company. The role of your Board and the Audit Committee in relation to the auditors is described on pages 72 to 75. The Chairman of your Audit Committee and the Independent Directors, met the External Auditors on 14 August, 12 November 2008 and 17 February 2009 to discuss the external audit findings, without any Non-Independent Directors present.



Other Information

a. Conflict of Interest

None of the Directors have any family relationship with other Directors and/or major shareholders of your Company, nor any personal interest in any business arrangement involving your Company. None of the Directors have had convictions for any offences within the past ten years.

b. Material Contracts Awarded to Directors and substantial Shareholders

None of the Directors and major stockholders had any material contract with your Company during the financial year under review.

c. Sanctions and/or Penalties Imposed

In December 2008, two compounds of RM1,500 each were paid to the state Department of Environment ("DOE") for the non-compliance of Environment Quality (Schedule Waste) Regulations 2005 within your refinery's fence.

Your Company has engaged the DOE on the remediation actions and internal processes have been strengthened to avoid recurrence.

There were no other sanctions and/or penalties imposed on your Company and its Directors by the relevant regulatory bodies during the financial year under review.

d. Utilisation of Proceeds

During the financial year, there were no proceeds raised by your Company from any corporate proposals.

e. Share Buybacks

Your Company did not enter into any share buyback transactions during the financial year.

f. Options, Warrants or Convertible Securities

No options, warrants or convertible securities were exercised during the financial year.

g. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme.

Your Company did not sponsor any ADR or GDR programme during the financial year.

h. Non-Audit Fees

During the financial year, your Company engaged the External Auditors for a number of non-audit activities in the following areas:

- Review of Statement of Internal Control (RM 22,000)

i. Profit Guarantee

During the financial year, there were no profit guarantees given by your Company.

j. Revaluation Policy on Landed Properties

The Shell Group's revaluation policy is stated in Note 2.3 to the Financial Statements.

k. Recurrent Related Party Transactions of Revenue of Trading Nature.

The Recurrent Related Party Transactions of Revenue or Trading Nature is stated in Note 28 to the Financial Statements.

Signed on behalf of the Board of Directors, in accordance with the Board of Directors' resolution dated 13 March 2009.

Y. Bhg. Dato' Saw Choo Boon
Chairman

YM Raja Ahmad Murad Bin Raja Bahrin
Managing Director

statement of **internal control**

Introduction

The Malaysian Code on Corporate Governance requires Public Listed Companies to have and maintain comprehensive internal controls to safeguard shareholders' investments and company assets. Under the provisions of the Bursa Malaysia Listing Requirements, Para 15.27(b), Directors of Public Listed Companies are required to produce a statement on the state of your Company's internal control in their Annual Report.

Your Board continues with its commitment to maintain a sound system of internal control and good corporate governance in the Company. Your Board is pleased to provide the following Statement of Internal Control that was prepared in accordance with Bursa Malaysia's Statement on Internal Control – Guidance for Directors of Public Listed Companies. Your Board believes the practice of good corporate governance is an important continuous process and not just a matter to be covered as compliance in the annual report.

Board Responsibility

Your Board acknowledges the importance of sound internal controls and a robust risk management programme for good corporate governance. Your Board affirms its overall responsibility for reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Management assisted your Board in the implementation of the approved policies and procedures on risk and controls. Management identify and assesses the risk faced and then design, implements, and monitor appropriate internal control to mitigate and manage this risk. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management and Assurance Plan

Your Company has adopted the Shell Group Risk Management Manual issued in 2006. The Company has in place an on-going process as detailed below for identifying, evaluating, monitoring and managing significant risk that affect the achievement of your Company's objective throughout the period. This process is regularly reviewed by your Board, taking cognisance of changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls. The objective is not to eliminate risk but to understand your Company's significant risks, set boundaries for risk taking and apply fit-for-purpose risk responses that enable your Company to achieve its corporate objectives within a managed risk profile.

Fit-for-purpose risk responses are primarily intended to:

- Minimise the likelihood of a risk occurring by actively managing the sources of the risk
- Mitigate the impact of a risk if it occurs, often through the application of some form of alert that the risk has materialised, followed by the initiation of a contingency or recovery plan to reduce the potential consequences

The risk profile of your Company is established during risk management sessions undertaken by the Management, which identifies the significant risks that your Company is facing. The changes to the Company's risk profile, the risk responses and assurances are documented in the Risk Register and Assurance Plan. The Assurance Plan is the basis of the risk based Audit Plans developed for your Company.

The Assurance Plan is reviewed by the Internal Audit Function and approved by the Audit Committee ("AC") as delegated by your Board. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out. Control issues arising from the assurance process including internal and external audits are discussed at the AC. Your AC, as part of the annual strategic review, considers and approves the Assurance Plan as in previous years. The Chairman of the AC advises your Board on the approved Assurance Plan and any subsequent changes during your Board's quarterly meetings.



Other Key Internal Control Structure

Apart from risk management and assurance plan, the other key elements of your Company's internal control systems are described below:

- a. Your Board meets at least quarterly and has set a schedule of matters, which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. Your Managing Director leads the presentation of board papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by your Board is a prerequisite.
- b. An organisational structure with formally defined lines of responsibility and delegation of authority is in place.
- c. The adoption of the Shell Statement of General Business Principles and the Code of Conduct, which governs the standards of conduct and guidance of the ethical standards. Any breach of these Principles or the Code is actionable by disciplinary proceedings.
- d. Clearly documented and auditable procedures and manuals in respect of financial controls, trading controls, contracting and procurement, engineering, operation, human resource, health, safety, security and environment.
- e. Documented and auditable "Control Registers" over activities, which affect your Company's financial results.
- f. Structured review of financing proposals and business plans before adoption combined with a detailed budgeting process.
- g. Regular and comprehensive information provided to the Management and on a quarterly basis to your Board, covering financial performance and key business performance indicators.
- h. The monitoring by, and reporting to, your Board of every single affixation of the Company's Common Seal was made in accordance with the Articles of Association of your Company.
- i. Provision by your Company's Management the Letter of Assurances on an annual basis affirming that appropriate internal business controls are in place, ensuring compliance with your Company's policies and as well as local laws and legislations.
- j. Declaration by all employees of your Company on an annual basis on any conflict of interest, compliance with the Statement of General Business Principles and the Code of Conduct.
- k. Declaration by relevant employees on any shareholding and movements thereof on any shares of your Company held by such employee through the declaration for Share Transactions.
- l. An enhanced global system for confidential disclosure, "Shell Group's Global Helpline" is in place for staff to raise concerns where the interest of the organisation or its stakeholders is at risk, either by a breach of a process or procedure, or where beneficial opportunities may be missed.
- m. A secure and confidential channel for the employees, shareholders and other stakeholders to raise concerns, issues and complaints directly to the Senior Independent Non-Executive Director.

There were no material losses reported during the current financial year as a result of weaknesses in internal control. The Management of your Company continues to take measures to strengthen the internal control environment.

This statement is made in accordance with the resolution of your Board of Directors dated 13 March 2009.



shaping a better future

We dedicate time and resources to ensure that our goals are aligned with those of our shareholders, employees, customers and the community...at all times.



financial statements

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directors' report

The Directors hereby submit their annual report to the members together with the audited financial statements of the Company for the year ended 31 December 2008.

Principal Activities

The principal activities of the Company consist of refining and manufacturing of petroleum products. There has been no significant change in these activities during the year.

Financial Results

	RM'000
Loss for the year	(330,017)

Dividends

The dividends on ordinary shares paid or declared by the Company since 31 December 2007 were as follows:

	RM'000
In respect of the year ended 31 December 2007 as shown in the Directors' report of that year:	
Special gross dividend of 20 sen per RM1 unit of share, less tax at 26%, paid on 4 April 2008.	44,400
Final gross dividend of 30 sen per RM1 unit of share, less tax at 26%, paid on 20 June 2008.	66,600
	111,000
In respect of the year ended 31 December 2008:	
Interim gross dividend of 20 sen per RM1 unit of share, less tax at 26%, paid on 22 September 2008.	44,400

The Directors now recommend the payment of a final gross dividend of 30 sen per RM1 unit of share less income tax of 25%, amounting to RM67,500,000 which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid on 18 June 2009 to shareholders registered on the Record of Depositors at the close of business on 4 June 2009.

Reserves and Provisions

All material transfers to or from reserves and provisions during the year are shown in the financial statements.



Directors

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Saw Choo Boon

Tan Sri Saw Huat Lye (Resigned wef 15/5/2008)

Dato' Jaffar Indot

Tan Sri Datuk Clifford Francis Herbert (Appointed wef 1/6/2008)

Dato' Mohzani bin Abdul Wahab

Dato' Seri Talaat bin Haji Husain

Raja Ahmad Murad bin Raja Bahrin

Mark Owen Stevens

Thomas Michael Taylor

In accordance with Article 81(9) of the Company's Articles of Association, Tan Sri Datuk Clifford Francis Herbert who was appointed during the year, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

In accordance with Article 81(3) of the Company's Articles of Association, Dato' Saw Choo Boon, Dato' Seri Talaat bin Haji Husain and Mark Owen Stevens, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129 (6) of the Companies Act, 1965, Dato' Jaffar Indot, being seventy four years of age, retires at the forthcoming Annual General Meeting and offers himself for re-election.

Directors' Benefits

During and at the end of the year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for awards of shares under the Long Term Incentive Plan ("LTIP") granted by Royal Dutch Shell plc to eligible senior executives including certain Directors of the Company.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as Directors' remuneration in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Long-term incentives

Following the unification of Shell Transport and Trading Company, plc and Royal Dutch Petroleum Company (N.V. Koninklijke Nederlandsche Petroleum Maatschappij) in 2005, the share option grants was discontinued and in its place, an amended LTIP was introduced. For a selected number of the most senior executives, restricted non-conditional shares were also awarded. The purpose of the changes was to ensure a closer link between the remuneration of Directors and executives and the performance of the Royal Dutch Shell plc relative to its peers.

directors' report (continued)**Directors' Benefits** (continued)**Long Term Incentive Plan ("LTIP")**

Under the LTIP, performance shares are awarded conditionally once a year as shown below.

Total Shareholder Return ("TSR") Rank	Performance shares received
1st	2 x award
2nd	1.5 x award
3rd	0.8 x award
4th or 5th	Nil

Awards will have a face value between zero and two times base award. Awards are subject to performance over a period of at least three years. The shares are only released if the performance condition is met and if the participant remains in employment during the performance period (subject to certain exceptions, including retirement). From 2005 onwards, the actual number of shares that Directors will receive depends on the Total Shareholder Return (TSR) performance of Royal Dutch Shell plc relative to the other major integrated oil companies.

