



MOVING AS ONE

Annual Report 2011

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



Moving as one, in 2011 SRC resiliently weathered unforeseen conditions without compromise to safety, reliability and quality. The last few years' focus on elevating operational efficiencies has borne positive results as SRC makes good headway in delivering Top Quartile performance. The past year also saw management and staff working as one to identify opportunities and develop more efficient solutions. This is embedded in our passion to continue enhancing performance as we set our sights on unleashing our competitive advantage in 2012.

Life-Saving Rules

1



Work with a valid work permit when required

2



Conduct gas tests when required

5



Obtain authorisation before overriding or disabling safety critical equipment

6



Protect yourself against a fall when working at height

9



No alcohol or drugs while working or driving

10



While driving, do not use your phone and do not exceed speed limits

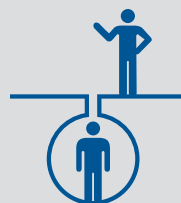
The 12 Life-Saving Rules are crucial steps in our Goal Zero journey. These rules set out clear and simple “do’s and don’ts” covering activities with the highest potential safety risk, to ensure that rules are followed and people are protected.

3



Verify isolation before work begins and use the specified life protecting equipment

4



Obtain authorisation before entering a confined space

7



Do not walk under a suspended load

8



Do not smoke outside designated smoking areas

11



Wear your seat belt

12



Follow prescribed Journey Management Plan



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"In 2011 Shell Refining Company ("SRC") made good progress on its journey towards Top Quartile performance, thanks to the strengthened team spirit whereby management and front line leaders worked hand in hand in decision making and facing challenges."



ADVANCING AS A TEAM



SHELL IN MALAYSIA

Shell is a global group of energy and petrochemicals companies with around 93,000 employees in more than 90 countries and territories. Our innovative approach ensures we are ready to help tackle the challenges of the new energy future.

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Our strategy seeks to reinforce our position as a leader in the oil and gas industry in order to provide a competitive shareholder return while helping to meet global energy demand in a responsible way.

In Upstream, we focus on exploring for new oil and gas reserves and developing major projects where our technology and know-how add value to the resource holders.

In Downstream, our emphasis remains on sustained cash generation from our existing assets and selective investments in growth markets.

Our core values of honesty, integrity and respect for people form the basis of the Shell General Business Principles.

With a workforce of 6,700 employees, Shell Malaysia is a member company of Royal Dutch Shell Group.

Backed by over a century of presence in the country, Shell operations in Malaysia include our Upstream, Downstream and Projects & Technology businesses.

Shell is the petroleum retail market leader in Malaysia, catering to one-third of Peninsular Malaysia and half of Sabah and Sarawak's market requirements. Apart from managing one of the country's largest networks of retail stations, and a robust upstream exploration and production business, our operations also include the world's first commercial gas to liquids ("GTL") plant of its kind in Bintulu, Sarawak, and a refinery in Port Dickson, Negeri Sembilan.

We also provide technical, human resources, financial and business support services and expertise to the Shell Group via the Shell Business Service Centre Kuala Lumpur.

We aim to have a Health, Safety, Security and Environment performance that we can be proud of, to earn the confidence of customers, shareholders and society at large, to be a good neighbour and contribute to sustainable development.

In pursuing high standards of performance, we seek a long-term presence in Malaysia; striving to help all our stakeholders, improving their quality of life, while contributing to the nation's progress.

Upstream

Our Upstream operations have been in Malaysia for over 100 years, focusing on the efficient development and extraction of crude oil and natural gas offshore Sarawak and Sabah. Under production sharing contracts with PETRONAS, we are the largest natural gas producer in Malaysia.

Shell's recent venture into the relatively more challenging and costly deepwater exploration and production in Sabah and Sarawak is an affirmation of its long-term stance in the upstream oil and gas industry.

In Bintulu, our GTL plant is capable of converting natural gas into 14,700 barrels of GTL products a day. Virtually free from sulphur and aromatics, and highly biodegradable, GTL products are marketed to over 40 countries. We are also a partner in two joint ventures that convert natural gas to liquefied natural gas.

Downstream

In Downstream, Shell's main activity is in refining, supply, trading and shipping of crude oil and petroleum products through the sales and marketing of transportation fuels, lubricants, specialty products and technical services.

Shell is the petroleum retail market leader in Malaysia, and has one of the largest networks of retail stations in the country. The Shell Group has over 200 years of experience developing the technology and services that make it a leading provider of innovative fuels today.



Shell Refining Company (Federation of Malaya) Berhad is the sole public listed company within Shell in Malaysia. It operates the country's largest refinery on a single site at Port Dickson, supplying key petroleum products to Shell's Downstream business in Malaysia.

Our refinery aspires to be the "Top performing and most admired refinery in Asia". While we continue to grow profitably, we also have a commitment to contribute to sustainable development. This commitment underscores our involvement in corporate social responsibility activities and practices.

In Shell, this means we are committed to finding and delivering energy products that help meet the growing need for affordable, convenient and cleaner energy. It is also a commitment to responsible operations: building our projects, running our facilities and managing our supply chain safely and in ways that reduce their negative impacts and create positive benefits.

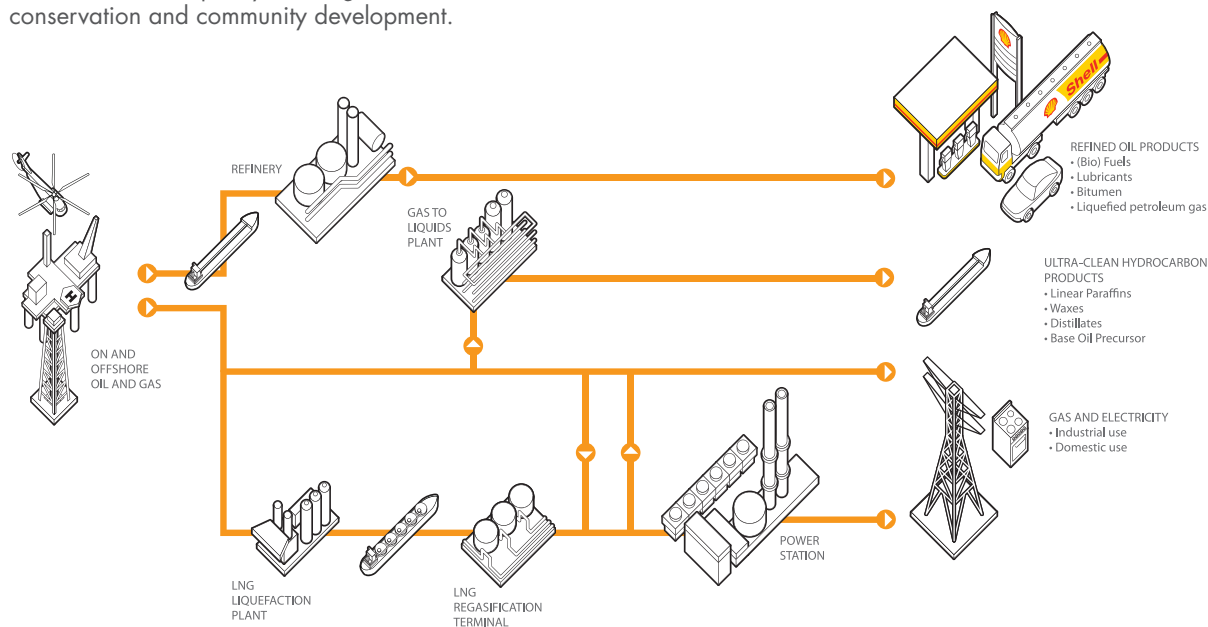
This commitment corresponds directly to our involvement in the social development of the communities where we operate. Apart from hiring and building the skills of local staff, we also actively encourage and support social investment projects, with a focus on capacity building, environmental conservation and community development.

We aspire to establish a long-term presence among the communities we operate in. In this regard, we are committed to helping our stakeholders improve their quality of life, while simultaneously contributing to Malaysia's advancement and goals.

Projects & Technology

The Shell Projects & Technology office in Kuala Lumpur develops and delivers key projects, innovation and new technology and business solutions to the Asia Pacific region. The division is supporting PETRONAS in securing Malaysia's oil and gas future by leading the design and construction of the region's first – and the world's second largest – floating productions system for a deepwater development offshore Sabah.

For the Downstream business, Projects & Technology is developing and building a new diesel processing unit at the Shell Refinery in Port Dickson. This processing plant reduces the sulphur content in gas oil and diesel products and will help to reduce emissions.





Shell Business Service Centre

Shell Business Service Centre Kuala Lumpur is the second largest centre in Shell, supporting the Group with expertise in shared service delivery, drive discipline and core processes by partnering with the business to ensure optimisation of the entire network. An MSC-status company located in Cyberjaya, it is the most complex in terms of service delivery, being the only hub providing the full suite of services to the Group, namely IT, Finance Operations, Customer Service, Supply & Distribution, Contracting & Procurement, and Human Resources.

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VISION

To be the top performing and most admired refinery in Asia

10

MISSION

To continuously deliver shareholder value by:

- Manufacturing and supplying oil products and services that satisfy the needs of our customers
- Constantly achieving operational excellence
- Conducting our business in a safe, environmentally sustainable and economically optimum manner
- Employing a diverse, innovative and results-oriented team motivated to deliver excellence

OBJECTIVE

We are committed to deliver sustainable excellence in business performance by focusing on the following:

- Benefit our shareholders
- Realise the potential of our people
- Meet our customer requirements
- Maximise refinery margins
- Safeguard asset integrity
- Deliver structural cost reductions
- Sustain a robust management system
- Deliver continuous sustainable Health, Safety, Security and Environmental excellence

CORPORATE INFORMATION

Board of Directors

Chairman, Non-Independent and Non-Executive Director,
Member of Remuneration Committee and
Nominating Committee

Encik Mohd Anuar bin Taib

Managing Director and Executive Director

Tuan Haji Rozano bin Saad

Senior Independent and
Non-Executive Director,
Chairman of Remuneration Committee,
Member of Audit Committee and
Nominating Committee

Y. Bhg. Dato' Seri Talaat bin Husain

DDSA, SPMP, DPCM, DPMP, JSD, PJK, PJM

Independent and Non-Executive Director,
Chairman of Audit Committee,
Member of Remuneration Committee and
Nominating Committee

Y. Bhg. Tan Sri Datuk Clifford Francis Herbert

PSM, PSD, JSM, KMN

Independent and Non-Executive Director,
Chairman of Nominating Committee,
Member of Audit Committee and
Remuneration Committee

Y. Bhg. Datuk Zainun Aishah binti Ahmad

KMN, PMP, DPMP, JSM, PJN

Independent and Non-Executive Director,
Member of Audit Committee,
Remuneration Committee and Nominating Committee

Y. Bhg. Dato' Saw Choo Boon

DSNS

Non-Independent and Non-Executive Director,
Member of Audit Committee

Mr. David Lau Nai Pek

Non-Independent and Non-Executive Director

Mr. Khong Kok Toong

Secretary

Pn. Rodziah binti Zainudin

(LS 0008034)

Auditors

Messrs.

PricewaterhouseCoopers (AF 1146)

1 Sentral, Jalan Travers

Kuala Lumpur Sentral

P.O. Box 10192

50706 Kuala Lumpur

Share Registrar

Symphony Share Registrars

Sdn Bhd (378993-D)

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Tel : 03-7841 8000

Fax : 03-7841 8151/8152

Stock Exchange Listing

Main Board of

Bursa Malaysia Securities Berhad

Registered Office

Bangunan Shell Malaysia

Changkat Semantan

Damansara Heights

50490 Kuala Lumpur

Tel : 03-2095 9144

Fax : 03-2091 2099

Business Address

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71000 Port Dickson

Negeri Sembilan

Tel : 06-647 1311

Fax : 06-647 4622

AGM Help Desk

Mr. Hardip Singh

Tel : 03-2091 2344

Fax : 03-2091 2099

Email : Hardip.Singh@shell.com

SHELL GENERAL BUSINESS PRINCIPLES

The Shell General Business Principles govern how each of the Shell Companies which make up the Shell Group* conducts its affairs. The objectives of the Shell Group are to engage efficiently, responsibly and profitably in oil, gas, chemicals and other selected businesses and to participate in the search for and development of other sources of energy to meet evolving customer needs and the world's growing demand for energy.

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We believe that oil and gas will be integral to the global energy needs for economic development for many decades to come. Our role is to ensure that we extract and deliver them profitably and in environmentally and socially responsible ways.

We seek a high standard of performance, maintaining a strong long-term and growing position in the competitive environments in which we choose to operate. We aim to work closely with our customers, partners and policy-makers to advance more efficient and sustainable use of energy and natural resources.

** Royal Dutch Shell plc and the companies in which it directly or indirectly owns investments are separate and distinct entities. But in this publication, the collective expressions 'Shell' and 'Shell Group' may be used for convenience where reference is made in general to those companies. Likewise, the words 'we', 'us', 'our', and 'ourselves' are used in some places to refer to the companies of the Shell Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.*

Our Values

Shell employees share a set of core values – honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professionalism, and pride in what we do.

Sustainable Development

As part of the Business Principles, we are committed to contributing to our sustainable development. This requires balancing short and long-term interests, integrating economic, environmental and social considerations into business decision-making.



Responsibilities

Shell companies recognise five areas of responsibility. It is the duty of management to continuously assess the priorities and discharge these inseparable responsibilities on the basis of that assessment.

a. To shareholders

To protect shareholders' investment, and provide a long-term return competitive with those of other leading companies in the industry.

b. To customers

To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, environmental and commercial expertise.

c. To employees

To respect the human rights of our employees and to provide them with good and safe working conditions, and competitive terms and conditions of employment.

To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents.

To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns.

We recognise that commercial success depends on the full commitment of all employees.

d. To those with whom we do business

To seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these Shell General Business Principles or equivalent principles in such relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

e. To society

To conduct business as responsible corporate members of society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment.

Economics

PRINCIPLE

1

Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Shell products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfill our responsibilities.

Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.

Competition

PRINCIPLE

2

Shell companies support free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

Business Integrity

PRINCIPLE

3

Shell companies insist on honesty, integrity and fairness in all aspects of our business and expect the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of a Shell company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

Political Activities

PRINCIPLE

4

a. Of companies
Shell companies act in a socially responsible manner within the laws of the countries in which we operate in pursuit of our legitimate commercial objectives.

Shell companies do not make payments to political parties, organisations or their representatives. Shell companies do not take part in party politics. However, when dealing with governments, Shell companies have the right and the responsibility to make our position known on any matters, which affect us, our employees, our customers, our shareholders or local communities in a manner, which is in accordance with our values and the Business Principles.

b. Of employees

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

Health, Safety, Security and the Environment

PRINCIPLE

5

Shell companies have a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Shell companies manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally.

We continually look for ways to reduce the environmental impact of our operations, products and services.

Local Communities

PRINCIPLE

6

Shell companies aim to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well being of the communities within which we work.

We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities.

In addition, Shell companies take a constructive interest in societal matters, directly or indirectly related to our business.

Communication and Engagement

PRINCIPLE

7

Shell companies recognise that regular dialogue and engagement with our stakeholders is essential.

We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In our interactions with employees, business partners and local communities, we seek to listen and respond to them honestly and responsibly.

Compliance

PRINCIPLE

8

We comply with all applicable laws and regulations of the countries in which we operate.



Living by Our Principles

Our shared core values of honesty, integrity and respect for people, underpin all the work we do and are the foundation of our Business Principles.

The Business Principles apply to all transactions, large or small, and drive the behaviour expected of every employee in every Shell company in the conduct of its business at all times.

We are judged by how we act. Our reputation will be upheld if we act in accordance with the law and the Business Principles. We encourage our business partners to live by them or by equivalent principles.

We encourage our employees to demonstrate leadership, accountability and teamwork, and through these behaviours, to contribute to the overall success of Shell.

It is the responsibility of management to lead by example, to ensure that all employees are aware of these principles, and behave in accordance with the spirit as well as with the letter of this statement.

The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them.

As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In turn, it is the responsibility of Shell employees to report suspected breaches of the Business Principles to Shell.

The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.

FINANCIAL CALENDAR

(Financial Year 2011)

2011

10 May

Unaudited consolidated results for the 1st quarter ended 31 March 2011

10 August

Unaudited consolidated results for the 2nd quarter ended 30 June 2011

10 August

An interim dividend of Twenty sen (RM0.20) per unit of share of RM1.00 each, less 25 percent Income Tax in respect of the financial year ending 31 December 2011

8 September

Interim dividend entitlement date

30 September

Interim dividend payment date

1 November

Unaudited consolidated results for the 3rd quarter ended 30 September 2011

2012

17 February

Unaudited consolidated results for the 4th quarter ended 31 December 2011

17 February

Final dividend of Twenty sen (RM0.20) per unit of share of RM1.00 each, less 25 percent Income Tax in respect of the financial year ended 31 December 2011

5 March

Notice of 53rd Annual General Meeting

28 March

53rd Annual General Meeting

3 May

Final dividend entitlement date

24 May

Final dividend payment date

NOTICE OF THE 53RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Third Annual General Meeting of Shell Refining Company (Federation of Malaya) Berhad ("the Company") will be held on Wednesday, 28 March 2012, at 10.00 am at Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur to transact the following business:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon.
2. To approve the declaration of a final dividend of Twenty sen (RM0.20) less Malaysian Income Tax at 25 percent per unit of ordinary share of RM1.00 each for the year ended 31 December 2011 as recommended by the Directors. **Resolution 1**
3. 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' Seri Talaat bin Husain **Resolution 2**
 - b. Y. Bhg. Dato' Saw Choo Boon **Resolution 3**
 - c. Mr. Khong Kok Toong **Resolution 4**
4. To consider and if thought fit, pass the following ordinary resolution pursuant to Section 129(6) of the Companies Act, 1965:
"That Y. Bhg. Tan Sri Datuk Clifford Francis Herbert, a Director who retires in accordance with Section 129 of the Companies Act, 1965, be and is hereby elected as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 5**
5. To appoint Messrs. PricewaterhouseCoopers as auditors and to authorise the Directors to fix the auditors' remuneration. **Resolution 6**

6. 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 7

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of 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 **5 March 2012**; 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 **5 March 2012**, provided that such transactions are:
 - i. recurrent transactions of a revenue or trading nature;
 - ii. necessary for the Company'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. 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 the authority is renewed by a resolution passed at the meeting;
 - ii. the expiration of the period within which the next Annual General Meeting 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 a 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.

BY ORDER OF THE BOARD
 Rodziah binti Zainudin (LS 0008034)
 Company Secretary
 Kuala Lumpur
 5 March 2012

Notice of Dividend Entitlement

NOTICE is hereby given that a final dividend of Twenty sen (RM0.20) gross per unit of ordinary share less 25 percent Malaysian Income Tax in respect of the financial year ended 31 December 2011, if approved by the shareholders, will be paid on **24 May 2012** to Shareholders registered in the Record of Depositors or Register of Members at the close of business on **3 May 2012**.

A Depositor shall qualify for entitlement only in respect of:

- a. shares transferred into the Depositor's Securities Account before **4.00 pm** on **3 May 2012** in respect of share transfers; and
- b. shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notes Relating to Proxy

1. A member of the Company who is entitled to attend and vote at the meeting may appoint a maximum of two (2) 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.

Notes to the Agenda:

1. Pursuant to Sections 169(1) and 174(1) of the Companies Act, 1965 and Article 124 of the Company's Articles of Association.
2. Pursuant to Article 112 of the Company's Articles of Association, the Company has declared and paid gross interim dividend of Twenty sen (RM0.20) per unit of ordinary share and the Directors of the Company have recommended a gross final dividend of Twenty sen (RM0.20) per unit of ordinary share. This amounts to a total gross dividend of Forty sen (RM0.40) per unit of ordinary share for the year 2011. All amounts referred to are before deduction of income tax.
3. Re-election is pursuant to Article 81(3) of the Company's Articles of Association, which requires the rotation of one-third of the Directors to retire from office at the first Annual General Meeting and at the Annual General Meeting in every subsequent year provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.
4. Section 129(6) of the Companies Act 1965 requires Directors above seventy (70) years of age to be elected by the shareholders every year.
5. Pursuant to Section 172(2) of the Companies Act, 1965 and Article 127 of the Company's Articles of Association.
6. Explanatory notes to Special Business:
On 22 February 2012, the Board announced to Bursa Malaysia Securities Berhad that the Company would like to seek approval of its shareholders for the Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. The Existing Shareholders' Mandate, obtained on 11 May 2011, will expire at the conclusion of the forthcoming Fifty Third Annual General Meeting to be held on 28 March 2012. For further information, please refer to the Circular to Shareholders dated 5 March 2012. All defined terms will have the same meaning as defined in the Circular to Shareholders dated 5 March 2012.

STATEMENT ACCOMPANYING

NOTICE OF THE 53RD ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors who are standing for re-election at the Fifty Third Annual General Meeting of the Company pursuant to Article 81(3) of the Company's Articles of Association which requires the rotation of one third of the Directors to retire from office at least once in three (3) years are:
 - a. Y. Bhg. Dato' Seri Talaat bin Husain (Refer to page 28 of Directors' profile)
 - b. Y. Bhg. Dato' Saw Choo Boon (Refer to page 30 of Directors' profile)
 - c. Mr. Khong Kok Toong (Refer to page 31 of Directors' profile)
2. Director who is standing for election at the Fifty Third Annual General Meeting of the Company pursuant to Section 129 of the Companies Act 1965, which requires directors above seventy (70) years of age to be elected by shareholders every year, is:
Y. Bhg. Tan Sri Datuk Clifford Francis Herbert (Refer to page 29 of Directors' profile)
3. The place, date and hour of the forthcoming Fifty Third Annual General Meeting:
 - i. Place: Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia
 - ii. Date: Wednesday, 28 March 2012
 - iii. Hour: 10.00 am

4. Details of Attendance of Directors at Board Meetings.

Four Board of Directors Meetings were held during the financial year ended 31 December 2011.
Details of attendance of Directors at the Board Meetings are as follows:

Name of Directors	No. of meetings attended
a. Encik Mohd Anuar bin Taib	3 out of 4 meetings
b. Y. Bhg. Dato' Seri Talaat bin Husain	4 out of 4 meetings
c. Y. Bhg Tan Sri Datuk Clifford Francis Herbert	4 out of 4 meetings
d. Y. Bhg. Dato' Saw Choo Boon	3 out of 4 meetings
e. Y. Bhg. Datuk Zainun Aishah binti Ahmad	4 out of 4 meetings
f. Tuan Haji Rozano bin Saad	4 out of 4 meetings
g. Mr. David Lau Nai Pek	4 out of 4 meetings
h. Mr Khong Kok Toong (Appointed on 1 March 2011)	3 out of 3 meetings

5. The Fifty Second Annual General Meeting of the Company for the financial year ended 31 December 2010 was held at Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia.

The date, time and purpose of the Annual General Meeting held was as follows:

Date	Time	Purpose
Wednesday 11 May 2011	11.00 am	To pass the Ordinary Resolutions including Special Business for the Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

6. None of the Directors has:
 - Any family relationship with any Director and/or major shareholder of Shell Refining Company (Federation of Malaya) Berhad.
 - Any conflict of interest with Shell Refining Company (Federation of Malaya) Berhad save as disclosed in
 - (a) the Shareholders' Circular on Recurrent Related Party Transactions, and
 - (b) the Director's Profile of Dato' Saw Choo Boon and Datuk Zainun Aishah binti Ahmad.
 - Any conviction for offences within the past ten (10) years other than traffic offences.
7. In 2011, seven of the Company's Directors are Malaysians and one Director is a Singapore national.



"Consistent and increased engagement between management and workers in every aspect of refinery operations built a sense of shared goals. Daily site walks by the management helped address issues and challenges more effectively and quickly."



A full-page photograph of a male worker in a yellow protective suit and white hard hat, holding a radio to his mouth. The background shows large industrial storage tanks. The text "DRIVING SHARED GOALS" is overlaid in white. At the top of the page, there are three horizontal bars in green, purple, and brown.

DRIVING SHARED GOALS

BOARD OF DIRECTORS

Y. Bhg. Tan Sri Datuk Clifford Francis Herbert

Independent and
Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee
and Nominating Committee
PSM, PSD, JSM, KMN

Y. Bhg. Dato' Seri Talaat Bin Husain

Senior Independent and
Non-Executive Director
Chairman of Remuneration
Committee
Member of Audit Committee and
Nominating Committee
DDSA, SPMP, DPCM, DPMP, JSD,
PJK, PJM

Encik Mohd Anuar Bin Taib

Chairman
Non-Independent and
Non-Executive Director
Member of Remuneration
Committee and Nominating
Committee

Y. Bhg. Datuk Zainun Aishah Binti Ahmad

Independent and
Non-Executive Director
Chairman of Nominating
Committee
Member of Audit Committee
and Remuneration Committee
KMN, PMP, DPMP, JSM, PJN



Secretary
Pn. Rodziah Binti Zainudin



**Y. Bhg. Dato'
Saw Choo Boon**

Independent and
Non-Executive Director
Member of Audit Committee,
Remuneration Committee and
Nominating Committee
DSNS

Mr. David Lau Nai Pek

Non-Independent and
Non-Executive Director
Member of Audit Committee

Mr. Khong Kok Toong

Non-Independent and
Non-Executive Director

**Tuan Haji Rozano
Bin Saad**

Managing Director and
Executive Director



DIRECTOR'S PROFILE

Encik Mohd Anuar Bin Taib

Chairman, Non-Independent and
Non-Executive Director
Member of Remuneration Committee and Nominating Committee

Encik Mohd Anuar bin Taib, Malaysian, aged 44, was appointed a Director of your Company on 24 February 2010 and Chairman on 12 May 2010. Encik Anuar became the Chairman of Shell Malaysia on 1 January 2010 and continues to be the Vice President Malaysia for Shell Upstream International Asia as well as the Managing Director for Sarawak Shell Berhad and Sabah Shell Petroleum Company Limited.

Encik Anuar holds a Bachelor of Science in Mechanical Engineering from Case Western Reserve University, United States of America and an MBA in International Management from RMIT University, Melbourne, Australia. Encik Anuar has been with Shell for 21 years in diverse roles.

Currently, Encik Anuar chairs the Boards of 11 Shell companies in Malaysia, namely, Shell Malaysia Limited, Shell MDS (Malaysia) Sendirian Berhad, Shell Timur Sdn Bhd, Shell Malaysia Trading Sendirian Berhad, Shell Information Technology International Sdn Bhd, Sarawak Shell Berhad, Shell Sabah Selatan Sdn Bhd, Sabah Shell Petroleum Company Ltd, Shell Treasury Malaysia (I) Ltd, Shell New Ventures Malaysia Sdn Bhd and Provista Ventures Sdn Bhd.

Encik Anuar is also a Director of Malaysia LNG Dua Sdn Bhd, Malaysia LNG Tiga Sdn Bhd, Kebabangan Petroleum Operating Company Sdn Bhd and SPE-Asia Pacific (M) Sdn Bhd. Encik Anuar is a Trustee of the Merdeka Award Board which includes Trustees from PETRONAS and ExxonMobil.

Save for the directorships held in the Shell companies as disclosed in the Circular to Shareholders in relation to Recurrent Related Party Transactions, Encik Anuar has no conflict of interest with your Company. He has not been charged for any offence during his tenure as a director of your Company.

Encik Anuar attended three Board meetings, three Remuneration Committee meetings and two Nominating Committee meetings held in 2011.

Tuan Haji Rozano Bin Saad

Managing Director and Executive Director

Tuan Haji Rozano Bin Saad, Malaysian, aged 55, is the Managing Director of your Company and was appointed a Director on 16 March 2009. On 8 May 2009, he was appointed as the Managing Director.

Tuan Haji Rozano holds a Bachelor Degree in Mechanical Engineering College of Swansea, United Kingdom (1984). Prior to joining your Company, Tuan Haji Rozano was the Site Director of the Huntsman Tioxide (M) Sdn Bhd plant in Telok Kelung, Terengganu. He began his career with ICI Group in 1980, holding several senior positions including Design Engineer (Project Development, Malaysia), Plant Engineer (ICI Fertiliser), Senior Project Manager

(ICI Fertiliser) and Techno-Commercial Manager. Tuan Haji Rozano is also a member of the Institute of Engineers of Malaysia since 1980. In 2001, he was awarded the Primal Leadership Award and in 2004, he was awarded the Prime Minister's Quality Award.

Tuan Haji Rozano has no family relationship with any director and/or major shareholder of your Company. He has no conflict of interest with your Company and has never been charged for any offence.

Tuan Haji Rozano attended all four Board meetings held in 2011.

Y. Bhg. Datuk Zainun Aishah Binti Ahmad

Independent and Non-Executive Director
Chairman of Nominating Committee
Member of Audit Committee and Remuneration Committee
KMN, PMP, DPMP, JSM, PJN

Datuk Zainun Aishah Binti Ahmad, Malaysian, aged 65, was appointed a Director of your Company on 1 June 2010.

Datuk Zainun graduated from University of Malaya with an Honours Degree in Economics. Datuk Zainun began her career with Malaysian Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country where she worked for 35 years. In her years of service, Datuk Zainun held various key positions in MIDA as well as in some of the country's strategic councils, notably her pivotal role as National Project Director in the formulation of Malaysia's first Industrial Master Plan. She was the Director General of MIDA for nine years after being the Deputy Director General for 11 years.

Datuk Zainun was a Director of Tenaga Nasional Berhad, Kulim Hi-Tech Park and Malayan Banking Berhad. Currently, Datuk Zainun is a Director in five other public listed companies namely Scomi Engineering Bhd, Microlink Solutions Berhad, Degem Bhd, Berjaya Media Berhad and Berjaya Food Berhad. Datuk Zainun also sits as Chairman of Pernec Corporation Bhd, a public company.

Datuk Zainun has no family relationship with any director and/or major shareholder of the Company. She has not been charged for any offence during her tenure as a director of your Company. Datuk Zainun has declared her conflict of interest relating to the proposed sale of Shell Malaysia LPG Business due to family relationship with a bidder in the proposed sale.

Datuk Zainun attended all four Board meetings, four Audit Committee meetings, three Remuneration Committee meetings and three Nominating Committee meetings held in 2011.



Y. Bhg. Dato' Seri Talaat Bin Husain

Senior Independent and Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee and Nominating Committee
DDSA, SPMP, DPCM, DPMP, JSD, PJK, PJM

Dato' Seri Talaat Bin Husain, Malaysian, aged 61, was appointed a Director of your Company since 1 June 2007.

He obtained his early education in Anglo-Chinese School Sitiawan and later at the Malay College Kuala Kangsar. He holds a Bachelor of Social Sciences (Political Science) from University of Science Malaysia and a Masters in Professional Studies (International Planning) from Cornell University, USA. He had also attended the Senior Executive Programmes at London Business School and Harvard Business School.

Dato' Seri Talaat served the Malaysian Government for 34 years with his first appointment as an Assistant State Secretary in Penang in 1973. Since then, he has had stints in the Prime Minister's Department, National Institute for Public Administration, the National Palace and the Ministry of Education. He has also served as Mayor of Ipoh City before assuming the position of Secretary General of the Ministry of Youth and Sports and prior to his retirement, he held the position of Secretary General of the Ministry of

Domestic Trade and Consumer Affairs. Amongst his notable roles were to lead the national delegation to SEAMEO, Commonwealth, UNESCO and unilateral meetings. During his tenure in the government, he also held the positions of Chairman of Companies Commission of Malaysia, and also Board Member of Malaysian Intellectual Property Corporation and Sepang International Circuit.

Dato' Seri Talaat is also an Independent Director of Silver Bird Group Berhad, Konsortium Logistik Berhad and Mizuho Bank Corporation Malaysia and is currently a Board Member of Outward Bound Trust of Malaysia.

Dato' Seri Talaat has no family relationship with any director and/or major shareholder of your Company. He has no conflict of interest with your Company and has never been charged for any offence.

Dato' Seri Talaat attended all four Board meetings, four Audit Committee meetings, three Remuneration Committee meetings and three Nominating Committee meetings in 2011.



Y. Bhg. Tan Sri Datuk Clifford Francis Herbert

Independent and Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee and Nominating Committee
PSM, PSD, JSM, KMN

Tan Sri Datuk Clifford Francis Herbert, Malaysian, aged 70, was appointed a Director of your Company on 1 June 2008. Tan Sri Datuk Clifford holds a Bachelor of Arts (Hons) Degree from University of Malaya and a Masters of Public Administration from University of Pittsburgh, United States of America.

Presently, Tan Sri Datuk Clifford sits on the Boards of Genting Malaysia Berhad, AMMB Holdings Berhad, AmInvestment Bank Berhad, Amlslamic Bank Berhad and AmBank (M) Berhad.

Tan Sri Datuk Clifford has had an illustrious career with the Government of Malaysia. He joined the Administrative and Diplomatic Service of the Malaysian Civil Service in 1964, serving as an Assistant Secretary in the Public Services Department from 1964 to 1968 and as Assistant Secretary in the Development Administration Unit, Prime Minister's Department from 1968 to 1975. Subsequently, he served in the Ministry of Finance from 1975 to 1997, rising to the post of Secretary General to the Treasury. He retired from the civil service in 1997. During Tan Sri Datuk Clifford's tenure in the civil service, he sat on the Board of Pepper Marketing Agency, Tourist Development Corporation, Advisory Council of the Social Security Organisation ("SOCSO"), Aerospace Industries Malaysia Sdn Bhd, Malaysian Highway Authority, Malaysian Rubber Development Corporation ("MARDEC"), Port Kelang Authority, Kelang Container Terminal Berhad, Bank Industri Malaysia Berhad, Malaysia Export Credit Insurance Ltd., National Trust Fund ("KWAN"), Kumpulan Khazanah Nasional Bhd, Malaysia Airline System Berhad ("MAS"), Petroliaam Nasional Berhad ("PETRONAS"), Bank Negara

Malaysia and Multimedia Development Corporation Sdn Bhd. Tan Sri Datuk Clifford also served as Chairman of the Inland Revenue Board in 1997. Tan Sri Datuk Clifford is also the Chairman of Montfort Boys Town and is a trustee of Yayasan Nanyang and the National Kidney Foundation. Tan Sri Datuk Clifford was instrumental in establishing the Securities Commission of which he was a member from 1993 to 1994 and was also a Board member of the Institute of Strategic and International Studies ("ISIS") from 1989 to 1997. As Secretary General in the Ministry of Finance, he was also appointed as alternate Governor to the World Bank. Tan Sri Datuk Clifford was Chairman of KL International Airport Bhd from 1993 to 1999. In 2000 he was appointed as Executive Chairman of Percetakan Nasional Malaysia Berhad ("PNMB") and was Chairman of PNMB from 2002 to 2006.

Tan Sri Datuk Clifford has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with your Company and has not been charged for any offence during his tenure as a director of your Company.

Tan Sri Datuk Clifford attended all four Board meetings, four Audit Committee meetings, three Remuneration Committee meetings and three Nominating Committee meetings held in 2011.



Y. Bhg. Dato' Saw Choo Boon

Independent and Non-Executive Director
Member of Audit Committee,
Remuneration Committee and Nominating Committee
DSNS

Dato' Saw Choo Boon, Malaysian, aged 65, was appointed a Non-Independent and Non-Executive Director on 23 February 2006. He was the Chairman of your Company from 18 May 2006 to 12 May 2010. Following his retirement from Shell Malaysia, the Board on 24 February 2011, appointed him as an Independent and Non-Executive Director, Member of Audit Committee, Remuneration Committee and Nominating Committee of your Company.

Dato' Saw holds a B.Sc. Hons (Chemistry) Degree from University of Malaya. He joined Shell in 1970 as a Refinery Technologist in your Company. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and the Netherlands. In 1996, he was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 to 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of your Company. In 1999, with the globalisation of the Shell Oil Products business, Dato' Saw was appointed the Vice-President of the Commercial business in the Asia-Pacific region, and in 2004, he became the President of Shell Oil Products East. In 2005, he managed Shell's global marine business.

On 30 June 2010, Dato' Saw retired from Shell after 40 years of continuous service. Currently, Dato' Saw is an Independent Director of Digi.Com Berhad, RHB Capital Berhad and RHB Investment Bank Berhad.

Dato' Saw has no family relationship with any director and/or major shareholder of the Company. He has not been charged for any offence during his tenure as a director of your Company. Dato' Saw has declared his conflict of interest relating to the proposed sale of Shell Malaysia LPG Business due to his shareholding in a company that has submitted a bid for the proposed sale.

Dato' Saw attended three Board meetings, three Remuneration Committee meetings and three Nominating Committee meetings held in 2011.



Mr. Khong Kok Toong

Non-Independent and Non-Executive Director

Mr. Khong Kok Toong, Singaporean, aged 43, is the Business Improvement Leader – East for Shell based in Singapore. He was appointed a Director of your Company on 1 March 2011. Mr. Khong holds a Bachelor Degree in Chemical Engineering and a Masters in Material Science & Engineering, both from National University Singapore.

Prior to joining Shell, he worked in DuPont Singapore for 14 years, during which he performed various roles in technology, engineering and operations. Between 2004 and 2006, he has also performed a significant role in managing a joint venture operation between DuPont and Asahi Kasei in China as the Deputy General Manager. He is a qualified Six Sigma black belt and familiar with LEAN practices.

Mr. Khong has no family relationship with any director and/or major shareholder of your Company. He has no conflict of interest with your Company and has not been charged for any offence during his tenure as a director of your Company.

Mr. Khong attended all three Board meetings following his appointment on 1 March 2011.

Mr. David Lau Nai Pek

Non-Independent and Non-Executive Director,
Member of Audit committee

Mr. David Lau Nai Pek, Malaysian, age 59, retired from Shell Malaysia in August 2011 after serving the Shell Group for 30 years in various locations and business segments of the Group.

Mr. Lau has led financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, the Netherlands and the United Kingdom. His major assignments include the Finance Director for Shell Malaysia, Finance Director for Shell China, Global Controller for the Exploration & Production business sector of Shell, and Vice-President Finance for Shell International Exploration and Production B.V., the Netherlands.

Mr. Lau holds a Bachelor of Commerce degree from the University of Canterbury, New Zealand. He is a member of the Malaysian Institute of Accountants and also a member of the New Zealand Institute of Chartered Accountants.

Mr. Lau is currently a Non-Executive Director and Chairman of the Board Audit Committee of Axiata Group, a public listed company and Celcom Berhad, a non-listed company. He is a Non-Executive Director and Chairman of the Board Audit Committee of Malaysian Airlines System. He also sits on the board of KKB Engineering Bhd, and is also a member of the Investment Panel of the Malaysian Employees Provident Fund.

Mr. Lau has no conflict of interest with your Company. He has not been charged for any offence during his tenure as a director of your Company.

Mr. Lau attended all four Board meetings and four Audit Committee meetings held in 2011.



BOARD CHARTER

OF SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

The Board Charter should be read in conjunction with the Shell General Business Principles ("SGBP") which governs how each of the Shell companies which make up the Shell Group conducts its affairs.

The SGBP has been adopted by all Shell companies and, amongst other things, provides that all persons must avoid conflicts of interest between their private financial activities and their part in the conduct of company business.

The Board Charter is applicable to all Directors of SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD.

1 Purpose of Charter

The Board Charter sets out the authority, responsibilities, membership and operation of the Board of SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD ("the Company"), adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia.

2 Authority

The Board derives its authority to act from the Memorandum and Articles of Association of the Company and the law and regulations governing companies in Malaysia.

3 Role of Board

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and evaluating the Company's strategies, policies and performance;
- monitor the Company's performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Memorandum and Articles of Association and within a framework of prudent and effective controls that enable risk to be assessed and managed;

- set, review and ensure compliance with the Company's values; and
- ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

4 Delegation to Committees

The Board may from time to time establish Committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.

The Board shall, as a minimum, establish the following Committees and shall adopt charters setting out matters relevant to the authority, responsibilities, membership and operation of those Committees:

- Audit Committee
- Nominating Committee
- Remuneration Committee

The Board may also delegate specific functions to ad hoc committees as and when required.

The powers delegated to these Committees are set out in the Terms of Reference of each of the Committees as approved by the Board.

5 Relationship with Management

- a. Directors may delegate their powers as they consider it appropriate through appropriate manual of delegations or manual of authorities. However, ultimate responsibility for strategy and control rests with the Directors as guided by the Managing Director.
- b. The Board will be supplied by Management with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.
- c. All Directors will be provided with advance notice of Board meetings, even those called at short notice.

- d. Every possible effort will be made to ensure that Board papers tabled at a Board meeting will be made available to all Directors attending, regardless of location.
- e. Any abstention, due to any reason whatsoever including but not limited to conflict of interest, must be indicated to the Chairman at the time the matter is being considered and recorded in the Minutes.
- f. The Management may be invited from time to time to Board meetings, as the Directors deem necessary.
- g. The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board and by other officers to whom management function is properly delegated by the Managing Director.

6 Board Responsibilities

6.1 Responsibilities/functions of the Board include:

- providing input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting with the guidance of the Audit Committee;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance under the guidance of the Audit Committee. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;

- selecting, appointing and evaluating from time to time the performance of, and planning succession of the Managing Director under the guidance of the Nominating Committee;
- reviewing procedures for appointment of senior management (namely the Finance Manager, the Operations Manager, the Engineering Manager and the Human Resource Manager);
- ensuring that succession planning of the senior management is in place;
- reviewing and approving remuneration of the Managing Director and the Non-Executive Directors under the guidance of the Remuneration Committee;
- monitoring Board composition, processes and performance with the guidance of the Nominating Committee;
- monitoring and reviewing policies and processes relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the directors under the Companies Act, 1965.

6.2 Matters which are specifically reserved for the Board or its Committees include the following:

- Appointment of the Chairman.
- Appointment and removal of the Managing Director.
- Appointment of Directors to fill a vacancy or as additional Directors.
- Establishment of Board Committees, their membership and delegated authorities.
- Approval of interim dividend and recommendation of final dividend for shareholders' approval.

- Review of corporate governance principles and policies.
- Approval of annual business plan and company scorecard.
- Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management.
- Calling of meetings of shareholders.
- Review of whistle blowing reports either made through the Shell Global Helpline or through other means.
- Any other specific matters nominated by the Board from time to time.

7 Structure

The Company's Memorandum and Articles of Association governs the regulations and proceedings of the Board. The Board, together with the Nominating Committee, determines the size and composition of the Board subject to the terms of the Company's Memorandum and Articles of Association.