The actual number of shares that Directors received in 2008 is based on the TSR performance of Royal Dutch Shell plc over the period from year 2005 to 2007. The face value of the conditional performance share award is the number of shares as referred to in Directors' Long-term Incentive Interest below multiplied by the share price at the time of the award.

Directors' Long-term Incentive Interest

The tables below show the LTIP and the share options interest of the Directors in office during the financial year. Following the unification, those awards and grants that were made with respect to N.V. Koninklijke Nederlandsche Petroleum Maatschappij and Shell Transport and Trading Company, plc shares, have been converted into Royal Dutch Shell plc share entitlements at the appropriate conversion rates. Other than consequential changes, the terms and conditions applicable to these awards and grants have generally not been altered as a result of this conversion.

(a) Interest in options over shares of the Royal Dutch Shell plc

	Interest in options over shares in Royal Dutch Shell plc				
	Options outstanding as at 1.1.2008	Options granted	Options exercised	Options expired	Options outstanding as at 31.12.2008
	Dato' Saw Choo Boon	16,600	0	0	0
Thomas Michael Taylor	17,067	0	0	0	17,067
Dato' Mohzani bin Abdul Wahab	14,350	0	0	0	14,350
Raja Ahmad Murad bin Raja Bahrin	14,150	0	0	0	14,150
Mark Owen Stevens	26,950	0	(8,045)	0	18,905

**Directors' Long-term Incentive Interest** (continued)**(b) Direct interest in shares of the Royal Dutch Shell plc****(i) LTIP Awards**

	Class of Shares	Awards as at 1.1.2008	Awards granted in 2008	Awards cancelled/lapsed in 2008	Balance as at 31.12.2008	*Awards vested in 2008
Dato' Saw Choo Boon	¹ RDSA	19,000	6,375	(6,250)	19,125	4,505
Thomas Michael Taylor	² RDSB	9,450	3,500	(3,000)	9,950	2,158
Dato' Mohzani bin Abdul Wahab	¹ RDSA	8,950	3,500	(3,400)	9,050	2,450
Raja Ahmad Murad bin Raja Bahrin	¹ RDSA	6,000	2,600	(1,700)	6,900	1,225
Mark Owen Stevens	² RDSB	22,500	7,500	(7,500)	22,500	5,395

* A face value of 65% of the LTIP awards granted in 2005 was vested during the financial year.

(ii) Direct interest in shares including vested LTIP and ** GESPP

	Class of Shares	Shares as at 1.1.2008	LTIP awards and options exercised in 2008	GESPP and dividend share in 2008	Shares disposed in 2008	Balance as at 31.12.2008
Dato' Saw Choo Boon	¹ RDSA	0	4,505	312	(1,181)	3,636
	² RDSB	0	0	1,411	0	1,411
Thomas Michael Taylor	² RDSB	0	2,158	0	(2,158)	0
Dato' Mohzani bin Abdul Wahab	¹ RDSA	0	2,450	169	(643)	1,976
	² RDSB	0	0	721	0	721
Raja Ahmad Murad bin Raja Bahrin	¹ RDSA	0	1,225	0	(294)	931
Mark Owen Stevens	² RDSB	1,471	13,440	32	(13,440)	1,503

** GESPP is the Global Employee Share Purchase Plan available to all employees to subscribe shares in Royal Dutch Shell plc.

According to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares in and debentures of the Company or its related corporations.

¹ RDSA – Royal Dutch Shell plc Class A shares

² RDSB – Royal Dutch Shell plc Class B shares

directors' report (continued)

Statutory Information on the Financial Statements

Before the income statement and balance sheet were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the year in which this report is made.

Non-adjusting Event After Balance Sheet Date

As disclosed in Note 17 to the financial statements, the allowance for inventories write-down as at 31 December 2008 amounted to RM83,665,515. Subsequent to the balance sheet date, approximately 50% of these inventories were sold at prices higher than the net realisable value as at 31 December 2008 based on average prices for the past two months.



Ultimate Holding Company

The Directors regard Royal Dutch Shell plc, a company incorporated in England and Wales, as the Company's ultimate holding company.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 March 2009.

A handwritten signature in blue ink, appearing to read 'Raja', is written over a horizontal line.

Raja Ahmad Murad Bin Raja Bahrin
Managing Director

A handwritten signature in blue ink, appearing to read 'Saw Choo Boon', is written in a cursive style.

Dato' Saw Choo Boon
Chairman

statement by directors

pursuant to section 169(15) of the companies act, 1965

We, Raja Ahmad Murad Bin Raja Bahrin and Dato' Saw Choo Boon, two of the Directors of Shell Refining Company (Federation of Malaya) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 97 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2008 and of the results of the Company and of its cash flows for the year ended on that date in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 March 2009.



Raja Ahmad Murad Bin Raja Bahrin
 Managing Director



Dato' Saw Choo Boon
 Chairman

statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Thomas Michael Taylor, the Director primarily responsible for the financial management of Shell Refining Company (Federation of Malaya) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 97 to 125 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Thomas Michael Taylor

Subscribed and solemnly declared by the abovenamed Thomas Michael Taylor at Kuala Lumpur in Malaysia on 13 March 2009, before me.



25-3, Jalan Sri Hartamas 7,
 Taman Sri Hartamas,
 50480 Kuala Lumpur.

Commissioner For Oaths





independent **auditors' report**

to the members of shell refining company (federation of malaya) berhad
(incorporated in malaysia) (company no. 3926-U)

Report on the Financial Statements

We have audited the financial statements of Shell Refining Company (Federation of Malaya) Berhad, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 97 to 125.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the financial year then ended.

independent auditors' report
to the members of shell refining company (federation of malaya) berhad
(incorporated in malaysia) (company no. 3926-U) (continued)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
13 March 2009


Pauline Ho
(No. 2684/11/09 (J))
Chartered Accountant



income statement

for the year ended 31 december 2008

	Note	2008 RM'000	2007 RM'000 Restated
Revenue	5	13,086,128	11,415,110
Cost of sales		(13,429,577)	(10,620,898)
Gross (loss)/profit		(343,449)	794,212
Other operating income	6	33,763	26,740
Administrative expenses		(42,561)	(22,770)
Other operating expenses	7	(54,922)	30,060
Finance cost	8	(33,192)	(20,035)
(Loss)/Profit before taxation	9	(440,361)	808,207
Taxation	10	110,344	(214,989)
(Loss)/Profit for the year		(330,017)	593,218
Gross dividends per RM1 unit of share (sen)	11	20	70
(Loss)/Earnings per RM1 unit of share (sen) – basic	12	(110.01)	197.74

balance sheet

as at 31 december 2008

	Note	2008 RM'000	2007 RM'000 Restated
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,172,327	1,167,995
Prepaid lease payments	15	1,989	2,011
Long term receivables	16	4,519	3,154
		1,178,835	1,173,160
CURRENT ASSETS			
Inventories	17	569,045	1,362,973
Trade receivables	18	16,762	39,779
Other receivables and prepayments	19	5,827	3,344
Tax recoverable		188,632	0
Amounts receivable from related companies	20	855,616	1,262,314
Derivative financial asset	21	0	2,260
Deposits with licensed banks	22	233,855	169,195
Bank balances	22	41,131	1,006
		1,910,868	2,840,871
TOTAL ASSETS		3,089,703	4,014,031
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	23	300,000	300,000
Revaluation reserve	24	15,738	15,738
Retained earnings	25	1,604,850	2,090,267
		1,920,588	2,406,005
CURRENT LIABILITIES			
Trade and other payables	26	57,944	80,488
Amounts payable to related companies	20	507,649	771,089
Derivative financial liability	21	6,141	0
Current tax liabilities		0	52,639
		571,734	904,216
NON-CURRENT LIABILITIES			
Long term borrowings	21	484,890	463,316
Derivative financial liability	21	11,284	28,909
Deferred tax liabilities	27	101,207	211,585
		597,381	703,810
TOTAL EQUITY AND LIABILITIES		3,089,703	4,014,031

The notes set out on pages 101 to 125 form an integral part of these financial statements.



statement of changes in equity

for the year ended 31 december 2008

	Note	Issued and fully paid ordinary shares of RM1 each		Non-	Distributable	Total RM'000
		Number of shares '000	Nominal value RM'000	Revaluation reserve RM'000	Distributable Retained earnings RM'000	
At 1 January 2008		300,000	300,000	15,738	2,090,267	2,406,005
Loss for the year ended 31 December 2008		0	0	0	(330,017)	(330,017)
Dividends for the year ended:						
– 31 December 2007	11	0	0	0	(111,000)	(111,000)
– 31 December 2008	11	0	0	0	(44,400)	(44,400)
At 31 December 2008		300,000	300,000	15,738	1,604,850	1,920,588
At 1 January 2007		300,000	300,000	15,738	1,624,069	1,939,807
Profit for the year ended 31 December 2007		0	0	0	593,218	593,218
Dividends for the year ended:						
– 31 December 2006	11	0	0	0	(83,220)	(83,220)
– 31 December 2007	11	0	0	0	(43,800)	(43,800)
At 31 December 2007		300,000	300,000	15,738	2,090,267	2,406,005

cash flow statement

for the year ended 31 december 2008

	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(440,361)	808,207
Adjustments for:			
Property, plant and equipment			
– depreciation		105,153	107,636
– write off		256	143
– gain on disposals		(102)	0
Interest expense		18,511	20,165
Interest income		(16,204)	(13,218)
Net exchange loss/(gain) – unrealised		15,785	(46,820)
(Gain)/Loss on derivative financial instrument – unrealised		(10,016)	26,649
Allowance for inventories write-down		83,666	0
Amortisation of prepaid lease payments		22	20
		(243,290)	902,782
Changes in working capital:			
Inventories		710,262	(533,267)
Trade and other receivables		19,169	87,696
Trade and other payables		(22,015)	(17,151)
Related companies		199,562	255,879
Cash generated from operations		663,688	695,939
Interest received		16,204	13,218
Taxation paid		(241,305)	(153,129)
Net cash flow generated from operating activities		438,587	556,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(109,764)	(26,673)
Proceeds from disposal of property, plant and equipment		125	0
Deposit placed with related company		(50,515)	(169,195)
Decommissioning and restoration costs paid		0	(2,183)
Net cash flow used in investing activities		(160,154)	(198,051)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(18,248)	(19,885)
Repayments of borrowings		0	(83,880)
Dividends paid		(155,400)	(127,020)
Net cash flow used in financing activities		(173,648)	(230,785)
NET INCREASE IN CASH AND CASH EQUIVALENTS		104,785	127,192
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		170,201	43,009
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	274,986	170,201

The notes set out on pages 101 to 125 form an integral part of these financial statements.



notes to the **financial statements**

for the year ended 31 december 2008

1 General Information

The principal activities of the Company consist of refining and manufacturing of petroleum products. There has been no significant change in these activities during the year.