7.1 Board composition

The Board should comprise a minimum of one third of Independent Non-Executive Directors and comprise Directors with a broad range of skills, diversity, expertise and experience from range of backgrounds.

The Chairman is appointed from amongst the Directors as approved by the Board. The majority shareholder may nominate the Chairman.

The Board regularly reviews the independence of each Independent Non-Executive Director in light of information relevant to this assessment as disclosed by each Independent Non-Executive Director to the Board.

A Director is considered to be independent for the purposes of service on the Board and Board Committees if the Director satisfies the standards adopted by the Board from time to time to assist it in its regular 'independence' determinations.

The Board only considers Directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement. The Nominating Committee reviews the independence of every Director.

7.2 Election and re-election

The Company complies with the regulations and the laws governing the election and re-election of Directors in addition to the provisions of its Memorandum and Articles of Association.

Upon election Directors are provided with formal letters setting out the key terms and conditions of that appointment.

8 Review

This Charter is to be reviewed by the Board as required.

This Charter is dated 17 February 2012.

CODE OF ETHICS

FOR THE EXECUTIVE DIRECTORS AND SENIOR FINANCIAL OFFICERS

Code of Ethics for Executive Directors and Senior Financial Officers

Code of Ethics

Code of Ethics for Executive Directors and Senior Financial Officers of the Company. This Code of Ethics ("this Code") should be read in conjunction with the Shell General Business Principles ("SGBP") which governs how each of the Shell companies which make up the Shell Group conducts its affairs.

The SGBP has been adopted by all Shell companies and, amongst other things, provides that all persons must avoid conflicts of interest between their private financial activities and their part in the conduct of company business.

This Code is applicable to the following job holders and persons:

- the Managing Director;
- the Executive Director;
- the Finance Manager;
- any person or job holder designated by the Finance Manager (a register of such designated persons will be maintained by the Company Secretary).

All of the above are hereinafter referred to as "COE Addressees".

Key Requirements

Each COE Addressee shall:

- a. act in accordance with the highest standards of honesty, integrity and fairness and expect the same in their relationships with others while maintaining a work and business climate fostering such standards; and
- b. adhere to the SGBP, any applicable code of conduct on dealing in securities and any provisions for the avoidance of conflicts of interest stipulated in applicable terms and conditions of employment; and
- c. excuse himself from making any decision about an issue at hand in which a conflict of interests arises or could arise and in such event, disclose in writing the relevant facts and explain the circumstances that create or could create the

conflicts of interest to the chairman of the Audit Committee and the chairman of the Board; and

- d. avoid having any financial interest in works of or contracts awarded by the Company or a company associated with a Shell company, or in supplies effected or services rendered to or by such a company and where this is unavoidable or immediate family members have such a financial interest, such interest shall be disclosed in writing in the same manner as set out in c. above; and
- e. not seek or accept from third parties to his own advantage any favour in whatsoever form or howsoever described in connection with the business of any Shell company or his duties (except for the acceptance of such things as gifts of nominal value and working lunches, dinners and entertainment of reasonable value, frequency and duration, appropriate under the circumstances, and subject always to the standards of (a) above); and
- f. not hold positions or jobs or engage in outside businesses or other interests that adversely impact the performance of duties owed to any Shell company or the interests of the same; and
- g. avoid any relationship with a contractor or supplier that could compromise the ability to transact business on a professional, impartial and competitive basis or influence decisions to be made by the Company; and
- h. consistent with the scope of his job responsibilities, ensure full, fair, accurate, timely, and understandable disclosure in regulatory filings and in other public communications made by the Company.

Miscellaneous and Waivers

No waiver of any provision of this Code shall be valid unless provided in writing by the chairman of the Audit Committee and with the prior approval of the Audit Committee and the Board.

This Code is dated 17 February 2012.

MANAGEMENT TEAM

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Tuan Haji Rozano bin Saad

Managing Director,
Malaysian
BEng (Hon) Mechanical
Engineering,
Engineering College
of Swansea,
United Kingdom
Joined Shell in 2009

Yaw Pow Wee

Senior Manager, Technology
(Acting),
Malaysian
MSc Advanced Chemical
Engineering,
Imperial College London,
United Kingdom
Joined Shell in 2002

Khairuddin Bin Tamby Hashim

Senior Manager, Engineering,
(until 30 Nov 2011)
Malaysian
BSc Engineering (Thermal
Engineering),
Southern Illinois University,
USA
Joined Shell in 2007

Arnold Teo

Senior Manager, Operations,
Malaysian
BEng (Hons) Chemical
Engineering,
National University of
Singapore
Joined Shell in 1994

Zulhazmi Mohamad

Senior Manager, Engineering
(w.e.f. 1 Dec 2011)
Malaysian
BEng (Hons) Electrical
Engineering,
University of Southampton,
United Kingdom
Joined Shell in 1995

Rosly Bin Mohammed

Manager, Quality, Health,
Safety, Security & Environment,
Malaysian
Southend-On-Sea
College of Technology,
United Kingdom
Joined Shell in 1980

Isham Ismail

Manager, Human Resource,
Malaysian
BA (Hons) Management,
Universiti Sains Malaysia
Joined Shell in 1993

Foo Ai Li

Manager, Finance,
Malaysian
B.C.M. (Accounting)
Lincoln University, New Zealand
Chartered Accountant,
New Zealand
Member, Malaysian Institute of
Accountants
Joined Shell in 2002

Fong Seong Siew

Manager, Contracts &
Procurement,
Malaysian
Graduate Diploma in Purchasing
and Supply, Chartered Institute
of Purchasing and Supply (CIIPS),
United Kingdom
Joined Shell in 2006

Tan Wei Chen

Manager, Economics &
Scheduling,
Malaysian
BEng (Hons)
Chemical Engineering,
University of Malaya
Joined Shell in 2000

CHAIRMAN'S STATEMENT

Dear Shareholders,

Our refinery operated in a challenging environment in 2011 with margins tightening in response to unforeseen world events, leading to an unexpected drop in supply on top of an increased demand in low sulphur crude. Nonetheless, your Company resiliently advanced with a stronger, more united team onboard as its turnaround plan and projects picked up momentum throughout the year under review.

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Relentless Progress

Under the Economic Transformation Programme (“ETP”), the oil, gas and energy sector, which represented 20 percent of Malaysia’s Gross Domestic Product (“GDP”) in 2010, is identified as one of the four largest key growth engines. Together, these are expected to contribute 60 percent of the incremental gross national income growth. (Source: Department of Statistics, Malaysia).

The Malaysian government plans to focus on the diversification of the energy industry, increase exploration for new oil and gas resources, enhance production from known reserves, and encourage the use of alternative energy sources such as nuclear, solar, and hydro-electric.

Additionally, the government wants the energy sector’s contribution to our gross national income to rise from RM110 billion in 2009 to RM241 billion in 2020. Achieving this goal will create more than 50,000 new jobs with a large proportion being skilled professionals such as engineers and geologists.

As one of the early investors in the country’s oil and gas industry, Shell regards Malaysia as one of its heartlands and we are proud to be able to continue to contribute to national growth through our involvement in the nation.

In 2011, Shell Malaysia announced an investment of RM5.1 billion into projects to upgrade, expand or build its facilities in upstream, midstream and downstream across Malaysia. These projects include the expansion of the Shell MDS wax plant in Bintulu, a new diesel processing unit at the Shell Refinery in Port Dickson, and the Gumusut deepwater development offshore Sabah.

Last November, PETRONAS and Shell Malaysia signed a Heads of Agreement for two 30-year production sharing contracts for enhanced oil recovery projects. The new agreement will build upon the existing Baram Delta and North Sabah production sharing contracts, located offshore Sarawak and Sabah, respectively. The improvement in the recovery efficiency of the oil fields may result in an additional 90 to 100 kboe/d of oil production and extend the field life to beyond 2040.

This new agreement confirmed Shell's commitment to continue investing in Malaysia and its position as a heartland for Shell. The agreement also provides an opportunity to work together with PETRONAS on building local knowledge and capabilities in enhanced oil recovery.

This development will positively impact Malaysia's oil reserves and benefit the country as a whole, adding further value to the country's upstream oil and gas industry. Shell, as a long term partner in Malaysia's progress, is pleased to be able to continue contributing towards the national aspiration to become a high-income economy.

Performance Review

Globally, the year saw oil and gas companies facing a challenging environment hampered by weak margins due to uncertain financial conditions, Japan's natural disaster and successive political turmoil in the Middle East and North Africa. These resulted in a combined rise in oil prices and a general drop in supply and demand of oil products, which have adversely impacted refining margins globally.

Your Company sustained a net loss after-tax of RM126 million this year, compared to an after-tax earnings of RM106 million in 2010, due to depressed refining margins, lower production from turnaround and lag in product prices.

Your Company continued to progress in its journey to be a top quartile refinery. During the year under review, we were proud to learn that Solomon Associates Ranking 2010 (a global industry benchmark) positioned your Company in the top quartile. This ranking is based on the delivery of certainty of supply, good product quality, and operational efficiency.

The year also saw the successful implementation of the Turnaround 2011 Event that was instrumental in increasing your Company's competitiveness. Your Company took the opportunity during the turnaround to upgrade our facilities, including the complex replacement of the Long Residue Catalytic Cracker Unit ("LRCCU") reactor top dome and cyclones (referred to as Project ATLAS) and major tie-ins for Project Hijau. These upgrades were delivered on schedule and within budget with zero safety incidents.

Our concerted efforts in implementing LEAN mindsets and commitment in identifying areas of improvements have resulted in greater synergy, efficiency and team spirit. With a daily focus on enhancing work processes and continuously looking for cost reductions, your Company is truly committed to continue driving Top Quartile performance over the coming years.

Work on Project Hijau, the construction of a new diesel processing unit, is also progressing on schedule towards completion by end-2012. Once up and running, the project will enable the refinery to process a wider selection of crude, thus enhancing your Company's competitiveness.

The superb execution of 2011 Event also highlighted your Company's effectiveness in working with local authorities and engaging positively with local communities. Adhering to Shell guidelines on social performance, every care was taken to minimise social and environmental impact.

Looking Ahead

An exciting future awaits us in Malaysia as the nation heads towards a more diversified oil, gas and energy sector by 2020. A key thrust is to intensify exploration and enhance production from domestic reserves.

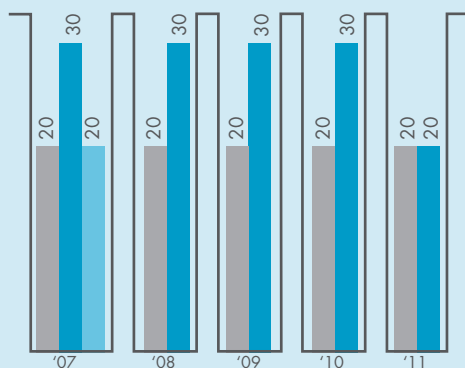


Figure 1: SRC Dividends Declared (sen per share)

■ Interim ■ Final ■ Special Interim

One of the nation's goals is to develop a strong regional oil field services and equipment hub and a stronger presence in the regional midstream logistics and downstream markets. In the long-term, Malaysia seeks to grow alternative energy sources such as nuclear, solar and hydro.

This provides a conducive environment for Shell to grow its focus towards a sustainable energy future. Working closely with Shell Malaysia, we will ensure that your Company has the ability to deliver cleaner energy products.

The world economy and geopolitical events remain volatile and continue to pose a challenging landscape for the energy market. Your Company will pursue investments and upgrades in the latest technology whilst continuously working on operational and people excellence to enhance its resilience and competitiveness in the future.

As we progress in our operations, we continue to safeguard your Company's assets and people through asset integrity, and process and people safety programmes. We see the people who come to our refineries not just as employees or contractors but fathers, mothers, sons and daughters. It is our utmost priority to keep them safe, healthy and well.

Dividends

With regards to your Company's performance, your Board has recommended a final dividend of 20 sen per RM1 unit share (see Figure 1) in addition to the interim dividend of 20 sen declared in August 2011. This amounts to a total dividend of 40 sen per RM1 unit share for the year 2011.

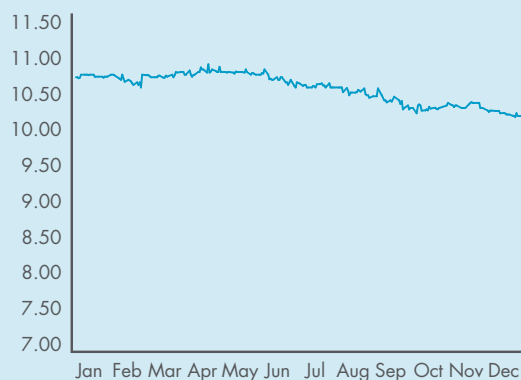


Figure 2: SRC Share Price (RM)

In 2011, your Company's share price as shown in Figure 2 continued to withstand market volatility – indicating market confidence and strong fundamentals of your Company.

Appreciation

The continued strength and success of your Company would not be possible without the commitment and dedication of its people. On behalf of the Board of Directors, I wish to thank our management team and staff for their dedication and invaluable contribution and am confident that with their passion and sound company policy, your Company will continue to grow and ensure good returns to shareholders' funds.

Finally, I would like to thank all shareholders, customers, contractors, business partners and all other stakeholders for their confidence, continued support, perseverance and dedication for your Company. I also wish to thank our Board of Directors for their guidance and support and look forward to another successful year in 2012.

Your commitment and contributions drive your Company to exceed expectations and excel in every way possible.

Thank you.

Anuar Taib
Chairman

MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

2011 was a significant period of change and preparation as your Company geared up for facing future challenges and improving performance. MOVING AS ONE, we made winning strides on this journey through timely and successful completion of key turnaround projects.

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Slower Economic Progress in 2011

Emerging from a post-crisis phase of the recovery, the world economy in 2011 presented slower but still solid growth, with developing countries contributing almost half of global growth.

A myriad of external events has impacted the economy since the beginning of the year, ranging from the MENA (Middle East and North Africa) crisis and the resulting high oil prices, the Japan and Thailand tragedies with consequential supply chain disruptions, and the overall weakness of the world economy due primarily to the weaknesses in the European and US economies. Global GDP, which expanded by 3.9 percent in 2010, slowed to about 3.3 percent* in 2011.

Commodity prices have surged since their lows during the depths of the financial crisis. Demand for Mogas, and subsequently Mogas price, plummeted in 2011 due to the worldwide recession. As your Company's refinery is primarily set up for Mogas production, this fall narrowed our refining margins for the year.

**at press time, Global GDP for 2011 has yet to be confirmed*

Crude oil prices, which were stable during the first three quarters of 2010 (averaging US\$77 per barrel), began to rise as demand growth accelerated. In 2011, prices rose sharply and exceeded US\$116 per barrel in April following the loss of supply of 1.3 million barrels per day of Libyan light sweet crude, which were further aggravated by increases in crude demand from Japan for power generation following the earthquake and its resultant energy crisis.

Due to existing refinery configurations, your Company primarily buys light sweet crude in order to produce products which are in compliance with Euro 2M requirements. OPEC's spare capacity is mainly medium sour crude, thus the challenge will be to replace the diet of light sweet crudes to meet increasingly stringent low-sulphur regulations. Crude oil prices are expected to remain elevated in the near term until product markets are in better balance, and fears of further crude oil disruptions subside. (Source: World Bank)

The Malaysian economy grew at a slower pace, declining from 7.2 percent in 2010 to register 5.1 percent in 2011 on account of external global developments and weak exports. Fortunately, domestic demand provided a buffer aided by the Government's strategic initiatives through the implementation of the Economic Transformation Programme, Government Transformation Programme and 10th Malaysian Plan.

Domestic demand for oil products grew and continued to reflect a shift in demand from commercial to retail consumers (see Figure 1). Demand for LPG remained constant, while retail and commercial demand increased by 8 million and 6 million barrels respectively in 2011.

Working as One in the '2011 Event'

The refinery-wide turnaround ('2011 Event') was very significant for 2011 and a necessary step to upgrade our assets and hone our competitive edge to meet emerging challenges.

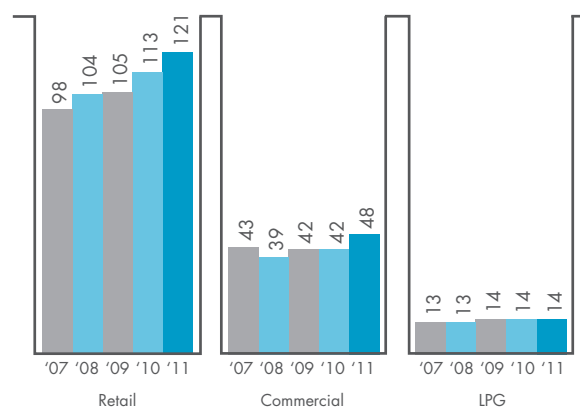


Figure 1: Sales of Petroleum Products in Malaysia (million bbls)

Source : Metrix Research Sdn Bhd

The main focus was on Project Hijau and Project Atlas. Project Hijau introduces a new diesel processing unit to enable your Company to vary its feedstock options, increase diesel production with expectations to boost future margins. Project Atlas addressed the integrity and reliability issues on our Long Residue Catalytic Cracker Unit ("LRCCU") arising from the deterioration of the existing riser termination and reactor cyclone set.

Many months of planning were devoted to ensure a smooth transition through this phase and our hard work paid off when we successfully realised all key projects on time, below budget and with zero significant incidents. More of our achievements during this period can be read on pages 58 and 59.

I particularly wish to emphasise my pride and satisfaction at the full commitment and synergy shown by all parties involved in this event. Working as one, the management and staff managed to transform what could have been a problematic and jarring experience into an event that displayed exemplary teamwork and spirit.



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Ensuring Safe Progress

Safety remains a core focus at your Company, and our high process safety standards continue to lead the way forward for the industry. In every aspect of our operations, we remain conscious of the risks present in our workplace and have continuously cultivated a strong safety culture through initiatives such as Goal Zero and the Life-Saving Rules. Goal Zero is a simple message formulated to help drive our vision of 'Zero deaths. Zero injuries. Zero significant incidents'. Compliance with the Life-Saving Rules is mandatory for all Shell employees and contractors while conducting Shell business.

We had an outstanding HSSE performance for 2011 with the achievement of over 14 million exposure hours without a Loss Time Injury ("LTI") in July 2011. We continue to record zero occupational illness cases for year 2011. There were four first aid cases, one restricted work case and one medical treatment case. In all these cases, immediate treatment was given by first aiders on-site.

Your Company wants its employees to go home safely every day and we want to continue to be a good environment steward and a welcomed neighbour in the community within which we operate. We seek to drive top quartile HSSE performance over the coming years, and we will establish near-term milestones to track our progress towards our aspiration.

Making Progress in Reliability and LEAN

Your Company aspires to be a reliable organisation to help deliver the 6 priority areas (HSSE, Cost, Margin, Energy, Reliability and Product Quality) of our business plan, with specific emphasis on process safety and reliability. Having a good plant reliability means having all equipments available to run as per the business plan.

Our reliability performance in the first and second quarter of 2011 continued the previous year's trend with minimal unplanned downtime and all units running at planned throughput. At the end of March and through to April, your Company emerged as Shell's number two refinery worldwide, in terms of unplanned downtime performance which was only 0.5 percent compared to the year's target of 2.45 percent.

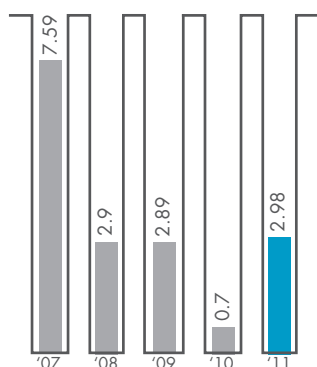


Figure 2: Unplanned Downtime (%)

Utilisation in the second half of the year was lower for most units, mainly due to an economical shutdown of Crude Distiller 1 and Hydrotreater 1 because of low margins. A water supply disruption to Port Dickson at end July and an earth fault on a power generator also impacted reliability towards the end of the year. Your Company's unplanned downtime increased to 2.98 percent from 0.7 percent in 2010 (see Figure 2).

Moving forward, your Company has embarked on a Multi-Year Reliability Plan created via value added discussions and identified gaps from audit and health checks to improve site reliability performance in a sustainable manner.

LEAN – In Progress

Our LEAN journey began in late 2009. Being LEAN is about eliminating waste which adds unnecessary operating costs, creates fatigue, frustration and emotional stress to our employees all of which, has a cascading adverse impact on the product or services received by our customers.

We continuously focus on deepening our LEAN capability in the way we run the refinery and with our strategic business partners to make continuous improvements in all aspects of our operations.

In 2011, your Company continued to make significant headway in its LEAN journey by implementing a structured training schedule, employing 'Leaders Standard Work' procedures, putting 'Visual Management' into action, and realising a 'Continuous Improvement Journey'.

Refining Margins

The start of 2011 saw product versus crude spreads plummeting as crude prices increased driven mainly by high demand coupled with political unrest in the Middle East and spill-over effects from the Japan earthquake.



Light sweet crude was in short supply following the Libyan sanctions and OPEC's spare capacity was mainly medium sour crude. This favoured refineries which could take in higher sulphur crudes.