The Directors regard Royal Dutch Shell plc, a company incorporated in England and Wales, as the Company's ultimate holding company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is:

Bangunan Shell Malaysia
Changkat Semantan
Damansara Heights
50490 Kuala Lumpur

The address of the principal place of business of the Company is:

Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan

2 Summary of Significant Accounting Policies

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies to the financial statements.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

notes to the financial statements
for the year ended 31 december 2008 (continued)

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Company's financial year ended 31 December 2008 and applicable to the Company are as follows:

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Company require retrospective application.

The adoption of these FRSs did not have a material impact on the financial statements of the Company.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are not yet effective and have not been early adopted

- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply this standard from financial periods beginning on 1 January 2010.
- The following standards will be effective for annual period beginning on or after 1 January 2010. The Company will apply these standards when effective. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Company.
 - FRS 7 Financial Instruments: Disclosures
 - FRS 139 Financial Instruments: Recognition and Measurement

(c) Standards that are not yet effective and not relevant for the Company's operation

- FRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2010). FRS 4 is not relevant to the Company as the Company is not involved in insurance activities.



2 Summary of Significant Accounting Policies (continued)

2.2 Revenue Recognition

(a) Revenue

Revenue represents the invoiced value of refined and partially refined oil products and feedstocks, net of Government taxes.

Revenue is recognised upon delivery of products and acceptance by customers.

(b) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

(c) Other income

Other income comprises mainly of capital and operating expenditure recoveries from related companies, which are recognised on an accrual basis.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

The Directors have applied the transitional provisions of International Accounting Standard ("IAS") 16 "Property, Plant and Equipment", which has been adopted by MASB, which allow properties previously revalued to continue to be stated at their valuation amounts less accumulated depreciation and accumulated impairment losses. Accordingly, certain freehold land and buildings of the Company are stated at valuation amounts carried out in 1990, which have not been updated.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in the carrying value is charged to the income statement.

All other property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life. Depreciation on work-in-progress commences when the assets are ready for the intended use. All other property, plant and equipment are depreciated on a straight line basis calculated to write off their costs, or their revalued amounts, over their estimated useful lives at the following annual rates:

Land improvements and buildings	2.5% – 5.0%
Plant, machinery, equipment and motor vehicles	3.3% – 25.0%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Company assesses whether there is any indication of impairment. When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 2.5 on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

notes to the financial statements

for the year ended 31 december 2008 (continued)

2 Summary of Significant Accounting Policies (continued)

2.4 Maintenance Costs

Asset replacement costs incurred by the Company for major scheduled maintenance of the refinery are capitalised as part of the refinery assets and depreciated on a straight line basis over their estimated useful lives, typically the period until the next major scheduled maintenance. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2.5 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

2.6 Leases

(a) Finance leases

Leases of property, plant and equipment where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease are depreciated over the shorter of the estimated useful life of the asset and the lease term.

(b) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments at the balance sheet date. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(c) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.



2 Summary of Significant Accounting Policies (continued)

2.7 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of partially refined oil and finished products includes oil, direct materials, labour and an appropriate proportion of fixed and variable manufacturing overheads.

Net realisable value is the estimate of selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.8 Receivables

Receivables are carried at invoiced amounts less allowances for doubtful debts. The allowance is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off during the year in which they are identified.

2.9 Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash, bank balances, deposits with licensed banks, other short term and highly liquid investments with original maturities of three months or less.

2.10 Share Capital

(a) Classification

Ordinary shares are classified as equity.

(b) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

2.11 Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

Interest incurred on external borrowings to finance the construction of property, plant and equipment during the period that is required to complete and prepare the asset for its intended use are capitalised as part of the cost of the asset.

2.12 Taxation

Current taxation is based on chargeable profit for the year and represents income tax at current rates.

Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

notes to the financial statements

for the year ended 31 december 2008 (continued)

2 Summary of Significant Accounting Policies (continued)

2.13 Employee Benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(b) Post-employment benefits

The Company's post-employment benefit scheme comprises only of the defined contribution plan.

Contributions to the Employees' Provident Fund, which is a defined contribution plan, are charged to the income statement when incurred. Once the contributions have been paid, the Company has no further payment obligations.

2.14 Contingent Liabilities and Contingent Assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past event whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

2.16 Foreign Currencies

The basis of accounting for foreign currency transactions is as follows:

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the prevailing exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.



2 Summary of Significant Accounting Policies (continued)

2.16 Foreign Currencies (continued)

(b) Transactions and balances (continued)

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	2008	2007
1 USD Dollar ("USD")	3.46	3.31
1 Euro Dollar ("EURO")	4.88	4.87
1 Pound Sterling ("GBP")	5.01	6.61
1 Singapore Dollar ("SGD")	2.41	2.30

2.17 Financial Instruments

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(b) Financial instruments recognised on the balance sheet

(i) Derivative financial instruments

The Company uses standalone derivatives in the management of interest rate and foreign currency risks. These derivative contracts are recognised at fair value on inception. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within 'finance cost'.

The Company may enter into foreign exchange forward contracts to hedge foreign currency exposures as a result of confirmed receipts or payments in foreign currency. These instruments are recognised in the financial statements on inception.

The fair value of the cross currency interest rate swap which is not traded in an active market is determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flow methods.

(ii) Other financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

(c) Fair value estimation for disclosure purposes

In assessing the fair values of financial instruments, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques such as discounted value of future cash flows are used to determine fair values for financial instruments. In particular, the fair value of financial assets is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

The carrying values of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

notes to the financial statements for the year ended 31 december 2008 (continued)

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

3.1 Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Assessment of assets useful lives and residual value

Property, plant and equipment are depreciated over its useful life taking into account residual value, where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset useful lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4 Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Company's overall financial risk management objective is to ensure the Company creates value for its shareholders. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, assurance plans, internal control systems, insurance programmes and adherence to the Company's Treasury Policy and Procedures.

The Company may enter into foreign exchange forward contracts to manage the exposure to foreign currency risks in receivables and payables. In addition, financial instruments such as trade receivables, trade payables and long term borrowings arise directly from the Company's operations. Straightforward derivative financial instruments are utilised by the Company to manage the exposure to foreign currency and interest rate risks. The Company does not enter into derivative financial instruments for trading purposes.

(a) Foreign currency exchange risk

The objectives of the Company's currency risk management policies are to allow the Company to effectively manage exposures that may arise from operating and financing activities. The Company is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. The Company may enter into foreign exchange swaps and forward contracts to limit its exposure on foreign currency receivables and payables and on cash flows generated from anticipated transactions denominated in foreign currencies. As at 31 December 2008, there were no open forward contracts. Swaps are contractual agreements between two parties to exchange exposures in foreign currency. The Company uses cross currency interest rate swaps to hedge its long term borrowings in order to minimise its exposures to movements in foreign currency positions.



4 Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk

The Company finances its operations through a mixture of retained earnings and bank borrowings. The interest rate risk arises from borrowings and is managed in compliance with the treasury policy of the Company. Hedging derivative financial instruments such as cross currency interest rate swaps, are used to manage these exposures when necessary.

(c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Company seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products are made only to approved customers with an appropriate credit history. It is the Company's policy to monitor the financial standing of the customers on an ongoing basis to ensure that the Company is exposed to a minimal credit risk.

The Company generally has no significant concentrations of credit risk other than as set out below:

- (i) 92% of the Company's total trade receivables at the balance sheet date was receivable from a major customer in Malaysia. The Directors are of the view that such credit risk is minimal in view of the strength of the customer's financial position.
- (ii) 68% of the Company's total intercompany receivables at the balance sheet date was receivable from its fellow subsidiaries, Shell Malaysia Trading Sendirian Berhad and Shell Timur Sendirian Berhad. The Directors are of the view that such credit risk is minimal in view of the stability of the fellow subsidiaries' financial position.
- (iii) deposits amounting to RM219,710,000 (Note 20) were placed with a related company, Shell Malaysia Limited, where funds are centrally managed by the central Treasury function of Royal Dutch Shell plc. This amount represents 26% of the Company's total intercompany receivables at the balance sheet date. The Directors are of the view that such credit risk is minimal as Royal Dutch Shell plc carries a long term credit rating of AA+.
- (iv) majority of the Company's deposits, bank and cash balances were placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

(d) Liquidity and cash flow risk

The Company ensures that cash is available to meet working capital and other financing requirements, and that cash flows are managed efficiently. This is done through reliable cash forecasts to achieve optimal cash management planning. The Company sets a minimum level of cash to be held on a daily basis and on a planned level for the next 12 months, in order to meet both firm commitments and forecast obligations. In addition, the Company maintains an adequate amount of short term credit facilities.

notes to the financial statements
for the year ended 31 december 2008 (continued)**5 Revenue**

	2008	2007
	RM'000	RM'000
Sale of oil products		
– refined	11,783,170	9,594,703
– partially refined	1,296,699	1,400,526
– feedstocks	6,259	419,881
	13,086,128	11,415,110

6 Other Operating Income

	2008	2007
	RM'000	RM'000
Cost recoveries		
– related parties	17,351	11,969
– other	208	1,553
Interest income		
– related parties	7,806	5,163
– other	8,398	8,055
	33,763	26,740

7 Other Operating Expenses

	2008	2007
	RM'000	RM'000
Net exchange losses/(gains)		
– realised	52,567	(18,666)
– unrealised	(5,789)	(16,069)
Other expenses	8,144	4,675
	54,922	(30,060)



8 Finance Cost

	2008 RM'000	2007 RM'000
Interest expense		
– short term borrowings	1,459	429
– term loan	17,052	19,736
Commitment fees	2,331	3,972
Unrealised exchange loss/(gain) on long term loan	21,574	(30,751)
(Gain)/Loss on derivative financial instrument		
– realised	792	0
– unrealised	(10,016)	26,649
	33,192	20,035

9 (Loss)/Profit Before Taxation

	2008 RM'000	2007 RM'000
The (loss)/profit before taxation is arrived at after charging/(crediting):		
Auditors' remuneration		
– current year	198	180
– (over)/under accrual in prior year	(79)	180
– others	22	22
Staff cost		
– salaries, bonus and allowances	42,186	37,225
– defined contribution plan	4,994	5,076
– other employee benefits	6,981	5,446
Property, plant and equipment		
– depreciation	105,153	107,636
– write off	256	143
– gain on disposals	(102)	0
Allowance for:		
– doubtful debts	0	376
– inventories write-down	83,666	0
Amortisation of prepaid lease payments	22	20
Net exchange loss/(gains):		
– realised	52,567	(18,666)
– unrealised	15,785	(46,820)
(Gain)/Loss on derivative financial instrument		
– realised	792	0
– unrealised	(10,016)	26,649
Interest expense	18,511	20,165
Interest income	(16,204)	(13,218)
Rental income	(1,502)	(1,740)

Cost of inventories of the Company recognised as an expense during the year amounted to RM12,706,549,995 (2007: RM9,897,083).

notes to the financial statements
for the year ended 31 december 2008 (continued)

10 Taxation

	2008 RM'000	2007 RM'000
Current tax	34	230,791
Deferred tax (Note 27)	(110,378)	(15,802)
	(110,344)	214,989
<hr/>		
Current tax		
– current year	0	230,606
– under accruals in prior years	34	185
	34	230,791
Deferred tax		
– origination and reversal of temporary differences	(110,378)	(15,802)
	(110,344)	214,989

The numerical reconciliation between the effective tax rate and the applicable statutory tax rate is as follows:

	2008 %	2007 %
Applicable tax rate	26	27
Tax effects in respect of:		
– expenses not deductible for tax purpose	(1)	1
– changes in tax rate	(1)	(1)
– over accruals in prior year's deferred tax	1	0
Effective tax rate	25	27

As announced by the Government in the Budget on 7 September 2008, the income tax rate will be 26% for year of assessment 2008 and 25% for year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.



11 Dividends

	Gross dividend per share Sen	2008 Amount of dividend, net of tax at 26% RM'000	Gross dividend per share Sen	2007 Amount of dividend, net of tax at 27% RM'000
Interim dividend paid in respect of the year ended				
– 31 December 2008	20	44,400	0	0
– 31 December 2007	0	0	20	43,800
Final dividend paid in respect of the year ended				
– 31 December 2007	30	66,600	0	0
– 31 December 2006	0	0	38	83,220
Special dividend paid in respect of the year ended				
– 31 December 2007	20	44,400	0	0
Dividend recognised as distribution to ordinary equity holders of the Company	70	155,400	58	127,020
			2008 Sen	2007 Sen
Gross dividend per RM1 unit of share (sen) in respect of year ended				
– 31 December			20	70

The Directors now recommend the payment of a final gross dividend of 30 sen per RM1 unit of share less income tax of 25%, amounting to RM67,500,000 which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid on 18 June 2009 to shareholders registered on the Record of Depositors at the close of business on 4 June 2009.

12 (Loss)/Earnings Per Unit of Share

Basic (loss)/earnings per unit of share of the Company is calculated by dividing the (loss)/profit for the year by the weighted average number of ordinary shares in issue during the year.

	2008	2007
(Loss)/Profit for the year (RM'000)	(330,017)	593,218
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic (loss)/earnings per RM1 unit of share (sen)	(110.01)	197.74

13 Directors' Remuneration

	2008 RM'000	2007 RM'000
Fees	168	165
Salaries, bonus and allowances	668	723
Defined contribution plan	122	128
Other employee benefits	4	0
	962	1,016

The estimated monetary value of benefits provided to Directors during the year by way of usage of the Company's assets and the provision of accommodation and other benefits amounted to RM166,536 (2007: RM29,760).

notes to the financial statements
for the year ended 31 december 2008 (continued)**14 Property, Plant and Equipment**

2008	Freehold land RM'000	Land improve- ments RM'000	Buildings RM'000	Plant, machinery, equipment and motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost or valuation:						
At 1 January						
– Cost	14,811	15,293	99,423	2,380,835	22,202	2,532,564
– Valuation	35,443	0	4,766	0	0	40,209
	50,254	15,293	104,189	2,380,835	22,202	2,572,773
Additions	600	0	0	150	109,014	109,764
Capitalisation	0	0	1,369	86,299	(87,668)	0
Disposal	0	0	0	(627)	0	(627)
Write off	(256)	0	0	(120,320)	0	(120,576)
At 31 December	50,598	15,293	105,558	2,346,337	43,548	2,561,334
Accumulated depreciation:						
At 1 January	0	13,363	40,631	1,350,784	0	1,404,778
Charge for the year	0	326	2,229	102,598	0	105,153
Disposal	0	0	0	(604)	0	(604)
Write off	0	0	0	(120,320)	0	(120,320)
At 31 December	0	13,689	42,860	1,332,458	0	1,389,007
Net book value at 31 December	50,598	1,604	62,698	1,013,879	43,548	1,172,327
Cost or valuation at 31 December:						
– Cost	15,155	1,604	58,218	1,013,879	43,548	1,132,404
– Valuation	35,443	0	4,480	0	0	39,923
Net book value	50,598	1,604	62,698	1,013,879	43,548	1,172,327
Net book value at 31 December had revalued assets been carried at cost less accumulated depreciation	14,391	0	3,560	0	0	17,951



14 Property, Plant and Equipment (continued)

2007	Freehold land RM'000	Land improve- ments RM'000	Buildings RM'000	Plant, machinery, equipment and motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost or valuation:						
At 1 January						
– Cost	14,811	15,293	99,057	2,329,044	46,655	2,504,860
– Valuation	35,443	0	4,766	0	0	40,209
	50,254	15,293	103,823	2,329,044	46,655	2,545,069
Additions	0	0	0	0	28,058	28,058
Capitalisation	0	0	366	52,145	(52,511)	0
Write off	0	0	0	(354)	0	(354)
At 31 December	50,254	15,293	104,189	2,380,835	22,202	2,572,773
Accumulated depreciation:						
At 1 January	0	13,037	38,413	1,245,903	0	1,297,353
Charge for the year	0	326	2,218	105,092	0	107,636
Write off	0	0	0	(211)	0	(211)
At 31 December	0	13,363	40,631	1,350,784	0	1,404,778
Net book value at 31 December	50,254	1,930	63,558	1,030,051	22,202	1,167,995
Cost or valuation at 31 December:						
– Cost	14,811	1,930	58,935	1,030,051	22,202	1,127,929
– Valuation	35,443	0	4,623	0	0	40,066
Net book value	50,254	1,930	63,558	1,030,051	22,202	1,167,995
Net book value at 31 December had revalued assets been carried at cost less accumulated depreciation	14,391	0	3,792	0	0	18,183

The valuation of the land and buildings was carried out in 1990 by a firm of professional valuers. The bases of valuation were as follows:

- (i) Freehold land – open market value
- (ii) Buildings – depreciated replacement cost

Surplus arising from the valuation has been credited to revaluation reserve (Note 24).

notes to the financial statements
for the year ended 31 december 2008 (continued)**15 Prepaid Lease Payments**

	2008 RM'000	2007 RM'000
As at 1 January	2,011	2,031
Amortisation of prepaid lease payment	(22)	(20)
As at 31 December	1,989	2,011

16 Long Term Receivables

	2008 RM'000	2007 RM'000 Restated
Staff car loan	4,519	3,154

Staff car loan are interest free and are repayable within 1 to 9 years (2007: 1 to 8 years). The fair value of the staff car loan is RM4,080,232 (2007: RM2,742,821).

17 Inventories

	2008 RM'000	2007 RM'000
Crude oil	280,590	916,255
Partially refined oil	138,799	253,419
Finished products	125,984	170,124
Materials	23,672	23,175
	569,045	1,362,973

The carrying value of inventories as at 31 December 2008 includes an allowance for inventories write-down of RM83,665,515 (2007: nil).

18 Trade Receivables

The credit terms range between 15 to 30 days (2007: 15 to 30 days).

19 Other Receivables and Prepayments

	2008 RM'000	2007 RM'000 Restated
Other receivables	3,891	1,916
Staff car loan	1,382	925
Prepayments	554	503
	5,827	3,344



20 Amounts Receivable From/(Payable) to Related Companies

	2008 RM'000	2007 RM'000
Amounts receivable from related companies consist of:		
Trade	633,751	1,090,913
Non-trade	221,865	171,401
	855,616	1,262,314
Amounts payable to related companies consist of:		
Trade	493,820	757,137
Non-trade	13,829	13,952
	507,649	771,089

Amounts receivable from related companies include deposits placed with a related company, Shell Malaysia Limited amounting to RM219,710,000 (2007: RM169,195,000), where funds are centrally managed by the central Treasury function of Royal Dutch Shell plc. The average interest rate that was effective as at balance sheet date was 3.33% (2007: 3.35%) per annum.

The other non-trade amounts receivable from/(payable) to related companies are unsecured, interest free and have no fixed terms of repayment.

21 Borrowings/Derivative Financial Asset and Liability

21.1 Borrowings

	2008 RM'000	2007 RM'000
Non-current:		
– Term loan (unsecured)	484,890	463,316
Analysed into:		
– Repayable between 2 to 5 years	484,890	463,316

The Company obtained a USD330 million loan to finance a capital expenditure project in 1997. The original term loan carried interest at rates which varies according to prevailing SIBOR+0.315% (Singapore Interbank Offer Rate). Starting from 15 December 2001, the interest rate was revised to SIBOR+0.4%. A second revision was done with effect from 15 June 2005 where the interest rate was revised to SIBOR+0.16%. The repayment of the remaining outstanding loan was revised to twenty quarterly interest repayments and one final repayment of USD140 million.