The shutdown of the Japanese nuclear reactors due to the natural disasters which struck Japan in 2011 is still maintaining a chokehold over the East crude market. Practically overnight, the call on regional low sulphur crude and feedstocks increased as the Japanese sought to replace nuclear power by burning hydrocarbon as fuel. Crude premiums spiked up as the already tight regional market strove to rebalance. This then led to a disconnect from historical trends as the Japanese buyers continue to bid up the market.

Margins were further aggravated by plummeting Mogas demand due to the worldwide recession. Mogas prices reduced significantly compared to Gasoil (see Figure 3). Our refinery is primarily set up for Mogas production in line with the demand profile of Malaysia, thus our margins were reduced by the double blow of increased cost of light sweet crude and the lower price of Mogas. Although middle-distillate prices were supported by strong demand from the Asian region, these prices had weakened as the year progressed.

As illustrated in Figure 4, your Company's margins in 2011 were significantly impacted by tightened crude supply evidenced by a spike of US\$32.30 per barrel in average crude prices in 2011, whilst average product prices rose by only US\$29.90 per barrel year-on-year.

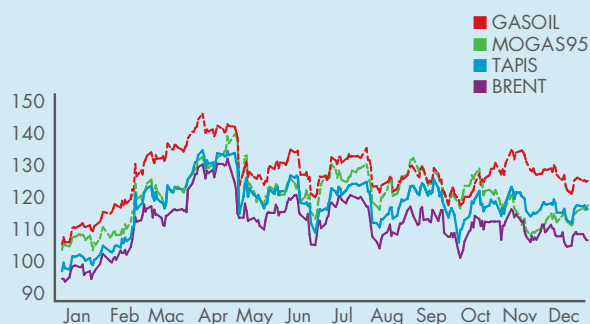


Figure 3: Crude and Product Prices, 2011

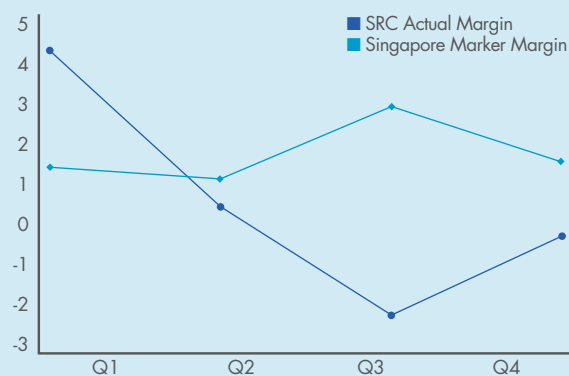


Figure 4: SRC and Singapore Refining Margins, 2011



Your Company's margins averaged at US\$0.72 per barrel, lower than the Singapore average of US\$1.72 per barrel. The Singapore marker margin recorded better performance as it utilises different crude diets and favours Gasoil production, which enjoyed a more stable demand due to industry and heating requirements. To ensure that we are better positioned to meet similar challenges in the future, your Company is in the process of proactively upgrading processes and equipment to expand our capabilities and ensure further operational optimisation in the long run. The construction of the new 6,000 tonnes per day diesel processing unit (Project Hijau) in the refinery will allow your Company to vary feedstock options and increase diesel production intended to improve refining margins.

Looking ahead into 2012, the refining margins are expected to improve in the first quarter due to several refineries in Asia and Europe going into turnaround mode or shutdowns due to poor margins. Mogas strength is foreseen to pick up and Gasoil is expected to stay strong throughout the first quarter, thus promising healthier margins for the start of the year.

The margin performance for the next quarters will greatly depend on global economic recovery and stability in oil price and supply.

Financial Performance

The after-tax loss for 2011 is RM126 million compared to after-tax earnings of RM106 million in 2010 mainly due to weak refining margins and lower production resulting from the statutory turnaround. The weak refining margins were, as mentioned previously, caused by a significant spike in crude prices as a result of the Japan energy crisis and Middle East geopolitical turbulence.

Your Company gained a 8 percent increase in revenue registering RM11.2 billion in 2011, compared to RM10.4 billion in 2010, impacted mainly by higher average oil prices.

The stockholding gains, net of tax, for 2011 is RM175 million compared to RM37million in 2010 mainly due to overall increasing trend of oil prices in 2011 where oil prices increased from US\$100 to US\$119 per barrel. In 2010, oil prices fluctuated between US\$79 to US\$96 per barrel only.

Note: Stockholding gains or losses are a consequence of the accounting method and oil prices trends and volatility.

Production Results

Your Company's operational availability decreased to 83.7 percent in 2011 due to its turnaround activities during the 2011 Event, as shown in Figure 5.

The same reasons were behind the drop in 2011 sales volume, which decreased to 31.1 million barrels from 37.2 million barrels in 2010, as illustrated in Figure 6.

In 2011, 22 types of crude were successfully processed (inclusive of three new crudes). The procurement of crude is driven by the relative economic attractiveness of each type of crude to ensure that we are able to optimise on our refining margin.

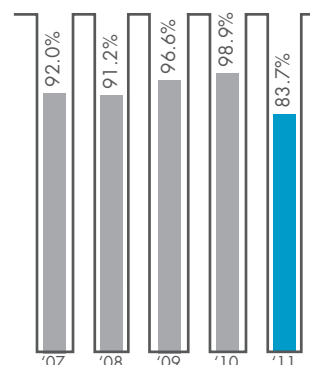


Figure 5: SRC's Refinery Availability (%)

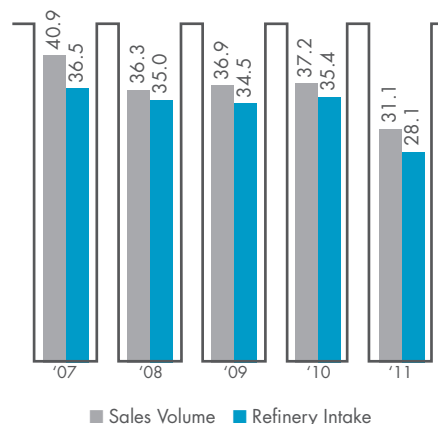


Figure 6: SRC Sales Volume and Refinery Intake (million bbls)



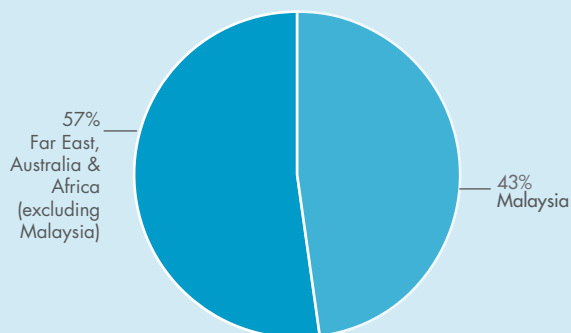


Figure 7: SRC Sources of Supply, 2011

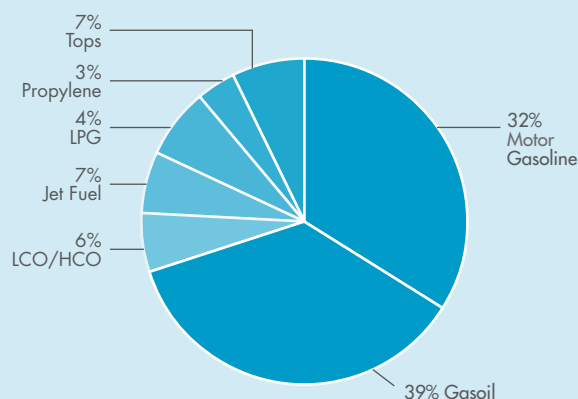


Figure 8: SRC Sales Turnover, 2011 (by Product)

In 2011, your Company's crude diet consisted of 43 percent Malaysian light crudes, and 57 percent Far East, Australia and Africa crudes, as illustrated in Figure 7.

Your Company maximised Gasoil production in 2011, to take advantage of high gasoil prices. Gasoil made up 39% of the sales turnover, followed by Mogas at 32%. The other 29% consisted of jet fuel, LCO, LPG, propylene and tops as shown in Figure 8.

Other Strategies and Initiatives

Your Company continues to further refine our end-to-end operations with strategies and initiatives that optimise the refinery capability, target cost savings and stretch its processing constraints to enhance operational flexibility.





Figure 9: Supply Optimisation

■ Feedstock diversification and optimisation

During the year under review, continuous crude optimisation was achieved via:

- Maximising the processing of Malaysian crude like Miri, Labuan and Bintulu Condensate (BNGL).
- Purchase of new crudes in order to widen the refinery's crude basket for processing flexibility.

To further optimise refinery operations, effort was dedicated towards recovering more valuable products such as LPG from fuel gas, Gasoil from residue, Catalytic Cracked Gasoline ("CCG") from fuel oil and kero from naphtha.

Focus was also given to continuous feedstock import and export optimisation especially for Mogas and Gasoil blends e.g. Methyl Tertiary Butyl Ether ("MTBE") for Mogas and Low Sulphur Gasoil ("LSGO") for Gasoil.

■ Optimising supply strategy and opportunities

Leveraging on the experience and capabilities of regional Shell companies, your Company benefited from the supply synergy and opportunities of an integrated supply logistics structure, as illustrated in Figure 9. This contributed to maximising supply robustness and gained us entry to the best outlets for our products

■ Costs optimisation

Your Company places prime importance in ensuring its cost competitiveness in the industry. Cost optimisation opportunities are aggressively seized including seeking stiffer competition for contracts bidding, renegotiating contracts for increased productivity and seeking alternative technology vendors, which resulted in significant savings for the refinery in an inflationary environment.

Business Improvement

Since 2007, your Company has adopted a Business Improvement model that has seen us maintaining high levels of operational performance while achieving improved efficiency and effectiveness year after year. This stands us in good stead against a background of global economic challenges and market volatility that we currently face. We continue to stay focused on the 6 priority areas highlighted in Figure 10, with specific emphasis on process safety and reliability.

HSSE

Improving health, safety, security and environment performance

Product Quality

Ensuring that fit-for-purpose products are delivered to our customers everytime.

Reliability

Employing world class reliability and maintenance programmes to deliver high plant availability.



Figure 10: Business Priorities

Cost

Managing costs by addressing primary components of the cost structure and effective contract management.

Energy/CO₂

Developing long term plans to maximise energy efficiency, and minimise our CO₂ footprint.

Margin

Enhancing margin capture to maximise profits from our assets.

Awards & Achievements

Your Company continued to progress in its journey to be a Top Quartile refinery. During the year under review, we were proud to learn that Soloman Associates Ranking 2010 (an industry benchmark) shows that SRC was positioned in the Top Quartile. This ranking is based on the delivery of certainty of supply, good product quality, and operational efficiency.

On the Human Resource ("HR") front, our application of technology and creative strategies and solutions to achieve business results won the "Gold" category for the 2011 HR Breakthrough Award, organised by the Malaysian Institute of Human Resource Management.

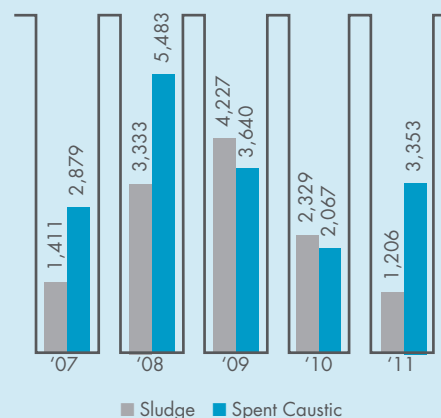


Figure 11: Spent Caustic and Oil Sludge Generation

In addition, your Company was also recognised as one of the Top 100 rated companies for the Minority Shareholder Watchdog Group's Corporate Governance Index. From 864 public listed companies evaluated, your Company was among the 16 selected to receive the Malaysia Corporate Governance Index Awards 2011 under "Distinction (for A+ ranking)" for achieving more than 80 percent Index Score in recognition of exemplary corporate governance practices during the year.

We also continued to receive the Shell 2011 Manufacturing Executive Vice President's Award in HSSE category.

Progress on the Environmental Front

In our daily operations, your Company adheres to environmental standards specified by the Shell Group and fully complies with the Malaysian legislations and other related international conventions and protocols.

Since 2008, the implementation of effective process optimisation and waste elimination initiatives yielded reduced waste, emissions and discharge. In 2011, we continued to fully re-use all spent catalysts from the catalytic cracking process as raw feedstock in the cement industry, compared to only 74 percent in 2009 and 39 percent in 2008.

Your Company recorded significant reduction in spent caustic and oil sludge generation due to effective process optimisation and waste elimination initiatives. (see Figure 11)

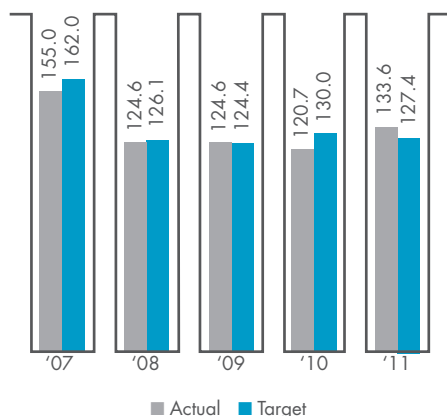


Figure 12: Energy Intensity Index (EII)

In 2011, there is a slight increase in the average oil in water concentration – 3.2 milligrams per litre (mg/l) compared to 2.0 mg/l in 2010 due to the discharge of effluent during the statutory turnaround. Nevertheless, your Company diligently ensures that we are complying to the legislative limit of 10 mg/l and the limit on other parameters set by the Environmental Quality (Industrial Effluents) Regulations 2009 – Standard B. (see Figure 12)

For energy consumption, your Company uses the industry standard Solomon Associates Energy Intensity Index ("EII") to measure and rank the energy efficiency of the refinery. In 2011, we have recorded 133.6 EII against against a target of 127.4 EII, due to the 2011 Event and lower utilisation post turnaround.

Human Capital Development

Our business success is directly linked to our people and their capability to meet current and future business challenges. As such your Company is committed to developing strategic human capital assets in two ways – individual employee development within your Company and pursuit of further education at external institutions.

Structured and well-planned training modules comprising of technical focused training and soft skill focused training enable employees to acquire the right skills to do their jobs and meet business needs. We also continued our initiatives on the "Vendor Partnering Scheme" aimed at leveraging more on vendors to subsidise selected training programs. Trainings were more localised and facilitated in-house whenever possible. We kept a close look out for opportunities whereby we could run courses which had "Cross-Department & Multi-Skilling" applications. As a result of these efforts, the total spend to run training programs for all our staff reduced significantly. Overall, all efforts focused on up-skilling our employees are rigorously continued and monitored so as to add value to the employees' own personal development and the business as a whole.

Work-life balance is also emphasised to develop an effective, dynamic organisation in which people feel supported, empowered and happy to work.

To this end we subscribe to the Shell charter which advocates flexible working practices and encourage employees to participate in competitive and recreational activities, a variety of which are organised by your Company throughout the year.

Extending our focus to the basics of a healthy lifestyle, we introduced a new programme called 'Be Well'. Based around nutrition, fitness and lifestyle, the 'Be Well' programme was developed to help Shell employees adopt and maintain a healthy lifestyle, and reduce health risks.



Themed 'You are in Control', the programme offers a series of activities including general health talks, weight reduction workshops, smoking cessation programmes and an interactive web-based self health assessment. In 2011, your Company partnered with a renowned personal trainer-cum-nutritionist to educate the employees on the right eating behaviours as well as demonstrating the correct use of gym equipments in various major Shell locations nationwide.

Reflecting the many faces of Malaysia, your Company continues to enhance workplace diversity by integrating the three pillars of Shell: honesty, integrity and respect. We believe that diversity in our talent base and leadership helps us to better understand the needs of all of our stakeholders, and this will serve to make us more competitive.

Going Forward

Our pace is set, our fundamentals in place and after 2011 Event, we are now internally on track towards achieving our vision.

Your Company is committed to maintaining our competitive edge through a continued focus on operational excellence and realigning our business strategies to improve our performance on safety, business delivery and changing the internal culture to adopt to changing market needs. The pursuit of strong asset integrity as well as people, health, safety, security, and environmental performance continue to be our major priorities.

In ensuring astute financial management throughout our operations, we continue to proactively pursue cost optimisation and continuous improvement initiatives.

With the completion of Project Hijau targetted by end-2012, we will soon be operating a new 6,000 tonnes per day diesel processing unit, which will allow your Company to vary feedstock options and increase diesel production targetted to improve refining margins. In October 2011, the reactor for the diesel processing unit weighing 220 tonnes was successfully delivered and transported to the refinery. To date, this project has created more than 500 jobs in the construction phase. Such investments keep us in the forefront of the industry and will continue to serve all our stakeholders well.

We eagerly look forward to serving up another year of progressive performance.



Tuan Haji Rozano bin Saad
Managing Director



FINANCIAL SUMMARY

Management Discussion & Analysis

Revenue

In the year under review, your Company posted an 8 percent year-on-year revenue growth to RM11.2 billion from RM10.4 billion in 2010, supported by higher crude and product prices. In 2011, oil prices increased from US\$100 to US\$119 per barrel compared to 2010 where the prices hovered between US\$79 to US\$96 per barrel only.

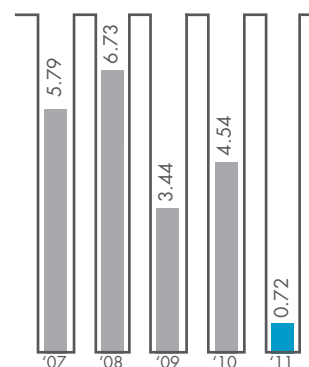
Your Company's sales volume was reduced from an average of 102,000 barrels per day to 85,000 barrels a day due to the execution of the planned major statutory turnaround which involved the concurrent shutdown of the Long Residue Catalytic Cracker ("LRCC") unit and Complex 1 and 2 units which comprised a crude distiller and a platformer each to allow for statutory inspection and other key activities such as repairs, modifications and plant improvements.

Cost of Sales

Your Company's cost of sales increased by 11 percent year-on-year to RM11.3 billion from the previous year cost of RM10.2 billion. This is mainly due to increases in global crude prices following supply limitation as a result of the Japan energy crisis and middle-east geopolitical tensions.

Profit

Your Company posted an after-tax loss of RM126 million in 2011, compared to RM106 million after-tax earnings in 2010. The loss was mainly due to weak refining margins and lower production resulting from the statutory turnaround. The lower refining margin of US\$0.72 per barrel compared to the margins in 2010 of US\$4.54 per barrel was caused by a significant spike in crude prices of approximately US\$32.30 per barrel year-on-year as a result of the Japan energy crisis and Middle-East geopolitical turbulent events. Product prices lagged in comparison, with an increase of only US\$29.90 per barrel year-on-year.



Refining Margin (US\$/bbl)

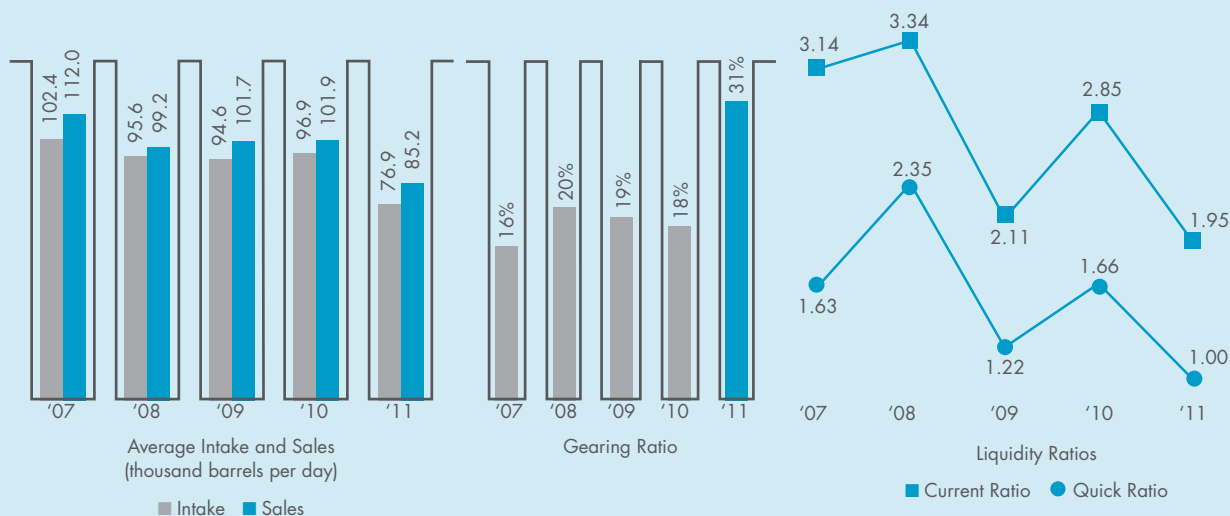
Total Assets and Liabilities

Your Company's total assets strengthened by 19 percent from RM3.5 billion as at 31 December 2010 to RM4.2 billion as at 31 December 2011. This was mainly due to the investments in property, plant and equipment of RM321 million and an increase in inventories of RM314 million in 2011 due to higher oil prices.

Your Company's total liabilities increased by 62 percent from RM1.5 billion as at 31 December 2010 to RM2.4 billion as at 31 December 2011. This was mainly due to the increase in trade payables of RM548 million as a result of higher oil prices and additional long-term borrowings of US\$120 million from the drawdown of an external loan to finance the Project Hijau investment.