The carrying amount of the USD140 million term loan at the balance sheet date approximates its fair value as it is a floating rate financial liability.

notes to the financial statements
for the year ended 31 december 2008 (continued)**21 Borrowings/Derivative Financial Asset and Liability** (continued)**21.2 Derivative financial instrument – Cross currency interest rate swap (“CCIRS”)**

	2008 RM'000	2007 RM'000
Derivative financial asset		
– current	0	2,260
Derivative financial liability		
– current	(6,141)	0
– non-current	(11,284)	(28,909)
	(17,425)	(28,909)
Analysed into:		
Derivative financial instrument – CCIRS		
– within 1 year	(6,141)	2,260
– between 2 to 5 years	(11,284)	(28,909)
	(17,425)	(26,649)

The Company entered into a CCIRS to hedge against the fluctuations in the USD/RM exchange rate on its USD140 million term loan. The CCIRS was entered into on 16 February 2007 with an expiry on 15 June 2010. Based on the terms of the CCIRS, the Company will pay RM in exchange for receiving USD at a pre-determined exchange rate of RM3.51 to USD1.00 as at the CCIRS execution date and will pay KLIBOR-0.065% (Kuala Lumpur Interbank Offer Rate) in exchange for receiving SIBOR+0.16% on the outstanding principal amounts. The interest exchange occurs quarterly in accordance with the scheduled repayment of interest on the USD140 million term loan.

The applicable interest rate of the Company's term loan ranged from 2.20% to 3.63% per annum (2007: 3.42% to 5.86% per annum). After executing the swap, the Company's effective interest rate at balance sheet date was 3.47% (2007: 3.81%) per annum.

Financial Instruments	Functional Currency/ Currency Exposure	Applicable Interest rate	Total Carrying Amount RM'000	Effective Interest Rate %
2008				
Term loan	RM/USD	SIBOR+0.16%	484,890	3.46
CCIRS	RM/USD	KLIBOR-0.065%	17,425	3.47
2007				
Term loan	RM/USD	SIBOR+0.16%	463,316	5.69
CCIRS	RM/USD	KLIBOR-0.065%	26,649	3.81



22 Cash and Cash Equivalents

	2008 RM'000	2007 RM'000
Deposits with licensed banks	233,855	169,195
Bank balances	41,131	1,006
Cash and Cash Equivalents	274,986	170,201

Bank balances are deposits held at call with banks and earned no interest.

The average maturity period of the deposits with licensed banks is 2 days (2007: 2 days).

The average interest rate per annum that was effective as at balance sheet date was:

	2008 %	2007 %
Deposits with licensed banks	3.21	3.49

23 Share Capital

	2008 RM'000	2007 RM'000
Authorised 300,000,000 units of ordinary shares of RM1 each	300,000	300,000
Issued and fully paid 300,000,000 units of ordinary shares of RM1 each	300,000	300,000

24 Revaluation Reserve

The revaluation reserve represents the surplus on revaluation of freehold land and buildings carried out in 1990 (Note 14) and is not available for distribution to the shareholders by way of dividends.

25 Retained Earnings

The Malaysian Budget 2008 introduced a single-tier tax system which came into effect from the year of assessment 2008, where companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2008, subject to agreement with the tax authorities, the Company has sufficient Section 108(6) Account of RM344,039,228 (2007: RM398,639,228) and an Exempt Income Account of RM918,370,701 (2007: RM918,370,701). The Company is able to frank all of its retained earnings as at 31 December 2008 (2007: all of its retained earnings) as franked and exempt dividends.

notes to the financial statements
for the year ended 31 december 2008 (continued)

26 Trade and Other Payables

	2008	2007
	RM'000	RM'000
Trade payables	0	90
Other payables and accruals	38,664	51,517
Accruals for materials and contract payments	18,698	27,770
Accruals for interest expense	486	1,015
Dividends payable	96	96
	57,944	80,488

The Company's trade payables are unsecured. The credit terms for trade payables range from 30 to 45 days (2007: 30 to 45 days).

27 Deferred Taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

	2008	2007
	RM'000	RM'000
Deferred tax liabilities	(101,207)	(211,585)
As at 1 January	(211,585)	(227,387)
Credited to income statement: (Note10)		
– property, plant and equipment	7,069	24,960
– allowance for doubtful debts	(27)	87
– unrealised losses/(gains)	4,177	(7,515)
– provision	1,114	(1,730)
– tax losses	98,045	0
	110,378	15,802
As at 31 December	(101,207)	(211,585)
Deferred tax liabilities (before offsetting)		
– property, plant and equipment	(200,569)	(207,638)
– unrealised (gains)/losses	0	(4,177)
Offsetting	99,362	230
As at 31 December (after offsetting)	(101,207)	(211,585)

**27 Deferred Taxation** (continued)

	2008 RM'000	2007 RM'000
Deferred tax assets (before offsetting)		
– allowance for doubtful debts	198	225
– provision	1,119	5
– tax losses	98,045	0
Offsetting	(99,362)	(230)
As at 31 December (after offsetting)	0	0

28 Significant Related Parties Transactions

The related party transactions of the Company comprise mainly transactions between the Company and its affiliated companies. Related party transactions also include transactions with entities that are controlled, significantly influenced directly or indirectly by the Directors, Major Shareholder, key management personnel of the Company or their close family members.

In the normal course of business, the Company undertakes, on an arm's length basis, a variety of transactions with companies whose common ultimate holding company is Royal Dutch Shell plc.

In addition to related party balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions which were carried out on terms and conditions negotiated amongst related parties:

	2008 RM'000	2007 RM'000
(a) Income:		
(i) Sale of refined products to:		
– Shell Malaysia Trading Sendirian Berhad	9,641,051	7,597,356
– Shell International Eastern Trading Co.	1,359,694	1,639,815
– Shell Timur Sendirian Berhad	1,435,546	1,518,800
– Shell Eastern Chemicals Pte. Limited	359,338	419,669
– The Shell Company of Thailand Limited	53,658	61,967
(ii) Tariff revenue on the use of properties/facilities:		
– Shell Malaysia Trading Sendirian Berhad	20,471	15,126
(iii) Cost recovery/(recharge):		
– Shell Malaysia Trading Sendirian Berhad	27,324	(9,092)
(b) Expenses:		
(i) Purchase of crude and products from:		
– Shell International Eastern Trading Co.	(10,254,416)	(9,330,165)
– Sarawak Shell Berhad	(1,346,555)	(1,024,823)
– Sabah Shell Petroleum Company Ltd	(445,063)	(307,316)
– Shell Lubricants Supply Company	(57,229)	(37,705)
(ii) Central management and administrative expenses:		
– Shell Global Solutions International B.V.	(16,892)	(18,017)

notes to the financial statements
for the year ended 31 december 2008 (continued)

28 Significant Related Parties Transactions (continued)

	2008 RM'000	2007 RM'000
(c) Investment of fund:		
– Shell Malaysia Limited		
Deposits	57,932,530	42,988,910
Withdrawal	(57,882,015)	(42,819,715)
	50,515	169,195
(d) Dividends paid:		
– Shell Overseas Holdings Limited	79,254	64,780
(e) Outstanding balances:		
– Shell Malaysia Trading Sendirian Berhad	494,983	738,437
– Shell Malaysia Limited	219,710	169,068
– Shell Timur Sendirian Berhad	78,653	165,790
– Shell Eastern Chemicals Pte. Limited	11,421	44,031
– Sabah Shell Petroleum Company Ltd	(35,260)	0
– Shell Lubricants Supply Company	(14,148)	(6,365)
– Sarawak Shell Berhad	(74,740)	(167,475)
– Shell International Eastern Trading Co.	(316,149)	(439,337)
– Shell Global Solutions International B.V.	(2,981)	(7,917)

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel of the Company include the Managing Director and senior management personnel of the Company.

	2008 RM'000	2007 RM'000
Compensation for key management personnel:		
– Salaries, bonus and allowances	4,054	3,829
– Benefits in kind	1,468	854
– Defined contribution plan	691	803



29 Contingent Liabilities

- (a) In December 1996, employees were given the option of either remaining in the Shell Malaysia Retirement Benefit Fund ("SMRBF") or transferring to a defined contribution scheme. In conjunction with this, certain assets of the SMRBF were transferred to the Shell Malaysia Provident Fund ("SMPF"). The transfers were effective 1 May 1997. Arising from the transfer of assets from the SMRBF to the SMPF, the Company has provided guarantees to members in relation to:
- (i) the capital sum transferred;
 - (ii) a minimum return of 2.5% per annum on that capital sum; and
 - (iii) the associated death in service benefits.

The Company, as a Member Company of the SMPF, has supported the resolution of the Founding Company that SMPF shall come to an end on 31 December 2003 ('Closure Date') and that members' balances in SMPF as at Closure Date be transferred to the Employees' Provident Fund. With this transfer, the Company no longer provides guarantees to members in relation to (i) and (ii) above. Death in service benefits for the ex-SMRBF members will continue to be guaranteed the Company.

Based on the information currently available, it is not possible to estimate the likely outcome of the liabilities with regards to death in service benefits as the liabilities are dependent on individual circumstances.

- (b) The Company is a member of an oil spill fund, namely the International Oil Pollution Compensation (IOPC) 1992 Fund. The purpose of the Funds are to help compensate parties that suffer financial loss as a result of oil spill from tankers. The members make contributions to the Funds depending on specific global oil spill incidents which give rise to payments of compensation by the Funds. As at the date of this report, there are no material claims outstanding.

30 Capital Commitments

Approved capital expenditure for property, plant and equipment not provided for in the financial statements are as follows:

	2008	2007
	RM'000	RM'000
Approved and contracted for	411	3,190
Approved but not contracted for	15,654	4,940

31 Segmental Information

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

notes to the financial statements
for the year ended 31 december 2008 (continued)

32 Financial Instruments

(i) Fair values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values, except for fair values of financial assets and liabilities mentioned elsewhere in the financial statements.

(ii) Balances denominated in foreign currencies

The currency exposure of financial assets and financial liabilities of the Company that are not denominated in the functional currency are set out below.

	Balances as at 31.12.2008			
	USD	EURO	GBP	Others
(RM'000 equivalent)				
Amounts receivable from related companies	12,025	0	0	0
Bank balances	11,793	0	0	0
Amounts payable to related companies	(380,877)	(1,702)	(4,288)	0
Trade and other payables	(657)	(243)	(43)	(805)
Long term borrowings	(484,890)	0	0	0
	(842,606)	(1,945)	(4,331)	(805)
	Balances as at 31.12.2007			
	USD	EURO	GBP	Others
(RM'000 equivalent)				
Amounts receivable from related companies	186,369	0	107	0
Bank balances	257	0	0	0
Amounts payable to related companies	(572,291)	(2,357)	(1,499)	(12)
Trade and other payables	(40,400)	(411)	(125)	(866)
Long term borrowings	(463,316)	0	0	0
	(889,381)	(2,768)	(1,517)	(878)



33 Reclassification of Prior Year Comparative

Certain reclassifications have been made to the prior period's financial statements to enhance comparability with the current year's financial statements.

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

The summary effect of the reclassification for the year ended 31 December 2007 is as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Income statement for the year ended 31 December 2007			
Cost of sales	(10,607,814)	(13,084)	(10,620,898)
Administrative expenses	(35,854)	13,084	(22,770)
Balance sheet as at 31 December 2007			
Long-term receivables	0	3,154	3,154
Other receivables and prepayments	6,498	(3,154)	3,344

34 Non-adjusting Event After Balance Sheet Date

As disclosed in Note 17 to the financial statements, the allowance for inventories write-down as at 31 December 2008 amounted to RM83,665,515. Subsequent to the balance sheet date, approximately 50% of these inventories were sold at prices higher than the net realisable value as at 31 December 2008 based on average prices for the past two months.

35 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 13 March 2009.

company properties

as at 31 december 2008

No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
1	Freehold	1236-1238, CT 2159-2161, 87, Jln Resthouse, Port Dickson	76,964	A club house and training centre	44 years	01.01.1991	1,077		1,925	3,002
2	Freehold	Lot 3 HS(D) 1310, Jln Pantai, Port Dickson	6,284,183	Refinery	45 years	01.01.1991	22,194	1,604	50,534	74,332
3	Freehold	Lot 138, GN 893, Port Dickson	39,116	Oil Spill Response Centre	44 years	01.01.1991	262		479	741
4	Freehold	Lot 798 EMR 238, Kg Arab, Port Dickson	49,959	Refinery	20 years	01.01.1991	140			140
5	Freehold	Lot 196 EMR 621, Kg Gelam, Port Dickson	242,847	Refinery	21 years	01.01.1991	687			687
6	Freehold	Lot 195 EMR 620, Kg Gelam, Port Dickson	247,072	Refinery	21 years	01.01.1991	694			694
7	Freehold	Lot 765 EMR 287, Port Dickson	98,010	Refinery	22 years	01.01.1991	314			314
8	Freehold	Lot 598 EMR 319, Kg Arang-arang, Port Dickson	112,490	Refinery	22 years	01.01.1991	360			360
9	Freehold	Lot 194 GM1397, Port Dickson	130,685	Refinery	13 years	31.08.2000	480			480
10	Freehold	Lot 596 GM1247, Port Dickson	100,729	Crude Tank Farm	13 years	31.08.2000	593			593
11	Freehold	Lot 703 EMR 340, Port Dickson	132,030	Crude Tank Farm	21 years	01.01.1991	423			423
12	Freehold	Lot 3984 Grant 17001, Port Dickson	212,590	Crude Tank Farm	21 years	01.01.1991	681			681
13	Freehold	Lot 595 EMR 316, Kg Arang-arang, Port Dickson	118,439	Crude Tank Farm	22 years	01.01.1991	379			379
14	Freehold	Lot 599 EMR 320, Kg Arang-arang, Port Dickson	141,570	Crude Tank Farm	22 years	01.01.1991	454			454
15	Freehold	Lot 600 EMR 321, Kg Arang-arang, Port Dickson	124,146	Crude Tank Farm	22 years	01.01.1991	398			398



No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
16	Freehold	Lot 601 EMR 322, Kg Arang-arang, Port Dickson	141,047	Crude Tank Farm	22 years	01.01.1991	451			451
17	Freehold	Lot 602 EMR 323, Kg Arang-arang, Port Dickson	103,455	Crude Tank Farm	22 years	01.01.1991	331			331
18	Freehold	Lot 594 EMR 315, Port Dickson	123,884	Crude Tank Farm	22 years	01.01.1991	397			397
19	Freehold	Lot 704 EMR 341, Port Dickson	188,799	Crude Tank Farm	11 years	31.08.2000	1,259			1,259
20	Freehold	Lot 950 GM1325, Port Dickson	104,819	Crude Tank Farm	12 years	31.08.2000	727			727
21	Freehold	Lot 3985 G17002, Port Dickson	212,544	Crude Tank Farm	12 years	31.08.2000	1,216			1,216
22	Freehold	Lot 834 G8652, Port Dickson	348,481	Crude Tank Farm	13 years	31.08.2000	1,705			1,705
23	Freehold	Lot 888 EMR 640, Port Dickson	115,173	For Pipeline to Jetty LPG Vessel	19 years	01.01.1991	585			585
24	Freehold	Lot 1323 EMR 641, Port Dickson	178,596	For Pipeline to Jetty LPG Vessel	19 years	01.01.1991	907			907
25	Freehold	Lot 2254 EMR 771, Port Dickson	91,737	For Pipeline to Jetty LPG Vessel	19 years	01.01.1991	466			466
26	Freehold	Lot 6672 HS(M) 868, Kg Gelam, Port Dickson	59,383	For Pipeline to Jetty LPG Vessel	19 years	01.01.1991	359			359
27	Freehold	Lots 3042-3 EMR 73, Kg Gelam, Port Dickson	148,104	For Pipeline to Jetty LPG Vessel	20 years	01.01.1991	443			443
28	Freehold	Lots 3040-1 EMR 742, Port Dickson	120,334	For Pipeline to Jetty LPG Vessel	20 years	01.01.1991	332			332
29	Freehold	Lot 191 EMR 553, Kg Gelam, Port Dickson	134,491	For Pipeline to Jetty LPG Vessel	21 years	01.01.1991	620			620
30	Freehold	Lot 190 EMR 552, Kg Gelam, Port Dickson	131,769	For Pipeline to Jetty LPG Vessel	21 years	01.01.1991	577			577
31	Freehold	Lot 909 Grant 10047, Port Dickson	86,766	for pipeline to jetty LPG Vessel	17 years	01.01.1991	431			431
32	Freehold	Lots 178-180 Grant 1087-1089, Port Dickson	448,668	For Pipeline to Jetty LPG Vessel	17 years	01.01.1991	2,172			2,172
33	Freehold	Lot 1300 EMR 867, Kg Gelam, Port Dickson	88,481	For Pipeline to Jetty LPG Vessel	18 years	01.01.1991	403			403
34	Freehold	Lot 651 EMR 196, Kg Arang-arang , Port Dickson	153,810	LPG Vessel	22 years	01.01.1991	492			492

company properties
as at 31 december 2008

(continued)

No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
35	Freehold	Lot 2193/23 HSM281, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
36	Freehold	Lot 2193/24 HSM282, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
37	Freehold	Lot 2193/25 HSM283, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
38	Freehold	Lot 2193/26 HSM284, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
39	Freehold	Lot 2193/49 HSM307, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
40	Freehold	Lot 2193/50 HSM308, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
41	Freehold	Lot 2193/51 HSM309, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
42	Freehold	Lot 2193/52 HSM310, Port Dickson	1,259	Refinery Buffer Zone	12 years	30.04.2001	86			86
43	Freehold	Lot 4961 GM475, Port Dickson	5,769	Refinery Buffer Zone	12 years	30.04.2001	210			210
44	Freehold	Lot 4962 GM476, Port Dickson	4,058	Refinery Buffer Zone	12 years	30.04.2001	148			148
45	Freehold	Lot 4963 GM477, Port Dickson	6,060	Refinery Buffer Zone	12 years	30.04.2001	221			221
46	Freehold	Lot 4964 GM478, Port Dickson	463	Refinery Buffer Zone	12 years	30.04.2001	181			181
47	Freehold	Lot 4965 GM479 Port Dickson	4,736	Refinery Buffer Zone	12 years	30.04.2001	173			173
48	Freehold	Lot 4966 GM480, Port Dickson	5,726	Refinery Buffer Zone	12 years	30.04.2001	209			209
49	Freehold	Lot 4967 GM481, Port Dickson	3,326	Refinery Buffer Zone	12 years	30.04.2001	121			121
50	Freehold	Lot 4968 GM482, Port Dickson	151	Refinery Buffer Zone	12 years	30.04.2001	5			5
51	Freehold	Lot 5402 GM345, Port Dickson	1,066	Refinery Buffer Zone	12 years	30.04.2001	44			44
52	Freehold	Lot 5403 GM346, Port Dickson	4,026	Refinery Buffer Zone	12 years	30.04.2001	166			166
53	Freehold	Lot 5404 GM347, Port Dickson	4,176	Refinery Buffer Zone	12 years	30.04.2001	172			172
54	Freehold	Lot 5405 GM348, Port Dickson	4,176	Refinery Buffer Zone	12 years	30.04.2001	172			172



No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
55	Freehold	Lot 5406 GM349, Port Dickson	4,176	Refinery Buffer Zone	12 years	30.04.2001	172			172
56	Freehold	Lot 5407 GM350, Port Dickson	4,176	Refinery Buffer Zone	12 years	30.04.2001	172			172
57	Freehold	PT 3541, Kg Gelam, Port Dickson	2,002	Refinery Buffer Zone	15 years	31.08.2000	20			20
58	Freehold	PT 4521-4540, Kg Gelam, Port Dickson	40,236	Refinery Buffer Zone	15 years	31.08.2000	398			398
59	Freehold	PT 4543, Kg Gelam, Port Dickson	6,135	Refinery Buffer Zone	15 years	31.08.2000	61			61
60	Freehold	Lot 1126 Grant 10097 Port Dickson	97,738	Reserved Land	20 years	01.01.1991	313			313
61	Freehold	Lot 2314 GM 203, Kg Arang-arang, Port Dickson	86,858	Reserved Land	21 years	01.01.1991	278			278
62	Freehold	Lot 643 EMR 330, Kg Arang-arang Port Dickson	78,952	Reserved Land	21 years	01.01.1991	253			253
63	Freehold	Lot 652 EMR 197, Kg Arang-arang, Port Dickson	148,626	Reserved Land	22 years	01.01.1991	475			475
64	Freehold	Lot 774 EMR 629, Kg Paya, Port Dickson	99,360	Reserved Land	22 years	01.01.1991	318			318
65	Freehold	Lot 1553 EMR 671, Kg Paya, Port Dickson	216,449	Reserved Land	22 years	01.01.1991	688			688
66	Freehold	Lot 775 CT 1769, Port Dickson	104,805	Reserved Land	22 years	01.01.1991	336			336
67	Freehold	Lot 580 EMR 225 Port Dickson	107,539	Reserved Land	16 years	03.09.1991	311			311
68	Freehold	Lot 581 EMR 226, Port Dickson	98,010	Reserved Land	16 years	03.09.1991	283			283
69	Freehold	Lot 1312 PT4372, lot 1313 PT4373, lot 1314 PT4374, lot 1317 PT4377, lot 1318 PT4388, lot 764 Port Dickson	47,866	Reserved Land	44 years	01.01.1991	397			397
70	Freehold	Lot 256 GM1276, Port Dickson	62,614	Reserved Land	1 years	28.03.2008	600			600
71	Freehold	Lot 9060 PT4387/9061 PT4388 Port Dickson (partial lots of lot 701)	17,739	Reserved Land	45 years	01.01.1991	1			1
72	Leasehold	PW1390 Mukim Port Dickson	2,822,688	Jetty Land	16 years	10.04.2004	1,989		9,760	11,749
							52,587	1,604	62,698	116,889
			15,190,949				52,587	1,604	62,698	116,889