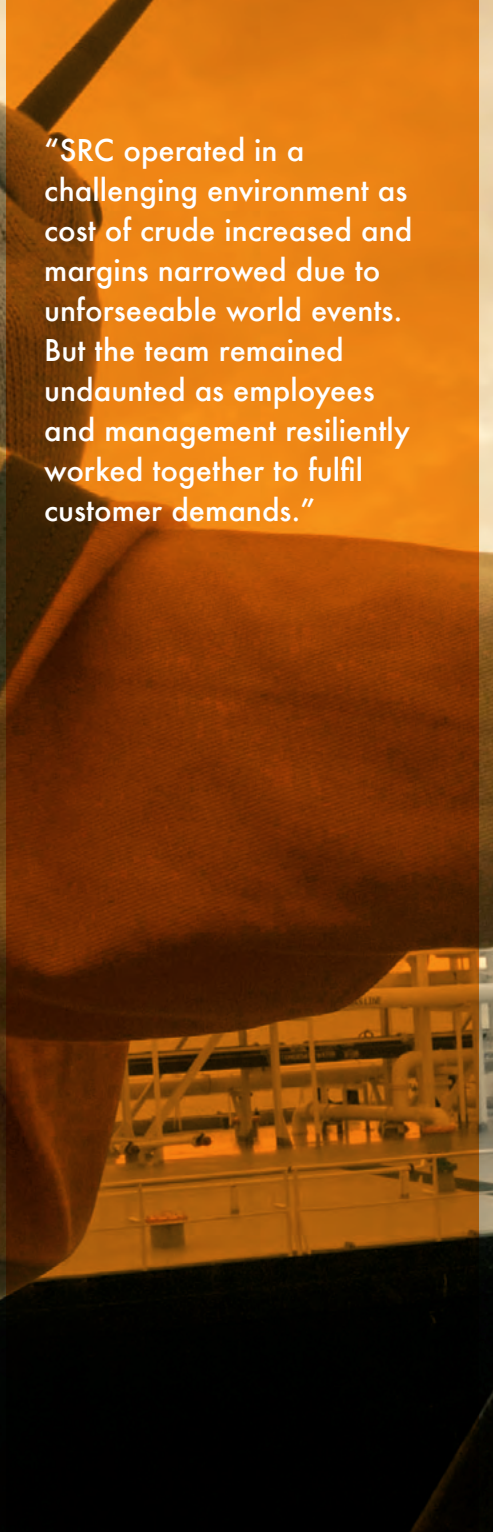
Your Company's cash and cash equivalents decreased by 26 percent from RM235 million as at 31 December 2010 to RM173 million as at 31 December 2011, largely contributed by capital expenditures and dividend payments in 2011.

Financial Highlights	2011	2010	Growth Rate	2009	2008	2007
Revenue (RM Million)						
Revenue	11,213	10,376	8%	8,946	13,086	11,415
Cost of Sales	11,311	10,223	11%	8,529	13,430	10,621
Profit/(Loss) before taxation	(164)	151	(208%)	388	(440)	808
Profit/(Loss) after taxation	(126)	106	(218%)	290	(330)	593
Sales volume (thousand barrels per day)	85	102	(16%)	102	99	112
Balance Sheet (RM Million)						
Assets						
Total assets	4,204	3,546	19%	3,330	3,090	4,014
Trade and other receivables	1,270	1,238	3%	1,007	1,071	1,309
Inventories	1,315	1,001	31%	941	569	1,363
Oil inventories volume (thousand barrels)	3,494	3,408	3%	3,347	3,518	4,173
Liability and Shareholders' Funds						
Total Liabilities	2,350	1,454	62%	1,232	1,169	1,608
Trade and other payables	1,386	838	65%	1,049	572	904
Shareholders' funds	1,854	2,092	(11%)	2,098	1,921	2,406
Cash Flow (RM Million)						
Cash generated from operations	149	175	(15%)	(3)	664	696
Purchase of property, plant and equipments	429	172	149%	60	110	27
Per RM1 Unit of Stock (Sen)						
Earnings/(Loss)	(42)	35	(220%)	97	(110)	198
Net assets	618	697	(11%)	699	640	802
Gross Dividends	40	50	(20%)	50	50	70





"SRC operated in a challenging environment as cost of crude increased and margins narrowed due to unforeseeable world events. But the team remained undaunted as employees and management resiliently worked together to fulfil customer demands."



A close-up, low-angle shot of a gloved hand holding a thick, black, flexible cable. The hand is wearing a grey, textured work glove. The cable runs diagonally across the frame from the bottom left towards the top right. In the background, the deck of a large industrial ship is visible, featuring white railings, pipes, and various equipment. A tall mast with multiple antennas or sensors rises from the ship. The sky is a mix of orange, yellow, and grey, suggesting a sunset or sunrise. The ship's hull is dark, and some text is visible on the side, including "SAFETY FIRST" and "401245 T RET 453 772".

DELIVERING WITH RESILIENCE

2011 EVENT 'ONE SRC, COMPETITIVE TURNAROUND!'

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2011 marked a very crucial and significant year as your Company delivered the 2011 Event, the biggest turnaround event in your Company's history, entailing a high complexity project for the Long Residue Catalytic Cracker Unit ("LRCCU") reactor top dome modification and cyclones replacement (code named as Project ATLAS) and a refinery-wide turnaround for statutory inspections. Additionally, several improvement projects and Project Hijau tie-ins were carried out during the Event.

The 2011 Event demanded a very comprehensive Turnaround Strategy and increased attention to detail from Planning to Execution as your Company endeavoured to take its asset reliability and integrity to the next level in its journey to become a top quartile refinery.

Key activities, including major inspection, repairs, modifications and plant improvements which are crucial to enhance plant reliability, process safety and performance, were planned and executed in partnership with key contractors involving more than 2,000 people on site.

Statutory Turnaround

Your Company delivered the 2011 Event below budget with zero significant incidents, and achieved the following milestones:

- Achieved Goal Zero targets – Zero harm to people, Zero significant safety incidents and Zero cost overrun.
- Fully integrated turnaround, projects, operations and maintenance strategy and implementation as per Shell Downstream Turnaroud Process resulted in the refinery successfully fulfilling Statutory Inspection requirements and obtaining approval from the Department of Occupational, Safety and Health (“DOSH”).
- Effective management of risks relating to all the planned activities – particularly those that lay on critical path – using Potential Problem Analysis ensured no unforeseen circumstances during execution.

Every team member tasked with the full responsibility in delivering timely and flawless results, was committed to deliver on months of event planning within just two months of execution.

During the preparation phase, your Company actively worked with local authorities and DOSH to adopt the Risk Based Inspection methodology. As a result, your Company was successful in its application to increase the statutory inspection interval from a conventional frequency on specific scopes. The success indicates DOSH’s confidence in your Company’s equipment integrity management.

With a significant increase in the number of people onsite carrying out varying tasks on a daily basis, your Company exerted constant vigilance over safety in every aspect of our operations. It is of paramount importance for everyone who works in your Company, either as an employee or a contractor, to go home to their family safely.

All unsafe acts and conditions were mitigated proactively through the Behaviour Based Safety Programme, as summarised below:

- Focus on the bottom of the Safety Pyramid
 - Identify substandard conditions for improvement
 - Ensure close-out, learning and sharing
- Use near-miss and observation data to drive appropriate interventions
- Journey towards the Goal Zero target through maintaining ‘chronic unease’

Project ATLAS

Project ATLAS involved the LRCCU reactor cyclones replacement and reactor top-dome revamp, executed as the critical path of the 2011 Event. This project was raised as a result of the Major Turnaround (“MTA”) 2008 inspection findings.

Prior to a turnaround, the reactor plenum would contain excessive coke, which prevents early entry into the reactor due to slower cooling down. The ATLAS project aimed to improve the top dome design to minimise the reliability threat of coke pieces falling into the cyclones.

More specifically, Project ATLAS involved the change of the LRCCU reactor top dome, two Primary cyclones and four Secondary cyclones. As the activity was proven to be highly critical and complex, meticulous planning was initiated years ahead of time.

It is with great pride that your Company recognises that all parties directly involved in this Event, from management to front liners, have given their fullest commitment to deliver all expected results. With team spirit and passion akin to that of a well-oiled Formula 1 Team, everyone involved is credited for the unprecedented success of the 2011 Event. We had delivered the Event motto “One SRC, Competitive Turnaround!”

PROJECT HIJAU: ON TRACK

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As one of the projects under Shell Malaysia's capital investment of RM5.1 billion for 2011, Project Hijau refers to the construction of a new diesel processing unit in your Company's refinery.

The diesel processing unit – which will enable our refinery to vary its feedstock option, increase diesel production and improve its margins – was launched with a ground-breaking ceremony by the Menteri Besar of Negeri Sembilan on 28 March 2011.

The project has progressed since then and by the end of 2011, we are on track to deliver to the promises on HSSE, cost, schedule and quality targets. The project has achieved an overall progress of 73 percent completion.

Project Hijau is aimed at meeting the Euro 2M standard, and supporting the eventual introduction of Euro 4M. The refinery will be equipped with a fit-for-purpose kit to meet the current product quality specifications through the full restoration of crude diet flexibility. Consequently, the refinery will be able to convert light cycle oils from the Long Residue Catalytic Cracker Unit to diesel, rather than being disposed of as fuel oil diluents.

Safety first

Safety is at the forefront of everything we do. As at end 2011, Project Hijau successfully maintained Goal Zero, clocking over one million workhours without a Loss Time Injury, aided by the following efforts:

- Several behavioural based safety programmes were put in place to ensure the message is fresh, consistent, energising and carried out with enthusiasm.
- The “AAA” campaign (*Abang, Ahia, Anneh* – meaning brothers in Malay, Hokkien and Tamil) ensures that people look out for one another as they would a family member. Safety is everyone’s responsibility. One good example of our commitment is the workers’ welfare programme where we ensured that all workers get proper hygienic meals on site and adequate rest.

Construction

Throughout 2011, a few important project milestones were achieved, including the delivery and site installation of the reactor in the HDS complex. Significant coordination efforts started in India – where the reactor was fabricated – and culminated in moving the 250 tonne reactor through the streets of Port Dickson in the early hours of the morning.

Some other key achievements during the year 2011 include:

- Completion of all design and engineering
- Committing to all major procurement and contracts for execution
- Completion of major civil and structural construction works including piling
- Commencement of deliveries of equipment and materials
- Tie-ins needed for Project Hijau executed during the Turnaround in June 2011



MAKING PROGRESS IN RELIABILITY AND LEAN

A successful refinery is one that consistently achieves stable, safe, energy-efficient and cost-efficient operations with minimal waste and negative impact on the environment. This calls for adoption of new values and smart practices that puts the spotlight on growing our reliability and efficiency. Our focus on becoming a Reliable and LEAN organisation is what stands us apart from other refineries in the region, and helps us strengthen our bottomline.

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Reliability

Having good plant reliability means having all equipment available to run as per our business plan. Your Company rigorously seeks out reliability threats via proactive monitoring, progressing process maturity, and learning from past Reliability incidents. Identified reliability threats are prioritised based on impact, and mitigation plans are put in place to lower the risk to a level that is acceptable to the business.

As part of '2011 Event' – a major turnaround with the inclusion of the major reactor dome replacement project ('Project ATLAS') – 18 reliability threats which would have significant impact to the business plan were mitigated.

Though your Company has managed to continuously reduce the unplanned downtime over the past five years (see Figure 1), last year proved to be an exception as we had several challenges, including a water supply disruption to Port Dickson at end July and an earth fault on a power generator.

Moving forward, your company has embarked on a Multi-Year Reliability programme, created through value-added discussions and gaps identified via audit and health checks, to improve site reliability performance in a sustainable manner.

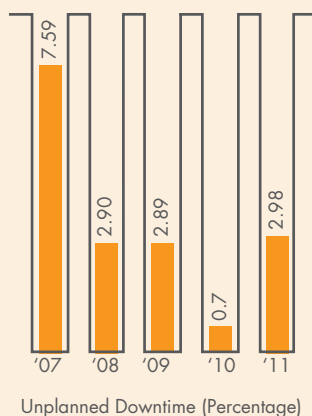
By continuously identifying and mitigating reliability threats to reduce unplanned downtime and maximise plant availability, your Company continues to make good progress towards its aspiration to be a consistently reliable refinery.

LEAN

Being LEAN is about eliminating non-value adding work in the way we run our business, optimising talent and resources and making continuous improvements in all aspects of our operations – in short, achieving more with less. Since 2009, your Company has strived to embed a LEAN mindset into every employee, business partner and vendor by engaging and equipping them with LEAN tools and driving LEAN behaviour at all levels.

In 2011, your Company continued to make significant headway in its LEAN journey by implementing a structured training schedule, employing 'Leader Standard Work' procedures, putting 'Visual Management' into action, and realising a 'Continuous Improvement Journey'.

Underlining the determination by your Company to become a LEAN organisation, dedicated LEAN coaches were appointed in 2011 to lead our LEAN journey implementation. Leaders were coached to understand and practise LEAN behaviour and culture, equipping them with ways to identify waste in the system, eliminate waste, empower teams to solve issues using simple LEAN tools and encourage continuous improvement. The LEAN training and coaching will continue until a time when your Company has fully matured as a LEAN organisation.



Leader Standard Work

Leader Standard Work ("LSW") documents the current state of the best practices in LEAN management and defines expected behaviour of leaders. The procedure connects leaders with teams using standard work.

Key points of LSW are to encourage every team member to be accountable for their standard work and understand the role they play in the overall work flow. LSW highlights the importance of learning by doing and improving standards as processes change.

As part of the LSW Activity Alignment Matrix, LEAN Managers go for daily *Gemba* (a Japanese term meaning "the real place") to "go and see" the team and workplace situation, identify and eliminate wastes and coach the team on the tasks they perform.

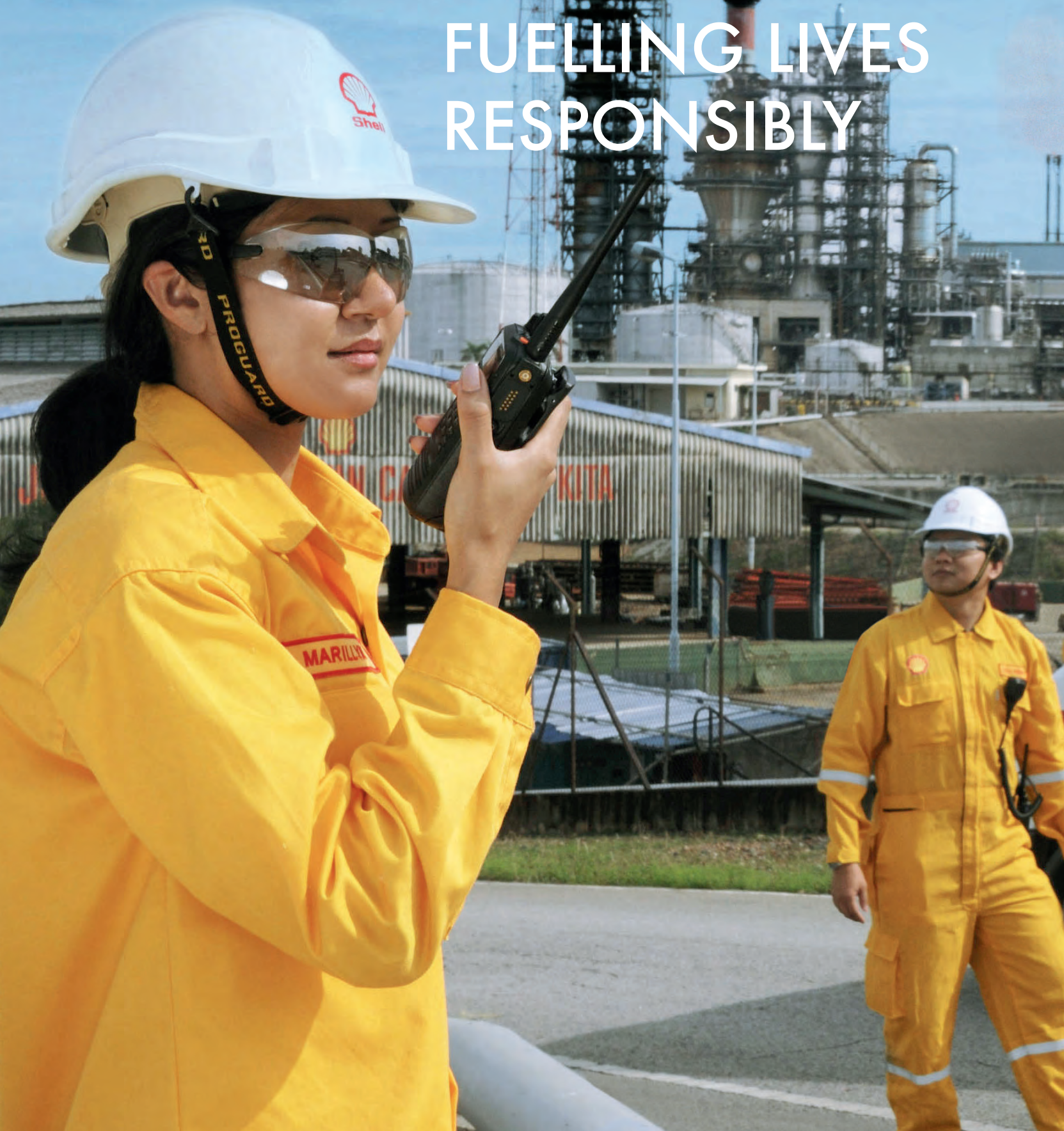


LSW implementation initially kicked off in Operations, involving the Production and Maintenance teams. By December 2011, training and coaching on LSW was provided to other departments to assist implementation.

Visual Management

Visual Management techniques were put in place to enhance interactive communication practices. Visual boards have proven to be a very economical and effective means to successfully eliminate non-value-added tasks and improve organisational alignment. During *Gemba*, LEAN managers visit the visual boards and provide coaching to the team to improve performance at the workplace.

FUELLING LIVES RESPONSIBLY





"Safety, quality and the welfare of its stakeholders are top priorities. Adhering to stringent Safety, Health and Environmental guidelines, SRC continues to deliver on its social responsibilities."



Your Company believes that Corporate Social Responsibility ("CSR") is key to sustainability. For us, sustainability is more than just reducing waste, protecting wildlife and recycling. We treat sustainability as a business approach used to create long-term value by seizing opportunities and managing risks that emerge from the economic, environmental and social developments.

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CORPORATE SOCIAL RESPONSIBILITY



Understanding sustainability requires an awareness of how everything we do, take, create and dispose of in the process of operating our business will not only affect nature's balance but also affect the future of our children and other living things.

Shell first made a commitment to contribute to Sustainable Development ("SD") in the late 90s, by including it in the Shell General Business Principles ("SGBP"). Meeting this commitment requires a particular mindset, in which we balance short and long-term interests; integrate economic, environmental and social considerations into business decisions; and regularly engage with our many stakeholders. In practice, this means reducing impacts and delivering benefits, both through our portfolio and products, and through the way we operate.

Through our portfolio and products, we help to secure a more responsible energy future by providing the energy which people and economies need to prosper, and help reduce its adverse impacts by offering cleaner products like natural gas and biofuels.

Through our operations, we look to create lasting social benefits through initiatives such as employing local people and using local contractors and suppliers, and by setting a good example through business practices and ethics. We also work to reduce environmental and social impacts by safeguarding the health and safety of employees and neighbours, reducing disruptions to the community, lowering emissions (including greenhouse gases), reducing impact on biodiversity and using less energy, water and other resources.

To this end, we have developed several standards and guidelines which continue to evolve over the years to ensure that we adhere to industry benchmarks. The SGBP, Code of Conduct and our Commitment and Policy on Health, Safety, Security and Environment ("HSSE") & Social Performance apply to all Shell companies and joint ventures we control.



It's the right thing, and the smart thing, to do

We remain committed to SD because it is aligned with our values and because it 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.

By listening to our stakeholders and meeting their expectations, we can reduce project delays, approval failures or disruption to existing operations, which are significant risks to our business. Contributing to SD also helps us attract and retain staff, customers and business partners who are central to our business success and future growth.

By being aware of changes to customer lifestyles and values, we can choose products and services that meet our customers' (including governments, businesses and individuals) needs for clean, convenient and affordable energy.

By adopting new or cleaner technologies, we can improve the efficiency of our operations, reduce costs, avoid current and future costs of emissions, and even create new income streams like carbon credits.

As we continue our journey to be the "Top performing and most admired refinery in Asia", our commitment to SD ensures that we deliver a positive impact to benefit communities, enrich lives and help improve the quality of life for all our stakeholders.



In the marketplace, Shell is a name synonymous with the supply of energy, which helps support economic growth and development. We aim to encourage economic and social development while reducing and managing any negative impact of our operations on the livelihood, health, safety, lifestyle, security and economic development of communities.

MARKETPLACE

The benefits we bring to local people can include jobs, tax revenue, contracting and business opportunities and social investment. Our operations can provide employment and economic development for local communities. We support fair and ethical competition in the market place and we have a global tendering and contract management process. To help local suppliers compete for contracts we provide training to help them meet our standards. We also support local communities in setting up businesses to sell us goods and services.

Guided by our principles of Social Performance, we are committed to earning and maintaining the trust of local communities. We listen to community concerns and respond appropriately. This is vital to the success of our operations.

Before making any major change to an existing operation or starting a new project, we use the results of our impact assessments and community discussions to draw up social performance plans for all of our facilities with a potentially high impact on the community.

Our passion and dedication to positive social performance is an important aspect of the end-value we deliver through our products and services.

Product Stewardship

Product Stewardship is the responsible management of the health, safety and environmental impacts of products and components over their lifecycle and across the supply chain. Embracing everything from product labelling to compliance with national and international product HSSE regulatory requirements, this effort underpins our licence to operate and is critical to our brand and reputation.

We are committed to Product Stewardship and take a long-term structured approach to the production of our fuels and lubricants. At each stage of the product lifecycle, we identify, manage and minimise the health, safety and environmental risks of a product to keep it safe for the society and the environment.

We also tackle customer concerns promptly to forge a positive marketplace relationship and work towards realising symbiotic outcomes for Shell and society. The benefits of positive Product Stewardship enhances our reputation with customers, the public and the industry. This is a continuing commitment that benefits not just society but our business performance as a proactive and trusted brand.





Corporate Governance

There is growing and widespread pressure from regulators for higher standards with regards to corporate governance including ethics and compliance programmes and greater transparency in how these are embedded into the culture of an organisation. More than ever before, companies are required to prove they are managed in an ethical and compliant manner.

Your Company was recognised as one of the Top 100 of overall 864 public listed companies rated under the Malaysia Corporate Governance ("MCG") Index Awards 2011. In addition, your Company is one of the 16 companies that received a Distinction Award (for A+ ranking) for achieving more than 80 percent Index Score in recognition of its overall exemplary corporate governance practices during the year.

As made clear in the Shell of General Business Principles ("SGBP"), we comply with all laws and regulations of the countries in which we operate.

Our core values of honesty, integrity and respect for people and our compliance with all laws and regulations as made clear by the SGBP, ensure that the entire range of activities we undertake and all our employees operate in line with SGBP. This involves day to day reinforcement, embedding the principles throughout the organisation, and encouraging people to discuss the dilemmas they face in work.

Please turn to page 90 for more on our commitment to corporate governance.



MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated In Malaysia • Company No. 524989-M)

Malaysian CORPORATE GOVERNANCE Index 2011



Your Company operates under a common set of business principles, supported by policies and business controls. These include an updated Shell Commitment and Policy on Health, Safety, Security, Environment and Social Performance ("HSSE & SP"), which requires every Shell Company to manage HSSE & SP in line with the Commitment and Policy.

WORKPLACE

In Shell, we are all committed to:

- Pursue the goal of no harm to people;
- Protect the environment;
- Use material and energy efficiently to provide our products and services;
- Respect our neighbours and contribute to the societies in which we operate;
- Develop energy resources, products and services consistent with these aims;
- Publicly report on our performance;
- Play a leading role in promoting best practice in our industries;
- Manage HSSE & SP matters as any other critical business activity; and
- Promote a culture in which all Shell employees share this commitment.

In this way, we aim to have an HSSE & SP performance we can be proud of, to earn the confidence of customers, shareholders and society at large, to be a good neighbour and to contribute to sustainable development.

Every Shell Company:

- Has a systematic approach to HSSE & SP management designed to ensure compliance with the law and to achieve continuous performance improvement;
- Sets targets for improvement and measures, appraises and reports performance;
- Requires contractors to manage HSSE & SP in line with this policy;
- Requires joint ventures under its operational control to apply this policy, and uses its influence to promote it in its other ventures;
- Engages effectively with neighbours and impacted communities; and
- Includes HSSE & SP performance in the appraisal of staff and rewards accordingly.





HSSE Golden Rules

The HSSE Golden Rules dictate the way we work. The three 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.

You and I:

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

Life-Saving Rules

The Life-Saving Rules, launched on 1 July 2009, targets 12 high-risk operations at work where it is proven that failure to comply has the highest potential for serious injury or death. By driving a clear and consistent set of 12 Life-Saving Rules across the Shell Group, we intend to achieve a culture of compliance. Compliance with the Life-Saving Rules is mandatory for all Shell employees and contractors while conducting Shell business.

Failure to comply will result in disciplinary action, up to and including termination of employment for Shell employees (in accordance with local law) or, for employees of contractors or subcontractors, removal from site and disqualification from future Shell work.

Goal Zero

Goal Zero is a simple message formulated to help drive our vision of no harm to people to reality in our operations in line with our HSE processes and procedures including the HSSE Golden Rules as well as the Life-Saving Rules. What it means is: Zero deaths. Zero injuries. Zero significant incidents. It describes the mindset change we must achieve when it comes to safety. Goal Zero reminds us that safety must always take priority. With Goal Zero, each day where no one is hurt is a success. Goal Zero is never ending because safety is relentless.

Achieving Goal Zero requires excellence in Process Safety management. Asset design, operations and maintenance and inspection will contribute to zero process safety incidents, but only so if supported by leadership behaviour, which demonstrates understanding of the requirements and assurance of implementation.



No Harm to People

We saw outstanding HSSE performance for 2011 with the achievement of over 14 million exposure hours without a Loss Time Injury (LTI) since May 2001. We continue to record zero occupational illness case for year 2011. There were, however, four first aid cases, one restricted work case and one medical treatment case. In all these cases, immediate treatment was given by first aiders on-site.

Your Company wants its employees to go home safely every day and we want to continue to be a good environment steward and a friendly neighbour in the communities where we operate. We aspire to deliver top quartile HSSE performance over the coming years, and establish near-term milestones to track our progress toward our aspiration.

Positive Intervention Walk ("PIW")

In 2011, PIW continues to foster good safety behaviours and practises awareness among all employees. 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.

Emergency Exercises

As part of the emergency preparedness strategy, our Company requires all employees to be a part of the Emergency Support Team ("EST") and Emergency Response Team ("ERT"). Introductory and refresher sessions were held throughout the year for employees involved. In addition to that, the company conducted two Tier 3 Emergency Response ("ER") exercises/drills to test both the preparedness and effectiveness of the ER Plan. The High Angle Rescue and Medical and Full Surface Tank Fire drills were conducted in April 2011 in collaboration with the Port Dickson Hospital as well as the Fire and Rescue Department (Bomba).



Through our Sustainable Development policy, your Company integrates the economic, environmental and societal aspects of our business in order to achieve sustained financial success, safeguard our environment and develop our reputation as a partner and provider of first choice for our shareholders, customers, employees and those with whom we do business, as well as society and the future generations.

ENVIRONMENT

We are committed to protecting the environment, an integral aspect of our HSSE, SP and SGBP policies which state requirements for integrating environmental and social factors into the way we plan, design and take investment decisions on new projects.

Since 2002, we have incorporated the potential impact of CO₂ emissions on project costs when making all major investment decisions. When we begin work on new major projects, an environmental, health and social impact assessment is conducted to ensure we reduce any negative impacts by:

- Safeguarding the health and safety of employees and neighbours
- Reducing disruptions to the community
- Lowering emissions (including greenhouse gases)
- Reducing impact on biodiversity
- Using less energy, water and other resources
- Managing wastes responsibly

Waste Management

Your Company adopts a systematic approach to the management of emissions and effluent discharge designed to ensure compliance and to achieve continuous improvement in line with the HSSE & SP Commitment and Policy.

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

Your Company uses government approved and licensed contractors to dispose of all hazardous wastes. In efforts to conserve biodiversity and minimise disposal, we continuously look for ways to reduce, recycle or recover the wastes generated.

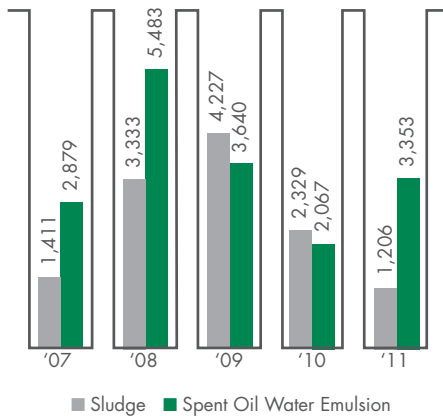
The main sources of solid wastes arising from your Company's operations are:

- Spent Oil-water Emulsion;
- Sludge;
- Spent Catalyst.

In 2011, we continued to fully re-use (100 percent) all spent catalysts from the catalytic cracking process as raw feedstock in the cement industry, compared to only 74 percent in 2009 and 39 percent in 2008.

Your Company recorded significant reduction in spent caustic and oil sludge generation due to effective process optimisation and waste elimination initiatives.





Effluents

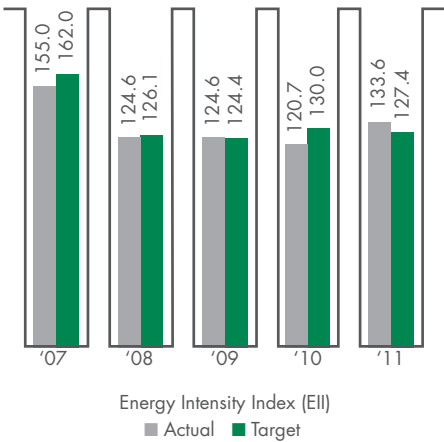
Your Company monitors the quality of treated effluent water released via pipelines some 1km offshore at the Shell jetty. The main contaminant in effluent water from our operations is oil in the water that accompanies production.

In 2011, there is a slight increase in the average oil in water concentration (3.2 milligrams per litre (mg/l) compared to 2.0 mg/l in 2010) due to discharge of effluent during the May or statutory turnaround. Your Company diligently ensures that we are complying to the legislative limit of 10 mg/l and the limit on other parameters set by the Environmental Quality (Industrial Effluents) Regulations 2009 – Standard B. This treated effluent water is also used as fire-fighting water supply for your Company.

In addition, we look at the environmental impact of the effluent discharged to the sea by closely monitoring the seawater quality near the final discharge point and its surroundings. To date, the monitoring shows full compliance to the legislations.

Energy Consumption

Your Company uses the industry standard Solomon Associates Energy Intensity Index ("EII") to measure and rank the energy efficiency of the refinery. 2011's performance of 133.6 EII against a target of 127.4 EII is due to Major Statutory Turnaround, lower utilisation post turnaround and a few occasions of unit shutdowns for maintenance.





Public Complaints

We take all complaints lodged by our stakeholders seriously, if and when our operations inconvenience their daily lives. Each is documented and filed to ensure prompt action and response.

In 2011, we recorded ten public complaints with regards to our operations compared to two received in 2010, mainly due to the heightened activities of 2011 Event. We endeavoured to close out each complaint no later than 48 hours upon receipt of the complaint. The Public Affairs Duty Officer is responsible to attend to the complainant, initiate investigation if necessary and notify the relevant parties for corrective action, if any.

Biodiversity

Your Company recognises that its operation has consequences that, if not addressed properly, can result in the degradation or loss of biodiversity and can cost us our time, money and reputation. A failure to protect biodiversity could jeopardise our licence to operate, while a strong reputation built on the effective management of biodiversity will be a competitive advantage.

There is a clear business case for addressing biodiversity within Shell. Our approach is set out in the Shell Group Biodiversity Standard, which dictates that:

- We conduct environmental assessment, including the potential impact on biodiversity, prior to all new activities and the significant modification of existing activities;
- We bring focused attention to the management of activities in internationally recognised hotspots, including the identification of key stakeholders and early consultation with them.

Shell Group takes our 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 to identify potential areas of high biodiversity value at an early stage when developing projects.

Your Company is 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.

“We need to pay more attention to what our neighbours think. Too often our engagement and our listening are too late and too little. We’ve seen that our most successful projects and operations are the ones where we have really engaged in early and effective dialogue – listening to what is really on the minds of the communities within which we operate. And we need to try and reflect that in the way we moderate our plans and actions.”

Malcolm Brinded, Shell’s Executive Vice President for Upstream International, on Shell’s HSE Golden Rule of ‘Respect Our Neighbours’.

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COMMUNITY

In almost every place in which Shell operates, we have neighbours: people who live or work near our projects or facilities and who may be affected by our operations. Experience has shown us that being a good neighbour is good for business. This means building trust and support in the communities and societies in which Shell companies and joint ventures operate.

Social Performance

Social Performance (“SP”) is about how we manage the impacts of our business activities on those communities and societies where we operate. Impacts may be negative such as noise, odours, traffic or emissions, but they can also be positive, for example creating local jobs and employment or providing voluntary contributions or donations (social investment).

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; and
- Listening to and engaging with our various stakeholders.

SP is a strategic differentiator for Shell, resulting in preferential access to customers and resources, and leading to better performance. Managing SP well is good for business because it:

- Helps secure the license to operate from authorities
- Prevents project disruptions
- Improves employee retention, recruitment and commitment
- Meets requirements of Project financiers
- Protects local and global reputation
- Builds stakeholder relationships and identifies key issues

We continue to improve on our SP, and we are working to bring all our operations up to best practice. Sharing past experience is key to learning from mistakes and improving performance.

Your Company participates in Shell’s Downstream SP Review programme which involve a two to three day assessment of SP practices at Shell operations by a small team external to the site. The team conducts an assessment based on document review and interviews, including with external parties such as local neighbours and other stakeholders.





Managing Impacts

Engaging with the community and conducting impact and community assessments help limit and mitigate potential negative impacts and deliver real benefits to the community and to the business.

We continuously seek to improve how we mitigate negative impacts from our operations.

Examples of common impacts include:

- Resettlement – which, if not well managed, can result in disruption to livelihoods, social structures and quality of life
- In-migration that leads to crowding out of infrastructure and rapid increases in the cost of living
- Impacts on indigenous peoples and cultural property
- Environmental impacts that become social issues – e.g. pollution/deforestation – affecting farming, fishing and hunting

We monitor our performance and international best practices and have developed guidance notes building on both.

Benefits to communities can be delivered in different forms. For example through local employment, contracting and procurement – which usually result in benefits beyond the direct payments and salaries, as local people spend locally and local contractors sub-contract and procure locally. Alternatively it can be done through strategic social investment – which, if well done, can make a lasting contribution to communities and business objectives.

Social Investment

Social Investment (“SI”) is Shell’s voluntary contribution to support communities and the broader society in which we operate. Effective social investment delivers business value, by:

- Helping to receive a ‘licence to operate’ from government and stakeholders, by demonstrating commitment to economic and social development – prevents disruptions, delays and makes Shell a preferred partner
- Improving employee retention, recruitment, commitment and engagement with local communities
- Helping to address social issues affecting the operation (e.g. loss of capacity in local institutions)
- Protecting the reputation by the company’s and shareholders engaging and building relationships with key external stakeholders



We have been involved in social investment programmes for many years, supporting a wide range of community welfare initiatives and projects aimed at education or skills development; community development or social cohesion; health, environment and safety-related issues; and enterprise development and capacity building.

Through our social investment programmes, we work with the community on projects that address issues directly linked to our business, like access to energy or education. We also seek to give local people control of the project, and wherever possible, to involve development experts from NGOs.

Our social investment programmes are designed using the following criteria:

- fit with Shell business activities;
- be sustainable: delivering lasting benefits and be self-supporting after Shell participation ends;
- have a measurable positive impact: socially, economically and environmentally;
- be inclusive: involving a range of stakeholder views and opinions;
- based on community needs and designed in consultation with local communities;
- involve local support;
- based on partnerships and local implementation: with NGOs and community groups;
- be transparent: regularly monitored and evaluated with the results clearly and openly reported;
- leverage additional funding: leading to increased benefits; and
- be replicable: to accelerate the learning curve and decrease implementation costs.

AWARDS & RECOGNITION

We are proud to report that our commitment to occupational safety and health, as well as good corporate governance practices, won us the following awards in 2011:



2011 HR Breakthrough Award

Your Company has won the "Gold" category for the 2011 HR Breakthrough Award ("HRBTA"), organised by the Malaysian Institute of Human Resource Management. The award recognises HR initiatives in partnering with the business in applying innovative and creative HR related strategies and solutions, and the application of technology (both HR and non-HR) to achieve business results.



Malaysian Corporate Governance Index Awards 2011

In 2011, Minority Shareholder Watchdog Group ("MSWG") recognised your Company as one of the Top 100 rated companies for its Corporate Governance Index. From 864 public listed companies evaluated by MSWG, your Company was among 16 selected companies which received the Malaysia Corporate Governance ("MCG") Index Awards 2011 under "Distinction (for A+ ranking)" Award for achieving more than 80 percent Index Score in recognition of its overall exemplary corporate governance practices during the year. The award was presented by the Deputy Minister of International Trade and Industry, YB Dato' Jacob Dungau Sagan during the MCG Index 2011 Survey Findings and Awards Ceremony.



Recognition from Ministry of Health, Malaysia on Organ Donation Programme

During the "Organ Donation Awareness Week 2011" organised by the Ministry of Health, your Company received a certificate of appreciation for its continuous co-operation and contribution in assisting the Ministry to promote and build awareness on organ donation programme.



Zero Loss Time Injury

We maintained our record of Zero Loss Time Injury ("LTI") which means that there were no incidents of work related injury in 2011, and as a result, we have achieved over 14 million exposure manhours LTI-Free since 21 May 2011. This is a significant achievement of 10 years without any LTI.

Shell 2011 Manufacturing Executive Vice President's Awards in HSSE

Your Company received this coveted award from Shell Global Manufacturing in HSSE category in recognition of its accomplishments for "Doing the Right Thing; the TLC way" during 2011 Statutory Turnaround.

2011 COMMUNITY EVENTS

Your Company is a longstanding partner in the Port Dickson community. We strive to be a good neighbour and seek to build committed relationships in whatever way we can. We work to ensure that our presence creates a positive impact on the people, environment, business and organisations around us.

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Education

- The staging of "Dr. Jekyll and Mr. Hyde" at Sekolah Menengah Kebangsaan Raja Jumaat, Port Dickson
- Reading campaign "Kempen Merayakan Budaya Membaca Peringkat Daerah Port Dickson" by Perbadanan Perpustakaan Awam Negeri Sembilan, Cawangan Port Dickson
- Bursary awards UPSR 2011 – Sekolah Kebangsaan Kampung Sawah, Port Dickson
- Excellence Programme for Year 6 students, 2011 – Sekolah Kebangsaan Port Dickson
- Shell Bursary Awards for Negeri Sembilan
- Majlis Perkampungan Ilmu – Sekolah Menengah Kebangsaan Tanah Merah

Good Neighbour

- Golf Tournament (Piala Yang Dipertua MPPD)
- Mesyuarat Agung Tahunan ke 33, (Persatuan Nelayan Kawasan) Port Dickson
- Majlis Tilawah – Peringkat Kebangsaan 2011 with PEYAKIN NS
- Bowling Tournament with JKKK Kampung Paya, Port Dickson
- Program Kepimpinan & Jati Diri with Pertubuhan Gerakan Belia 4B Kampung Paya
- Health Programme with JKKK Kg. Teck Lin
- Managing Emotions & Pressure with PD Women's Community Club
- Program Sepagi Bersama Rakyat with JKKK Kg. Paya
- Pertandingan Liga Bola Sepak JKKK 2011 Peringkat Daerah Port Dickson with JKKK Kg. Arab
- Majlis Berbuka Puasa at Masjid Jamek
- Majlis Berbuka Puasa at Masjid Kg. Paya
- Refinery Visit from University Malaya (Chemical Engineering Students)
- SRC Cyclethon 2011, with PD Community
- Shell Piala Perpatih 2011, with D.Y.M.M Yang Di-Pertuan Besar Negeri Sembilan Darul Khusus, Tuanku Mufriz Ibni Almarhum Tuanku Munawir
- Kejohanan Bola Sepak Pantai 1 Malaysia with Persatuan Bolasepak Daerah Port Dickson

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Environment and Biodiversity

- 2011 Raptor Watch

We Care We Share

- Donation – Uniform Sponsorship for Kadet Bomba & Penyelamat, Sekolah Menengah Teknik Port Dickson
- Donation – Underprivileged Students at Sekolah Menengah Kebangsaan Datuk Haji Abdul Samad, Port Dickson
- Shell Education Aid Programme with Penduduk Taman Nesa for Persatuan Penduduk Taman Nesa
- Majlis Berbuka Puasa with PD Orphans at Port Dickson Golf & Country Club
- Fund-raising and Celebration for PDK Curahan Kasih's Jubli Perak

SEEKING NEW BREAKTHROUGHS





"As fuel demands change and refining margins become more competitive, SRC recognises the need to invest in new innovations and technologies. Once operational in 2012, our investment in Project Hijau will give us a stronger competitive advantage."



CORPORATE GOVERNANCE STATEMENT

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Your Board of Directors is committed to implementing the highest standards of corporate governance at all levels within your Company. We believe that such standards are essential to business integrity and performance. This Corporate Governance Statement sets out the policies and practices of your Company that have been applied during the year.

Your Company has adopted the Shell General Business Principles ("SGBP") – a governance blueprint developed by Royal Dutch Shell plc, the ultimate holding company of your Company's majority shareholder. The SGBP describes the core values, its responsibilities and the principles and behaviours which are key to our business integrity and performance. Royal Dutch Shell plc has developed a governance guide, series of policies, management systems, training modules and reporting mechanisms that are designed to support a robust corporate governance system which has been adopted by your Company.