analysis of shareholdings

as at 31 march 2009

Size of Holdings	No. of Holders		No. of Shares		%	
	Malaysia	Foreign	Malaysia	Foreign	Malaysia	Foreign
1 – 99	294	3	3,276	27	0.00	0.00
100 – 1,000	2,691	162	2,020,799	138,135	0.67	0.05
1,001 – 10,000	2,801	605	10,427,236	2,651,632	3.48	0.88
10,001 – 100,000	385	165	10,726,708	4,327,689	3.58	1.44
100,001 – 14,999,999(*)	46	34	44,664,000	10,490,998	14.89	3.50
15,000,000 and above(**)	2	1	61,549,500	153,000,000	20.51	51.00
Total	6,219	970	129,391,519	170,608,481	43.13	56.87
Grand Total	No. of Holders		No. of Shares		%	
	7,189		300,000,000		100.00	

Remark: *Less than 5% of Issued Shares
**5% and above of Issued Shares

Authorised Capital : RM300,000,000.00
 Issued and Paid-up Capital : RM300,000,000.00
 Class of Shares : Ordinary share of RM1.00 each
 Voting right : One vote per ordinary share held

List of Top Shareholders

Total no. of shareholders	30
Total shareholdings	260,446,898
Total percentage	86.82%

List of Top 30 Shareholders

No.	Account No.	Name	Investor ID	Shareholdings	%
1.	207-001-024831513	Citigroup Nominees (Asing) Sdn Bhd for Shell Overseas Holdings Limited	263875D	153,000,000	51.00
2.	226-001-004488797	Employees Provident Fund Board	EPFACT1991	45,672,600	15.22
3.	245-001-019638741	Amanah Raya Nominees (Tempatan) Sdn Bhd for Skim Amanah Saham Bumiputra	434217U	15,876,900	5.29
4.	260-001-043765304	Kumpulan Wang Persaraan (DiPerbadankan)	KWAPACT6622007	12,020,900	4.01
5.	257-001-037151271	Valuecap Sdn Bhd	595989V	10,208,000	3.40

**List of Top 30 Shareholders** (continued)

No.	Account No.	Name	Investor ID	Shareholdings	%
6.	245-001-019638717	Amanah Raya Nominees (Tempatan) Sdn Bhd for Amanah Saham Wawasan 2020	434217U	4,960,400	1.65
7.	205-001-025845835	Malaysia Nominees (Tempatan) Sendirian Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	6193K	3,984,700	1.33
8.	209-001-021330287	Cartaban Nominees (Asing) Sdn. Bhd. – Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	263367W	1,714,600	0.57
9.	087-001-002671394	Kumpulan Wang Simpanan Pekerja	ACT 425	1,500,000	0.50
10.	245-001-031302672	Amanah Raya Nominees (Tempatan) Sdn Bhd for Amanah Saham Malaysia	434217U	1,186,300	0.40
11.	201-001-021496906	Mayban Nominees (Tempatan) Sdn Bhd – Mayban Investment Management Sdn Bhd for #Kumpulan Wang Simpanan Pekerja (N14011980810)	258939H	850,000	0.28
12.	205-001-024068207	Malaysia Nominees (Tempatan) Sendirian Berhad for Lee Foundation, States of Malaya (00-00197-000)	6193K	790,000	0.26
13.	202-001-047184684	SSB Nominees (Tempatan) Sdn Bhd #Universiti Malaya (CAFM)	22016H	680,000	0.23
14.	207-001-047749916	Citigroup Nominees (Asing) Sendirian Berhad – Exempt an for #OCBC Securities Private Limited (Client A/C-NR)	263875D	671,423	0.22
15.	073-007-034742809	Tham Tatt Yow @ Tham Ah Chye	420411-10-5271 (0487773)	640,000	0.21
16.	209-001-026473371	Cartaban Nominees (Asing) Sdn. Bhd. – Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (H)	263367W	607,225	0.20
17.	205-001-034087676	Malaysia Nominees (Tempatan) Sendirian Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	6193K	578,700	0.19
18.	098-001-004979415	Universal Trustee (Malaysia) Berhad # AMB Balanced Trust Fund	17540D	571,500	0.19
19.	065-001-043565290	CIMSEC Nominees (Asing) Sdn Bhd – Exempt AN for CIMB-GK Securities Pte Ltd (Retail Clients)	265422M	565,250	0.19
20.	056-004-024805566	Ke-Zan Nominees (Asing) Sdn Bhd, Kim Eng Securities (Private) Limited for Chow Cho Poon Pte Ltd	257871M	530,000	0.18
21.	206-001-043591288	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association (Taiwan)	4381U	507,700	0.17
22.	065-003-044224251	Heng Lee and Company Sdn Berhad	750W	450,000	0.15

analysis of shareholdings

as at 31 march 2009

(continued)

List of Top 30 Shareholders (continued)

No.	Account No.	Name	Investor ID	Shareholdings	%
23.	206-001-024008484	HSBC Nominees (Asing) Sdn Bhd, HSBC SG for Singapore Investments Pte Ltd	4381U	425,000	0.14
24.	056-004-024806234	Ke-Zan Nominees (Asing) Sdn Bhd, Kim Eng Securities (Private) Limited for Lee Tung Company Pte Ltd	257871M	410,000	0.14
25.	066-001-044630473	HLG Nominee (Asing) Sdn Bhd – Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	250883D	380,700	0.13
26.	068-001-0345466291	Heng Lee and Company Sdn Berhad	750W	350,000	0.12
27.	207-001-026003418	Citigroup Nominees (Asing) Sdn Bhd #Legal and General Assurance (Pensions Management) Limited – Asia Emerging Market Equity Index Fund	263875D	341,800	0.11
28.	245-001-036921997	Amanah Raya Nominees (Tempatan) Sdn Bhd for #Dana Islamiah Affin	434217U	340,800	0.11
29.	061-001-043393537	MCIS Zurich Insurance Berhad	435318U	335,000	0.11
30.	222-001-044333003	Alliancegroup Nominees (Asing) Sdn Bhd, Alliance Investment Management Berhad for Lagmuir Holdings Ltd	272859W	297,400	0.10
Total				260,446,898	86.82%

Substantial Shareholders Holdings (5% and above)

No.	Account No.	Name	Investor ID	Shareholdings	%
1.	207-001-001830843	#Citigroup Nominees (Asing) Sdn Bhd	263875D	155,738,686	51.91
2.	226-001-004488797	Employees Provident Fund Board	EPFACT1991	45,672,600	16.00
3.	245-001-019638717	Amanah Raya Nominees (Tempatan) Sdn Bhd	434217U	22,978,000	7.66
Total				224,389,286	74.79

The listing above represents the aggregated shareholdings.

Citigroup Nominees (Asing) Sdn Bhd for Shell Overseas Holdings Limited of 51%.

proxy form
original only
(please see notes below)



Shell Refining Company
(Federation of Malaya) Berhad (3926-U)
(Incorporated in Malaysia)

No of shares held:	CDS account no:	Serial number:

To: Board of Directors

I/We _____ NRIC No./Co. No.: _____ of

being Member/Members of Shell Refining Company (Federation of Malaya) Berhad, hereby appoint _____

_____ NRIC No.: _____ or

failing him/them _____ NRIC No.: _____

OR failing him/them, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fiftieth Annual General Meeting of the Company to be held at **Sime Darby Convention Centre**, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Thursday, 7 May 2009 at 11.00 am** and at any adjournment thereof

Signature of Member or Common Seal _____ Signature of Witness _____

Name in Full _____

Address _____

Date _____ day of _____ 2009.

Agenda 1

- To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.

My/our proxy is to vote on the Resolutions as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote and abstain as he/she thinks fit.

Agenda 2 – 7

Resolution	For	Against
2. To approve the declaration of a final dividend of Thirty Sen (RM0.30) less Malaysian Income Tax at 25% per unit of ordinary share of RM 1.00 each for the year ended 31 December 2008 as recommended by the Directors. Resolution 1		
3. To re-elect Tuan Haji Rozano Bin Saad, who is retiring in accordance with Article 81(2) of the Company's Articles of Association and being eligible, offers himself for re-election. Resolution 2		
4. To re-elect the following directors who are retiring in accordance with Article 81(3) of the Company's Articles of Association and being eligible, offer themselves for re-election:		
a. Y. Bhg. Dato' Saw Choo Boon Resolution 3		
b. Y. Bhg. Dato' Seri Talaat bin Haji Husain Resolution 4		
c. Mr. Mark Owen Stevens Resolution 5		
5. To re-elect the following director who are retiring in accordance with Article 81(9) of the Company's Articles of Association and being eligible, offer himself for re-election Y.Bhg Tan Sri Datuk Clifford Francis Herbert Resolution 6		

Agenda 2 – 7

Resolution	For	Against
6. To consider and if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act 1965: “That Y.Bhg. Dato’ Jaffar Indot, a Director who retires in accordance with section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting.” Resolution 7		
7. To appoint Messrs PricewaterhouseCoopers as auditors and to authorise the Directors to fix the auditors’ remuneration. Resolution 8		
8. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following ordinary resolution: Proposed Renewal of the Existing Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. Resolution 9		

THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad,

- (a) approval be and is hereby given for the Renewal of the Existing Shareholders’ Mandate for the Company to enter into and give effect to the category of the recurrent arrangements or transactions of a revenue or trading nature from time to time with the Related Parties, as specified in Section 2.2 of the Circular to Shareholders dated **10 April 2009**; and
- (b) a New Shareholders’ Mandate be and is hereby granted for the Company to enter into additional recurrent related party transactions of a revenue or trading nature from time to time with the Related Party, namely as specified in Section 2.2 of the Circular to Shareholders dated **10 April 2009**, provided that such transactions are:-
 - (i) recurrent transactions of a revenue or trading nature;
 - (ii) necessary for the Shell Group’s day-to-day operations;
 - (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
 - (iv) are not to the detriment of minority shareholders;

(the “Mandate”);

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate.