These principles and practices, supported by existing internal controls processes, are regularly audited and reviewed, to ensure transparency and accountability. Your Board of Directors has strong control and authority over these internal processes and the manner in which such control and authority is implemented and reflected in the Director's Statement of Internal Control on pages 107 to 109.

Your Board confirms that during the year, your Company complied with the requirements of relevant laws and regulations.

Principles and Codes

Shell General Business Principles

The SGBP defines how Shell companies are expected to conduct their affairs. These principles include, among other things, Shell's commitment to support fundamental human rights in line with the legitimate role of business and to contribute to sustainable development. They can be found at www.shell.com/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 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 your Company's firm belief that maintaining the trust and confidence of its stakeholders, namely the shareholders, employees, customers and other people with whom your Company does business, as well as the communities in which your 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.

Your Company provides awareness and knowledge training on the topics covered in the SGBP. This training is designed to raise awareness as well as educate employees on the risks associated with the relevant requirements of the SGBP and the Code of Conduct. Training is split into three categories: mandatory on-line training which is for all employees; awareness training for employees who are exposed to minimum risk; and knowledge training for those employees exposed to greater risk. All of the training packages address legal and ethical risks associated with the principles of the SGBP.

Mandatory training for all employees:

- Code of Conduct
- Conflicts of Interests, Gifts and Hospitality Register
- Records management
- Information Risk Management/
E-Learning Information Security

Awareness training for exposure to relevant risk:

- Antitrust
- Anti-bribery and Corruption
- Export Controls
- Data Privacy
- Anti Money Laundering
- Insider dealing
- Disclosure

Shell Code of Conduct

Directors and employees are required to comply with the Shell Code of Conduct, which is intended to help them put the SGBP into practice through the basic rules and standards we expect them to follow and the behaviour we expect of them. The Shell Code of Conduct is available online at **www.shell.com/codeofconduct**.

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. It is intended to be viewed as an essential guide, rather than merely a set of rules for compliance. In ensuring this intention is realised, the Code of Conduct contains directions to additional detailed materials required to be read in order that a deeper and more holistic understanding of the Code is obtained. The consequences of breaching the Code of Conduct are clearly set out in the Code of Conduct, and this demonstrates our commitment and determination in ensuring that your Company adheres to the high standards set out in the SGBP. Your Company as part of the Shell Group operates in an ever-changing world. The Code of Conduct 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. For example, for each component of the Code of Conduct, some questions for each employee to address and answers are provided as part of the internal

process and methodology to challenge decisions made in respect of issues that may potentially conflict with the principles by which the Shell Group abides.

The Code of Conduct provides:

- practical advice on how to comply with laws and regulations
- requirements and guidance about how an employee should relate to colleagues, customers, shareholders, communities, vendors, competitors and governments
- employees to other useful information sources applicable to performing their duties as a Shell employee
- explanation on how to get confidential advice
- assistance for employees to resolve difficult questions about business conduct
- circumstances or situations in which employees are expected to report their concerns

Taking into account the practical reality of conducting business and working, your Company acknowledges that its employees or Directors may be faced with legal or ethical dilemmas in the course of work. It is for this reason that we have ensured that the Code of Conduct is adequately comprehensive in nature, in order to ensure that the concerns and interest of our stakeholders will not be compromised.

All staff are required to perform the mandatory on-line Code of Conduct awareness training. The objective of the course is to create awareness of the requirements set out in the Code and where employees can seek advice for further help. The Directors have attended the Code of Conduct awareness training.

Shell Global Helpline

The Shell Global Helpline is available to all employees and stakeholders for reporting of and advice on legal and ethical non-compliance incidents, dilemmas and concerns and the complainant can remain anonymous. The Shell Global Helpline is a worldwide reporting mechanism, operated by a third party, which is open 24 hours a day, seven days a week.

Any reports, complaints or concerns can also be made to the Senior Independent Non-Executive Director who may be contacted at dstalaat@gmail.com, or by mail to the Company's registered address. The Senior Independent Non-Executive Director will engage Shell Global Helpline upon receipt of such reports, complaints or concerns.

There are two ways of making a report via the Shell Global Helpline:

1. By telephone to an experienced Helpline operator, if necessary via an interpreter. In Malaysia, the local toll free number is 1-800-81-2404; or
2. Via the Global Helpline website at **www.shell.com** or **www.compliance-helpline.com/shell**.

Cases submitted to the Shell Global Helpline are investigated by an independent team. In cases where the complaints were found to be valid, the Company would take appropriate actions against the wrong-doers. There are six investigation principles:

Principle 1 Confidentiality

All investigations will be conducted in the strictest confidence. The need for confidentiality begins with receipt of allegation, and continues beyond the conclusion of the investigation.

Principle 2 Impartiality and Objectivity

An investigation must be free of influence from personal opinion and bias. No one may be involved in the investigation or decision-making process who has any vested interest in the result of the investigation.

Principle 3 Professionalism

Investigators will conduct themselves and their investigations with integrity, honesty, fairness and diligence and in accordance with the Code of Conduct and the applicable law.

Principle 4 Competence

Training in investigation requirements and skills is a prerequisite to performing the role of investigator.

Principle 5 Timeliness

Whilst investigations vary in complexity and duration, all must be carried out promptly.

Principle 6 Protection From Retaliation

Shell companies are required to protect anyone who makes a Code of Conduct compliance incident allegation in good faith, and those who participate in or conduct an investigation, from retaliation.

Malaysian Code of Corporate Governance

Your Board of Directors supports the Principles of Corporate Governance as laid out in the Malaysian Code of Corporate Governance (as revised) 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.

Corporate Governance Blueprint 2011

Your Board of Directors has reviewed the Corporate Governance Blueprint 2011 issued by the Securities Commission in July 2011. Your Board of Directors is pleased to advise that your Company has complied with the following chapters set out in the Corporate Governance Blueprint:

1. Shareholders Rights – There are no qualitative or quantitative restrictions on proxy voting and poll voting is specifically mentioned by the Chairman during the Annual General Meeting. Electronic voting will be implemented in due course;
2. The Board's Role in Governance – The requirements under all four main thrusts, namely, Roles and Responsibilities, Independence of the Board, Composition of the Board and Commitment of Board Members are complied with;
3. Disclosure and Transparency – Your Company has in place the Corporate Disclosure Guide that addresses the five pillars of disclosure and transparency, namely, Truthfulness, Completeness, Materiality Information, Timeliness and Accessibility;
4. Role of Gatekeepers and Influencers – All staff including the Company Secretary have access to Shell Global Helpline as a secured and confidential channel to whistle blow, in addition to the whistle blowing laws in Malaysia;
5. Role of Institutional Investors – Your Company supports the proposals; and
6. Public and Private Enforcement – Your Company supports the proposals.

Recognition for Corporate Governance

Under the Malaysian Corporate Governance ("MGC") Index 2011, a premier index on the corporate governance levels of the public listed companies in Malaysia, your Company was listed in the MGC Index Top 100 Companies, out of 864 public companies rated. Your Company was awarded a Distinction Award (for A+ ranking) for achieving MGC Index level Rating of more than 80 percent.

Corporate Integrity

The Board is pleased to advise that your Company has signed the Malaysian Corporate Integrity Pledge in July 2011, and was among the earlier Malaysian corporations to sign up. The effect of signing this Pledge includes the declaration of clear company policies and processes in the event your Company is faced with potential corruption cases, and also this Pledge differentiates your Company from its peers by signifying that its operations do not condone or include costs due to corrupt activities. By signing this Pledge, your company is currently listed in the registrar of signatories that is carried on the website of the Malaysian Integrity Institute.

Your Company also held its Business Integrity week on 20 February 2012 to deepen staff's understanding on the SGBP elements.

The Board Charter

The Board and the Nominating Committee have on 17 February 2012 adopted the Board Charter, which is set out in pages 32 to 34. The Board Charter summarises the authority, responsibilities, membership and operations of your Board.

Directors' Code of Ethics

The Directors observe the Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, your Board and the Audit Committee have adopted the Code of Ethics for the Executive Directors and Senior Financial Officers on 17 February 2012, which is set out in page 35. This newly adopted Code governs the conduct of Executive Directors and Senior Financial Officers in discharging their job opportunities.

Board of Directors

Board Composition and Balance

For the period up to 29 February 2012, your Board comprised of the Non-Executive Non-Independent Chairman, Mohd. Anuar bin Taib, the Managing Director, Rozano bin Saad, and six other Directors, four of whom are Independent Non-Executive Directors, in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Tan Sri Datuk Clifford Francis Herbert's election as an Independent Non-Executive Director was approved at the 52nd Annual General Meeting and will remain valid until

the 53rd Annual General Meeting. Mr. Khong Kok Toong was appointed on 1 March 2011 to succeed Mr. Kevin Heng who resigned on 24 February 2011. The profile of each Director is given on pages 26 to 31.

Roles of Directors

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 your Board. He is responsible for the leadership and management of the Board and for ensuring the Board and its Committees function effectively. 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, allow him to provide great insights and invaluable foresight in strategic planning of your Company.

The Managing Director bears overall responsibility for the implementation of the strategy agreed by the Board, the operational management of your Company and the business enterprises connected with it. His operational responsibilities include plant reliability, safety, profitability, corporate governance and talent development. 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 your Board. He is assisted by the Management Team whose information is set out on pages 36 to 37.

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 covering issues of strategy, performance and risk. 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.

All the Independent and Non-Executive Directors as at the end of 2011 are considered by the Board to be wholly independent of any personal business connection with your Company or Shell companies, save for Dato' Saw Choo Boon who has declared his shareholding interest in a tender process for the acquisition of Shell Malaysia's LPG Business and Datuk Zainun Aishah binti Ahmad who declared that she has family relations to a person involved in the same tender process. All Independent Non-Executive Directors are appointed for an initial tenure of three years and may be renewed subject to merit and performance assessment.

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 31.

Conflicts of Interest

The Company Secretary requires each Director to complete detailed conflict of interest questionnaire in the Directors' Declaration updated annually and if there are any changes, as and when required. The completed Directors' Declarations are reviewed by the Remuneration Committee relating to remuneration and fees received and the Board for any conflict of interest declaration. Conflicts of interest and gifts and hospitality received and provided by the Non-Executive and Non-Independent Directors are kept under review in accordance with the SGBP processes implemented by the Shell Group.

In 2011, both Dato' Saw Choo Boon and Datuk Zainun Aishah binti Ahmad made declarations of conflict of interest as set out in their respective Director's Profiles at page 30 and page 27.

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 your Company's assets. In carrying out this responsibility, your Board oversees whether the internal processes set up to maintain and manage high corporate governance standards are implemented, and in doing so, frequent updates and information is sought from the management of your Company.

Following appointment to the Board, new Directors receive a comprehensive induction tailored to their individual needs. This includes a visit to the plant and presentations by and meetings with senior management to enable them to build up a detailed understanding of Shell's business and strategy, and the key risks and issues faced. Throughout the year, regular updates on developments in legal matters, governance and accounting are provided to Directors. The Board regards site visits as an integral part of ongoing Director training.

Your Board firmly believes in the continuing education of individual Directors consistent with the requirements of paragraph 15.08 of the Main Market Listing Requirements (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. Your Directors are also kept up-to-date on changes in the regulatory/legal/commercial risks environment as and when required through various means.

Details of the Directors' attending MAP pursuant to paragraph 15.08 of the Listing Requirements and the in-house training, aimed at improving the Directors' competency are summarised as follows:

Courses	Mohd Anuar bin Taib	Dato' Saw Choo Boon	Tan Sri Datuk Clifford Francis Herbert	Dato' Seri Talaat bin Husain	Datuk Zainun Aishah binti Ahmad	Rozano bin Saad	David Lau Nai Pek	Khong Kok Toong*
Managing Corporate Reputation in a Digital Age	–	✓	✓	✓	✓	✓	✓	✓
Introduction of Shell Upstream Business	–	✓	✓	✓	✓	✓	✓	✓
Shell General Business Principles	✓	✓	✓	✓	✓	✓	✓	✓
Shell Anti Bribery & Corruption	✓	✓	✓	✓	✓	✓	✓	✓
Shell Competition Law	✓	✓	✓	✓	✓	✓	✓	✓
Malaysian Competition Law	✓	✓	✓	✓	✓	✓	✓	✓
MAP	✓	✓	✓	✓	✓	✓	✓	✓

* MAP attended in May 2011.

CORPORATE GOVERNANCE STATEMENT (continued)

In addition, the following Directors have attended numerous trainings or seminars as described below in 2011.

Name	Training/Seminar
Tan Sri Datuk Clifford Francis Herbert	<ul style="list-style-type: none"> a. Special Public Lecture-Asia as the New Master of the Business Universe b. Corporate Governance programme for Directors-Assessing the Risk and Control Environment (Participated as Speaker) c. Developing an Anti-Money Laundering Risk Averse Culture without affecting Profitability for AmBank Group d. Banking Insights e. ICAA-MICPA Forum-Improving Corporate Governance in Malaysia Capital Markets-The Role of the Audit Committee f. Budget Dialogue on 2012 Budget
Datuk Zainun Aishah binti Ahmad	<ul style="list-style-type: none"> a. ASEAN Corporate Governance Scorecard and the Corporate Governance Ranking of ASEAN PLCs b. The Continuing CG Agenda-Next Steps for Asia c. Reporting on CG Practices: What do People want to know? d. Oxford Union Style CG Debate-Motion: Independent Directors are a Myth e. Taking Socially Responsible Investment (SRI) Practices Forward f. Sustainability Programme for Corporate Malaysia
Dato' Seri Talaat bin Husain	<ul style="list-style-type: none"> a. Effective Logistic Management b. Financial Institutions Directors' Education Programme Module A
Mohd Anuar bin Taib	<ul style="list-style-type: none"> a. Crisis Management Training
David Lau Nai Pek	<ul style="list-style-type: none"> a. PWC 14th Annual CEO Survey Dialogue b. Breakfast Confidential's conducted by Datuk Paddy Bowie c. Bank Negara Malaysia 2010 Annual Report/Financial Stability & Payment Systems Report Briefing d. Malaysian Alliance of Corporate Directors – Inaugural Corporate Directors Conference e. Breakfast Forum co-hosted by MINDA, GE and Talentcorp on 21st Century Corporation Driving Sustainable f. Axiata 8th ASEAN Leadership Forum g. 2011 Internal Auditors International Conference h. Minda CareerExell Annual Dialogue between HR and Directors i. Khazanah Megatrends Forum 2011 j. MINDA's Directors Forum 2011 k. MAS Board Induction Programme
Dato' Saw Choo Boon	<ul style="list-style-type: none"> a. Strategic IT Workshop For Board of Directors and Top Management by RHB b. Implementation of IRB and Management of Risk Going Forward by RHB c. Anti-Money Laundering/Counter Financing of Terrorism Training For Directors by RHB d. Financial Institutions Directors' Education (FIDE) Core Program 2011 by ICLIF e. ICAAP training for the directors organised by Ernst & Young f. Malaysia's Distinctive Corporate Governance Strategy for Boards by ICLIF

Board Meetings

Your Board meets at least four times a year in meetings 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 the Audit Committee, Remuneration Committee and Nominating Committee would inform the Directors at each Board meeting of any salient matters noted by the Committee and which require the Board's notice, direction or approval.

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 to facilitate well-informed Board deliberation and decision-making:

- Agenda;
- Managing Director's Report;
- Financial Statements;
- Board papers; and
- other relevant documents.

In addition, members of the Management are frequently invited to the Board meetings to explain and clarify the items tabled to the Board. This allows the Directors to support and at the same time challenge viability of key business propositions and the sufficiency of mitigating measures to address principal risks. This is in line with the guidance from Bursa Malaysia in relation to ensuring that a thorough examination of items tabled and resolution is achieved with the support of both the Board and Management.

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

Apart from management updates during Board meetings, a monthly key performance indicator report is provided to the Directors updating the Board on the latest Company performance in key areas. The Managing Director also prepares a report for each quarter of the financial year and the report would include an update on health, safety, security and environment issues, overview of operational performance and production, business improvement initiatives, status of margins, related party transactions, monitoring of Director's training as well as any business integrity matters (including whistle blowing cases).

In 2011, the Board also considered the benchmarking of Directors' remuneration and in doing so took into account the information collated from the the Minority Shareholders Watchdog Group ("MSWG") and Ernst & Young 2010 Non-Executive Directors ("NED") remuneration surveys.

Board and General Meetings Attendance

Details of the Directors' attendance at Board and general meetings during 2011 are summarised as follows:

Directors	Number of Board Meetings		General Meetings	
	#Held	Attended	Ordinary	Extraordinary
Mohd Anuar bin Taib	4	3	Yes	Nil
Tan Sri Datuk Clifford Francis Herbert	4	4	Yes	Nil
Dato' Seri Talaat bin Husain	4	4	Yes	Nil
Datuk Zainun Aishah binti Ahmad	4	4	Yes	Nil
Dato' Saw Choo Boon	4	3	Yes	Nil
Rozano bin Saad	4	4	Yes	Nil
David Lau Nai Pek	4	4	Yes	Nil
Khong Kok Toong*	3	3	Yes	Nil

Number of meetings held during tenure as Director.

* Appointed as Director on 1 March 2011

Details of place, date and time of the 52nd Annual General Meeting:

Place Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia

Date Wednesday, 11 May 2011.

Time 11.00 a.m.

There were no Extraordinary General Meetings held in 2011.

Independent Professional Advice

All Directors may seek independent professional advice in connection with their roles as a Director. 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 your Company Secretary, whose appointments and resignations are subject to Board approval. Your Company Secretary regularly informs the Board on the changes to statutory and regulatory requirements pertaining to Directors.

The Company has in place the Directors' and officers' insurance in connection with the performance of their responsibilities. The copy of the insurance policy is available for inspection.

Social Responsibility

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;
- supporting the implementation of the Social Performance Plan, which is aimed to increase our social performance levels and benefit the stakeholders as well as your Company; and
- co-hosting the Shell Eco-Marathon Asia Event at Sepang International Circuit, which challenges high school and college student teams from around Asia to design, build and test energy efficient vehicles.

Appointment and Re-Election of Directors

In accordance with your Company's Articles of Association, the Directors may fill any casual vacancy occurring in the Board. The new appointee shall retain his office until the next Annual General Meeting of your Company, 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.

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 election.

The initial tenure of all Independent Non-Executive Directors is three years subject to renewal based on merit and assessment. Although the Board does not fix a maximum tenure limit for the Independent Directors,

the guidance period of independent directorship of each existing Independent Director with your Company does not exceed nine years.

The new appointment, re-appointment and re-election of Directors are subject to the prior assessment by the Nominating Committee. The recommendation from the Nominating Committee would then be considered by the Board for support prior to the re-election by the shareholders at the Annual General Meeting.

Board Committees

There are three Board committees consisting primarily of the Non-Executive Directors. These are the:

- Nominating Committee;
- Remuneration Committee; and
- Audit Committee.

A copy of each committee's terms of reference is available from the Company Secretary and can be found online at www.shell.com.my.

Board Committee Meetings Attendance

Details of the Directors' attendance at the Audit Committee, the Nominating Committee and the Remuneration Committee meetings during 2011 are summarised as follows:

Directors	Audit Committee		Nominating Committee		Remuneration Committee	
	#Held	Attended	#Held	Attended	#Held	Attended
Mohd Anuar bin Taib	Non-member	Non-member	3	2	3	3
Tan Sri Datuk Clifford Francis Herbert	4	4	3	3	3	3
Dato' Seri Talaat bin Husain	4	4	3	3	3	3
Datuk Zainun Aishah binti Ahmad	4	4	3	3	3	3
Dato' Saw Choo Boon	4	4	3	3	3	3
Rozano bin Saad	Non-member	Non-member	Non-member	Non-member	Non-member	Non-member
David Lau Nai Pek	4	4	Non-member	Non-member	Non-member	Non-member
Khong Kok Toong*	Non-member	Non-member	Non-member	Non-member	Non-member	Non-member

Number of meetings held during tenure as Board Committee member.

* Appointed as Director on 1 March 2011

Nominating Committee

The Nominating Committee was instituted on 27 August 2009 following a review of the existing nomination and succession planning processes which are formal, transparent and in accordance with the Shell Group recruitment processes. The Board appointed the Chairman and all four Independent Non-Executive Directors as members of the Nomination Committee. The purpose of the Nominating Committee include to:

- lead the process for appointments to the Board of Directors of the Company;
- make recommendations to the Board on all Board appointments and re-appointments;
- review and make recommendations to the Board on succession planning; and
- review and make recommendations to the Board on corporate governance guidelines (which includes performance assessment on Directors).

The Nominating Committee is chaired by Y.Bhg. Datuk Zainun Aishah binti Ahmad, who is an Independent Non-Executive Director. The Committee has adopted terms of reference which regulate the conduct of the meetings of the Nominating Committee and sets out the duties of the Nominating Committee and can be found online at **www.shell.com.my**.

The Nominating Committee keeps under review the leadership needs of your Company. It identifies and nominates suitable candidates for the Board's approval to fill vacancies as and when they arise. For all nominations of candidates to fill Board vacancies, the Nominating Committee ensures that the nomination process has taken into account the skills, experience, expertise and core competencies the candidates would bring to the Board. In addition to the above duties, the Nominating Committee also makes recommendations on who should be appointed Chairman of the Audit Committee and the Remuneration Committee and, in consultation with the relevant Chairman, on the appointment of committee members. It makes recommendations on corporate governance guidelines, monitors compliance with corporate governance requirements and makes recommendations on disclosures connected to corporate governance and its appointment processes. Your Board makes the final decision on the appointment of Directors in accordance with your Company's Articles of Association.