Notes:

1. A member of the Company who is entitled to attend and vote at the meeting may appoint a maximum of two proxies to attend and, on a poll, vote on the member’s behalf.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing and signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made under seal or signed by an officer or an attorney duly authorised.
4. The signature to the instrument appointing a proxy or proxies executed outside Malaysia must be attested by a solicitor, notary public, consul or magistrate.
5. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or notarised must be deposited at the registered office of the Company, Company Secretary’s Office, Bangunan Shell Malaysia, Changkat Semantan, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.
6. Only an **original** proxy form deposited at the registered office of the Company, will entitle the proxy holder to attend and vote at the meeting. Photocopies of proxy form will not be accepted for the purposes of the meeting. Additional original proxy forms are available to members upon request in writing to the Company.
7. Where a member appoints two (2) proxies, the appointment shall be invalid unless such member specifies the percentage of his/her holding to be represented by each proxy.
8. Any nomination of a Director must be made in accordance with the Articles of Association of the Company.

borang proksi
borang asal sahaja
(sila rujuk nota di bawah)



Shell Refining Company
(Federation of Malaya) Berhad (3926-U)
(Diperbadankan di Malaysia)

Bil. saham dipegang:	No. Akaun CDS:	Nombor Siri:

Kepada: Lembaga Pengarah

Saya/Kami _____ No. KP/No. Syarikat: _____ dari

selaku Ahli/Ahli-ahli Shell Refining Company (Federation of Malaya) Berhad, dengan ini melantik _____

_____ No. KP: _____ ATAU

sekiranya beliau/mereka tidak hadir _____ No. KP: _____

ATAU sekiranya beliau/mereka tidak hadir, Pengerusi Mesyuarat sebagai proksi saya/kami untuk mengundi bagi pihak saya/kami pada Mesyuarat Agung Tahunan Syarikat ke-Lima Puluh di **Pusat Konvensyen Sime Darby**, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur pada hari Khamis, **7 Mei 2009 jam 11.00 pagi** dan pada sebarang penangguhannya.

Tandatangan Ahli atau Cop Syarikat _____ Tandatangan Saksi _____

Nama Penuh _____

Alamat _____

Tarikh _____ haribulan _____ 2009.

Agenda 1

1. Untuk menerima pakai Penyata Kewangan Syarikat yang telah diaudit bagi tahun kewangan berakhir 31 Disember 2008 berserta dengan Laporan Pengarah dan Juruaudit.

Proksi saya/kami akan mengundi ke atas Resolusi dengan menandakan "X" pada ruang yang sesuai di bawah. Sekiranya borang ini dikembalikan tanpa sebarang tanda yang menunjukkan undian proksi, maka proksi akan mengundi dan berkecuali seperti yang difikirkan wajar.

Agenda 2 – 7

Resolusi	Menyokong	Menentang
2. Untuk meluluskan perisytiharan dividen akhir Tiga Puluh Sen (RM0.30) ditolak Cukai Pendapatan Malaysia 25% seunit saham biasa RM1.00 sesaham bagi tahun berakhir 31 Disember 2008 seperti yang disyorkan oleh para Pengarah. Resolusi 1		
3. Untuk memilih semula Tuan Haji Rozano Bin Saad, yang akan bersara menurut Artikel 81(2) Tataurusan Pertubuhan Syarikat dan oleh kerana layak, menawarkan dirinya untuk dipilih semula. Resolusi 2		
4. Untuk memilih semula para pengarah berikut yang akan bersara menurut Artikel 81(3) Tataurusan Pertubuhan Syarikat dan oleh kerana layak, menawarkan diri mereka untuk dipilih semula:		
a. Y. Bhg. Dato' Saw Choo Boon Resolusi 3		
b. Y. Bhg. Dato' Seri Talaat bin Haji Husain Resolusi 4		
c. En. Mark Owen Stevens Resolusi 5		
5. Untuk memilih semula pengarah berikut yang akan bersara menurut Artikel 81(9) Tataurusan Pertubuhan Syarikat dan oleh kerana layak, menawarkan dirinya untuk dipilih semula Y.Bhg Tan Sri Datuk Clifford Francis Herbert Resolusi 6		

Agenda 2 – 7

Resolusi	Menyokong	Menentang
6. Untuk mempertimbangkan dan jika dianggap wajar, meluluskan resolusi berikut menurut Seksyen 129 Akta Syarikat 1965: "Bahawa Y. Bhg. Dato' Jaffar Indot, seorang Pengarah yang bersara menurut Seksyen 129 Akta Syarikat, 1965, adalah dan dengan ini dilantik semula sebagai Pengarah Syarikat untuk memegang jawatan sehingga tamatnya Mesyuarat Agung Tahunan yang akan datang." Resolusi 7		
7. Untuk melantik Tetuan PricewaterhouseCoopers sebagai juruaudit dan membenarkan para Pengarah menetapkan yuran juruaudit. Resolusi 8		
8. Sebagai URUSAN KHAS, untuk mempertimbangkan dan jika dianggap wajar, meluluskan resolusi biasa berikut: Cadangan Memperbaharui Mandat Pemegang Saham Sedia Ada dan Cadangan Mandat Pemegang Saham yang Baru bagi Urusniaga Berulang dengan Pihak Berkaitan yang berbentuk Hasil atau Perdagangan Resolusi 9		

BAHAWA tertakluk kepada Akta Syarikat, 1965, Memorandum dan Tataurus Pertubuhan Syarikat dan Kehendak Penyenaian Bursa Malaysia Securities Berhad,

- (a) kelulusan adalah dan dengan ini diberikan untuk Memperbaharui Mandat Pemegang Saham Sedia Ada agar Syarikat dapat memeterai dan melaksanakan kategori urusan atau urusniaga berulang berbentuk hasil atau perdagangan dari semasa ke semasa dengan Pihak Berkaitan, seperti yang dinyatakan dalam Seksyen 2.2 Pekeliling kepada Pemegang Saham bertarikh **10 April 2009**; dan
- (b) Mandat Pemegang Saham yang Baru adalah dan dengan ini diberikan agar Syarikat dapat melaksanakan urusniaga berulang tambahan dengan pihak berkaitan yang berbentuk hasil atau perdagangan dari masa ke semasa dengan Pihak Berkaitan, iaitu seperti yang dinyatakan dalam Seksyen 2.2 Pekeliling kepada Pemegang Saham bertarikh **10 April 2009**, dengan syarat urusniaga tersebut adalah:
 - (i) urusniaga berulang berbentuk hasil atau perdagangan;
 - (ii) perlu bagi operasi harian Kumpulan Shell;
 - (iii) dijalankan dalam urusan biasa perniagaan berasaskan terma komersial lazim yang bukan lebih memihak kepada Pihak Berkaitan berbanding yang ditawarkan kepada umum; dan
 - (iv) tidak menjejaskan kepentingan pemegang saham minoriti;

("Mandat");

BAHAWA kuasa tersebut akan bermula sebaik saja resolusi ini diluluskan dan akan terus berkuatkuasa sehingga:

- (i) berakhirnya Mesyuarat Agung Tahunan Syarikat yang akan datang selepas Mesyuarat Agung Tahunan di mana mandat tersebut diluluskan, dan pada waktu di mana mandat tersebut akan luput, melainkan kuasa tersebut diperbaharui menerusi resolusi yang diluluskan pada mesyuarat itu;
 - (ii) tamat tempoh di mana Mesyuarat Agung Tahunan akan datang perlu diadakan menurut Seksyen 143(1) Akta Syarikat, 1965 tetapi tidak dilanjutkan sehingga tempoh lanjutan yang dibenarkan menurut Seksyen 143(2) Akta Syarikat, 1965; atau
 - (iii) dibatalkan atau diubah menerusi resolusi yang diluluskan oleh pemegang saham pada mesyuarat agung;
- yang mana lebih awal;

Dan bahawa para Pengarah Syarikat diberi kuasa untuk menyempurnakan dan melaksanakan segala tindakan dan perkara (termasuk menandatangani semua dokumen yang diperlukan), yang dianggap sesuai atau perlu bagi menguatkuasakan Mandat.

Nota-nota:

1. Seorang ahli Syarikat yang layak untuk hadir dan mengundi di mesyuarat boleh melantik tidak lebih daripada dua proksi untuk hadir dan mengundi bagi pihak ahli tersebut menerusi undian.
2. Seorang proksi tidak semestinya seorang ahli Syarikat.
3. Instrumen untuk melantik proksi haruslah dibuat secara bertulis dan ditandatangani oleh pihak yang melantik atau oleh peguamnya yang diberi kuasa secara bertulis. Bagi syarikat, instrumen untuk melantik proksi harus dimeterai atau ditandatangani oleh pegawai atau peguam yang diberi kuasa dengan sewajarnya.
4. Tandatangan bagi instrumen untuk melantik proksi yang dibuat di luar Malaysia harus diperakui oleh peguam, saksi awam, konsul atau majistret.
5. Instrumen melantik proksi dan surat kuasa wakil atau pemberian kuasa lain (jika ada) yang ditandatangani atau diperakui haruslah diserahkan di pejabat berdaftar Syarikat, Pejabat Setiausaha Syarikat, Bangunan Shell Malaysia, Changkat Semantan, Damansara Heights, 50490 Kuala Lumpur, tidak kurang daripada empat puluh lapan (48) jam sebelum masa mesyuarat diadakan atau ditangguhkan.
6. Hanya borang proksi **asal** yang diserahkan di pejabat berdaftar Syarikat akan melayakkan pemegang proksi untuk hadir dan mengundi di mesyuarat. Salinan foto borang proksi tidak akan diterima untuk tujuan mesyuarat. Borang proksi asal tambahan akan diberikan kepada ahli atas permintaan yang dibuat secara bertulis kepada Syarikat.
7. Sekiranya ahli melantik dua (2) proksi, perantaraan tersebut tidak sah melainkan ahli tersebut menyatakan peratus pegangannya yang diwakili oleh setiap proksi.
8. Sebarang pencalonan Pengarah harus dibuat menurut Tataurus Pertubuhan Syarikat.

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