The Nominating Committee has set at least two meetings a year and in 2011, three meetings were held and a further meeting was held in February 2012.

In 2011, the Nominating Committee in enhancing your Company's policy on the independence of Independent Directors, deliberated and resolved that an Independent Director should be one who has not been an employee of your Company or a related corporation within the preceding one year subject to the qualification of "independence" as set out in the Listing Requirements. This was reflected in the revised Terms of Reference. The initial tenure of all Independent Non-Executive Directors is three years subject to renewal based on merit and performance assessment. Although the Board does not fix a maximum tenure limit for the Independent Non-Executive Directors, the guidance period of independence of each existing Independent Non-Executive Director with your Company does not exceed nine years. The Nominating Committee also reviewed the succession plan for your Company's senior management team and provided guidance to your Company to enhance its succession planning process.

Evaluation Process

The methodology and process for evaluation of Directors, the Board and Board committee members were also reviewed in 2011 by the Nominating Committee and improvements and enhancements as recommended and incorporated for assessment of Directors that took place in September 2011. The Board carried out a performance evaluation on itself, its Committees and each of the Directors. The full results were presented to the Nominating Committee and the Board. The performance evaluation provided feedback on a wide range of Board and Board committee matters including on some processes and a number of issues were highlighted for ongoing focus during 2012 with specific follow up actions to be tracked and assessed periodically.

Details of attendance at the Nominating Committee meetings are summarised as follows:

Directors	#Held	Attended
Datuk Zainun Aishah binti Ahmad <i>Chairman of Nominating Committee</i>	3	3
Tan Sri Datuk Clifford Francis Herbert	3	3
Dato' Seri Talaat bin Husain	3	3
Dato' Saw Choo Boon	3	3
Mohd Anuar bin Taib	3	2

number of meetings held during tenure as Committee chairman/member

Remuneration Committee

The Remuneration Committee was instituted on 27 August 2009 following a review of the existing remuneration processes which are in accordance with the Shell Group's remuneration policy to set the remuneration of the Managing Director. The purpose of the Remuneration Committee includes to:

- determine and agree with the Board of Directors of the Company the remuneration policy for the Executive Director(s);
- within the terms of such agreed policy, determine the individual remuneration package for the Executive Director(s); and
- monitor the structures and levels of remuneration for senior executives and make recommendations as appropriate.

The Board appointed the Chairman and all four Independent Non-Executive Directors as members of the Remuneration Committee. The Committee has set at least two meetings a year commencing 2010. The Remuneration Committee held three meetings in 2011 and a further meeting in February 2012.

In its inaugural meeting on 24 February 2010, the Remuneration Committee determined and agreed with the Board the remuneration policy for the Managing Director. The Remuneration Committee also reviewed the remuneration of senior executives and where appropriate, made recommendations.

The Remuneration Committee has reviewed the performance of the Managing Director and the senior executives, scrutinising every key area of performance including safety, plant reliability, cost management, technology, public relations and talent management. Where applicable, each key performance indicator was compared against previous year's performance, current year's targets, as well as the performance of other refineries globally. The remuneration package of the Managing Director was approved by the Nominating Committee.

Details of attendance at the Remuneration Committee meetings are summarised as follows:

Directors	#Held	Attended
Dato' Seri Talaat bin Husain <i>Chairman of Nominating Committee</i>	3	3
Tan Sri Datuk Clifford Francis Herbert	3	3
Datuk Zainun Aishah binti Ahmad	3	3
Dato' Saw Choo Boon	3	3
Mohd Anuar bin Taib	3	3

number of meetings held during tenure as Committee chairman/member

Directors' Fees

The Directors' Fees are in accordance with the following:

- a. Independent and Non-Executive Directors: They are paid based on the Directors fees approved by the shareholders at the general meeting on 12 May 2010;
- b. Non-Independent and Non-Executive Directors: They are paid wages by their employing company (which is a Shell Affiliate) which may include the Shell Group's performance share plan; and
- c. Executive Directors: They are paid wages by the Company, which may include the Shell Group's performance share plan.

The Shell Group's performance share plan ("PSP") is part of a long-term incentive plan introduced in 2005 by the Shell Group. Conditional awards of Royal Dutch Shell plc shares are made under the terms of the PSP to some 15,000 employees every year. The extent to which the awards vest is determined by two performance conditions. The vesting of half of the award is linked to Shell's declared Business Performance Factor ("BPF") averaged over three performance years. For the PSP awards made in 2008 and 2009, the vesting of the other half of the award is linked to the relative total shareholder return ("TSR") over the measurement period compared with four of Shell's main competitors. For awards made in 2010, the vesting of the other half of the award is linked to a combination of four relative performance measures, compared with four of Shell's main competitors: Total Shareholders Return ("TSR"); earnings per share; cash from operations; and hydrocarbon production. Any shares that vest are increased by an amount equal to the notional dividends accrued on those shares during the period from the award date to the vesting date. None of the awards result in beneficial ownership until the shares are released. Please refer to the Directors' Benefit in the Company's Financial Statements for the details of awarded PSP to the Directors employed by Shell.

Under the Restricted Share Plan, awards are made on a highly selective basis to senior staff. Shares are awarded subject to a three-year retention period. Any shares that vest will be increased by an amount equal to the notional dividends accrued on those shares during the period from the award date to the vesting date. No Directors have received any Restricted Share Plan in 2011.

Some 25,000 employees in 50 countries participate in the Global Employee Share Purchase Plan (GESPP). This plan enables eligible employees to make contributions toward the purchase of the Company's shares at a 15 percent discount on the market price, either at the start or the end of an annual cycle, depending on which date offers the lower market price.

The Remuneration Committee may conduct remuneration benchmarking 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.

The Independent and Non-Executive Directors are paid Directors' fees 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 deliberated by the Remuneration Committee and approved by your Board. The Independent Non-Executive Directors concerned do not participate in the deliberations and voting on decisions in respect of their own remuneration. Your Board, as a whole, recommends the remuneration payable to the Independent Non-Executive Directors and any changes thereof to the shareholders for approval at the general meeting, as and when required.

An analysis of the aggregate Directors' remuneration paid by your Company for the year ended 31 December 2011 is set out below:

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	Total RM'000
Executive						
Rozano bin Saad	789	–	–	462	193	1,444
Non-Executive						
Tan Sri Datuk Clifford Francis Herbert	–	75	16	–	–	91
Datuk Zainun Aishah binti Ahmad	–	75	17	–	–	92
Dato' Seri Talaat bin Husain	–	75	17	–	–	92
Dato' Saw Choo Boon	–	70	13	–	–	83
Mohd Anuar bin Taib	Paid by Sarawak Shell Berhad as employing company					
Khong Kok Toong	Paid by Shell Eastern Petroleum Pte Ltd as employing company					
David Lau Nai Pek	Paid by Shell Malaysia Limited as employing company					

* Please note Rozano bin Saad's directors' interest under Shell's Performance Share Plan in the Directors' Benefit in the Company's Financial Statements.

The Non-Independent Non-Executive Directors of your Company receive their remuneration from their employing 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. The Audit Committee comprises 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 the Audit Committee is a qualified accountant as prescribed by the Malaysian Institute of Accountants. The Managing Director and the Finance Manager normally attend the Audit Committee meetings.

There were four meetings of the Audit Committee in 2011, during which the Management made presentations on your Company's state of internal controls and progress of Assurance Plan. The Independent Non-Executive Directors of the 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 Audit Committee appoints the Secretary of the Audit Committee, who is a member of Shell Malaysia Internal Audit Unit. The Audit Committee has wide powers with authority to regulate its own procedures and has its own terms of reference. The Audit Committee's role, and functions and activities are set out on pages 110 and 113 of this Annual Report.

Annual Report and Annual General Meeting

The two principal methods that your Company utilises as a mode of communication and sharing of substantial information to its shareholders, investors and other stakeholders are the Annual Report and the Annual General Meeting. Your Company believes that the Annual Report and Annual General Meeting embody the characteristics laid down by Bursa Malaysia Securities Berhad of transparency, accountability, simplicity and reliability, among others, that are required in a shareholders' communication policy of a public listed company.

The two key characteristics of transparency and accountability, as promoted in the Malaysian Code of Corporate Governance are of utmost importance to your Company. It is for this reason that your Company believes that the Annual General Meeting is an important channel of communication, as it serves as a forum where your Company is able to engage in a discourse with its stakeholders, premised on a shared appreciation of objectives.

The Annual General Meeting, together with the Annual Report of your Company is vital in ensuring that the stakeholders are well-informed and are able to adequately raise any concerns that they might have. In achieving this objective, the Annual Report contains comprehensive and easy to understand details of the business, financial performance and other activities of your Company. These contents are continually enhanced in order that shareholders are provided with clear and accurate information, in line with our parallel objective of maintaining the highest standards of corporate governance.

Your Company's Annual Report also 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 where the questions and answers are published on your Company's website. 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 of your Company will attend to queries on 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 and this is reflected by timely release of quarterly public financial announcements, which include details of your Company's business performance and current issues and concerns. The Directors scrutinise these announcements at 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 122 of this Annual Report.

Investor Relations

Another key channel of communication with shareholders, investors and analysts is your Company's Investor Briefing Session. This event, 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, whenever necessary. This is further testimony to your Company's continued commitment to transparency in reporting and is one of the ways in which your Company supports Bursa Malaysia's Best Practice in Corporate Disclosures recommendations.

Your Company's webpage 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.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by 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 an on 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 the 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 statements 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 Directors' Statement of Internal Control, is set out on pages 107 to 109.

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 110 to 113. The Chairman of the Audit Committee and the Independent Non-Executive Directors, met the External Auditors on 10 August 2011 and 17 February 2012 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 save as disclosed by Dato' Saw Choo Boon and Datuk Zainun Aishah binti Ahmad in their respective Director's Profile at page 30 and page 27. 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

There were no 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 Depositary Receipt (ADR) or Global Depositary 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 Directors' Statement of Internal Control (RM18,000)

i. Profit Guarantee

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

j. Revaluation Policy on Landed Properties

The Group's revaluation policy is stated in paragraph C of the Summary of Significant Accounting Policies.

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.

Further information

The following information is available on the Company's website at www.shell.com.my:

- the Board Charter;
- terms of reference of the Audit Committee, the Nominating Committee and the Remuneration Committee;
- the Code of Ethics for Executive Directors and Senior Financial Officers;
- the Memorandum and Articles of Association;
- the Annual Report since 2006 to date.

Signed on behalf of the Board of Directors, in accordance with the Board of Directors' resolution dated 17 February 2012.



Encik Mohd. Anuar bin Taib
Chairman



Tuan Haji Rozano bin Saad
Managing Director

STATEMENT OF INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires Public Listed Companies to have and maintain a sound system of internal controls to adequately safeguard shareholders' investments, interests of customers, regulators and employees and to reasonably safeguard Company assets. Under the provisions of the Bursa Malaysia Listing Requirements, Para 15.26(b), Directors of Public Listed Companies are required to produce a statement on the state of the Company's internal control in their Annual Report.

Your Board continues with its commitment to ensure a sound system of internal controls and also ascertaining that the highest standard of corporate governance is being practised and sustained. 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 is of the strong belief that the practice of excellent corporate governance is essential and not just a matter to be covered as compliance in the Annual Report. The processes in place are designed to manage your Company's key areas of risk within an acceptable risk profile to achieve the policies and business objectives of your Company.

Your Board has reviewed the Corporate Governance Blueprint 2011 issued by the Securities Commission in July 2011 and are pleased to confirm its support for its implementation. Your Company currently has in place almost all the recommendations set out in the Corporate Governance Blueprint 2011, notably complying with the following chapters:

1. Shareholders Rights
2. The Board's Role in Governance
3. Disclosure and Transparency
4. Role of Gatekeepers and Influencers

Your Company also supports the remaining two chapters relating to the Role of Institutional Investors and Public and Private Enforcement.

Board Responsibility

Your Board recognises the importance of sound internal controls and a robust risk management programme for good corporate governance and the achievement of Company objectives and policies.

Your Board affirms its overall responsibility for reviewing the adequacy and the integrity of your Company's internal control systems, along with the sufficiency of the internal control reporting process and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, policies and guidelines.

The Management assisted your Board in the implementation of the approved policies and procedures on risk management and controls. Management identifies and evaluates the risks faced and then designs, implements, and monitors appropriate internal controls to mitigate and manage these risks. Inherently, it can only provide reasonably sufficient and not absolute assurance against material misstatement or loss or fraud.

Risk Management and Assurance Plan

Your Company has adopted the Shell Group Risk Management Manual issued in 2006. Your Company has in place an on-going process for identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies throughout the period. This process is regularly reviewed by your Board and the Audit Committee, as part of the normal governance process, taking cognisance of changes in the regulatory and business environment and also current market situations to ensure the adequacy and integrity and evaluation of the system of internal controls. The objective is not to eliminate risk but to understand your Company's significant risks, set advanced awareness and 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 and ensuring competent people are overseeing the risk on a regular basis.
- Mitigate the impact of a risk should it arise, 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 and also future occurrences.

STATEMENT OF INTERNAL CONTROL (continued)

The risk profile of your Company is established during quarterly risk management sessions undertaken by the Management, which identifies the significant risks that your Company is facing. The changes to your Company's risk profile, the risk responses, action plans 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 and risk focal point is assigned to ensure appropriate risk response actions are carried out using a timely and comprehensive approach. Control issues arising from the assurance process including internal and external audits are discussed and major audit findings are contemplated at the AC. Key issues and adequacy of risk responses to these issues are also discussed and it is determined whether the risks are being addressed sufficiently and on a timely basis. 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 the Board on the approved Assurance Plan and any subsequent changes or updates to the plan during the Board quarterly meeting. Updates or deviations to the plan also require approval from the AC and this is acquired at the quarterly AC 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 the Board is a prerequisite.
- b. An organisational structure with formally defined lines of responsibility, a manual of authority that is updated regularly and available for reference to all staff and delegation of authority is also 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, technology, code of conduct, 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 and dividend pay-outs.
- 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 the Company.
- i. Provision by your Company's Management team at the regional and country level on 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 on a case-by-case basis on any conflict of interest.

- k. In order to uphold your Company's stand against bribery and corruption, the reporting by all employees on all gifts and hospitality whether offered or accepted, is done via the Gifts and Hospitality Register. Stricter rules on gifts and hospitality for government officials apply to all employees and these rules and thresholds are updated as and when your Company sees is necessary. Employees are reminded by management of this obligation periodically. The management also issues reminders to suppliers and customers of this policy particularly ahead of a festive season and ensures that applicable local laws and acts in relation to bribery and corruption are abided to.
- l. Declaration by relevant employees on any shareholding and movements thereof on any shares of the Company held by such employee through the yearly declaration for Share Transactions.

- m. 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, ethical codes or where beneficial opportunities may be missed.
- n. 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 and reviewing the adequacy and integrity of the system of internal controls.

This statement is made in accordance with the resolution of your Board of Directors dated 17 February 2012.

AUDIT COMMITTEE REPORT

Terms of Reference

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

Constitution

The Board of Directors established the Committee on 22 September 1993 to:

- a. Assist in discharging the Board'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 the Board and your Company's internal and external auditors.

Membership

- a. The Committee is appointed by the Board and consists of four members. Three members, or the majority of the Committee are Independent Non-Executive Directors to fully comply with paragraph 15.09 of the Listing Requirements of Bursa Malaysia Securities Berhad.
- 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 Accountants (MIA); or
 - ii. If he is not a member of the MIA, he must have at least three (3) years of working experiences and:
 - He must have passed the examination specified in Part I of the 1st Schedule of the Accountant 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; or
 - Fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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 times each calendar year, usually preceding the meetings of the Board.
- c. Your Internal Audit Manager shall be the Secretary of the Committee.
- d. The external auditors have the right to appear or may request a meeting if they consider it necessary in any Committee meeting.
- e. At least twice a year, the Committee 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. The Committee is authorised by your Board to investigate any activity within its terms of reference and shall have full and unrestricted access to information it requires from any employee of the company, and all employees are directed to co-operate with any request made by your Committee.
- b. The Committee is authorised by your Board 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 Committee, and where appropriate, your Committee reports to your Board on the following:

- a. Risk Management & Internal Control
 - i. Review the adequacy of and to provide independent assurance to your Board on the effectiveness of the Company's risk management and risk assurance process.

- ii. Evaluate the quality and effectiveness of your Company's Internal Control system and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.
 - iii. Recommend to your Board the Director's 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 recommendation to your Board for approval for release to Bursa Malaysia Securities Berhad, focusing particularly on:
 - Any changes in or implementation of 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 the 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 Board.
 - ii. Make appropriate recommendations to your Board 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 for the year.
- iv. Review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditor's evaluation of the system of internal control and any other matters the external auditor 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.
- e. Significant Related Party Transactions
- Review and recommend to your Board matters regarding Significant Related Party Transactions including disclosures, values of mandates 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 Bursa Malaysia Securities Berhad, if your Committee views that a matter resulting in a breach of the Bursa Malaysia Securities Berhad listing requirements reported by your Committee to your Board has not been satisfactorily resolved by your Board.
 - ii. Such matters as your Committee considers appropriate or as defined by your Board from time to time.
 - iii. To report to Bursa Malaysia Securities Berhad, if there is any related party transactions which exceed the Shareholder Mandate and provide full reasoning and detailed explanations.

AUDIT COMMITTEE REPORT (continued)

Attendance of Meetings

The details of attendance of each member at the Committee meetings held during 2011 are as follows:

Member	No of Committee Meetings	
	*Held	*Attended
Tan Sri Datuk Clifford Francis Herbert <i>Chairman of the Committee Independent, Non-Executive Director</i>	4	4
Dato' Seri Talaat Bin Husain <i>Member/Senior Independent, Non-Executive Director</i>	4	4
Dato' Saw Choo Boon <i>Member/Independent Non-Executive Director</i>	4	3
Datuk Zainun Aishah binti Ahmad <i>Member/Independent Non-Executive Director</i>	4	4
David Lau Nai Pek <i>Member/Non-Independent, Non-Executive Director</i>	4	4

* Number of meetings held and attended during tenure as Director

Your Company's Managing Director, Finance Manager and External Auditors (as and when required) attended these meetings to brief the Committee on specific issues. Chairman of the Committee and the Independent Directors had two meetings with External Auditors on 24 February 2011 and 10 August 2011 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 and regarding risk management issues.

Minutes of meeting of the Committee were circulated to all members and significant issues are highlighted by the Committee Chairman at the Board of Directors (BOD) meeting for further discussion and deliberation.

Highlights of activities

During the financial year 2011, the Committee carried out the following activities:

Internal Audit

- The Assurance Plan 2011 comprised of 14 internal audit/reviews. The Committee reviewed and endorsed the Assurance Plan 2011 to ensure adequate scope and comprehensive coverage over the activities and to cover the risk management of your Company.
- The Committee reviewed all internal audit/review report in 2011 as listed below on a range of business processes and regulatory compliance. Where appropriate, the Committee had directed management to rectify and improve internal control processes based on the auditors' recommendations and suggestions for improvement based on severity of findings and ratings of audits. The Committee also reviewed the action plans being implemented to address internal control gaps and ensured that all plans and actions were closed out on a timely basis.
- The 2011 Assurance Plan was as follows:

Name of Audit/Review	Period Conducted
Green House Gases Audit	Quarter 1
Shell Aviation Quality Assurance Manual Audit	Quarter 1
Shell Maritime Business Review	Quarter 2
ISO 9001 Re-certification Audit	Quarter 3
ISO 18001 Surveillance Audit	Quarter 3
ISO 14001 Re-certification Audit	Quarter 3
ISO 17025 Surveillance Audit	Quarter 3
Customs Department of Malaysia Audit	Quarter 3
Related Party Transaction Audit	Quarter 4
Financial Management Information Process and Controls Review	Quarter 4

Name of Audit/Review	Period Conducted
Group Business Assurance Letter Review	Quarter 4
Shell Malaysia Code of Conduct Audit	Quarter 4
Focused Asset Integrity Review (FAIR) for Pressure Equipment Integrity	Quarter 4
Financial & Statutory Accounts Audit	Quarter 4

- d. The Committee monitored the corrective actions on outstanding audit issues to ensure that all the key risks and control lapses were covered and have been addressed in a timely and comprehensive manner.

Financial Reporting

- Reviewed the quarterly unaudited financial results before recommending them for approval by your BOD.
- 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:
 - Provisions of the Companies Act, 1965;
 - Listing Requirements of Bursa Malaysia Securities Berhad;
 - Applicable approved accounting standards;
 - Compliance to new accounting standards;
 - Other legal and regulatory requirements.

External Audit

- Reviewed and approved external auditors' audit plan, audit strategy and scope for the year, and payment of auditors' fees.
- Evaluated the performance and effectiveness of the external auditors and made recommendations to the BOD on their appointment.
- 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 on a quarterly basis and ensured compliance to Shell Group Risk Management Manual and also ensuring coverage of all major risks in the business environment.

Whistle Blowing

Reviewed the whistle blowing cases (if any) and other business integrity related cases reported through Shell Global Helpline and other available channels and also ensured the appropriate actions were taken by the Shell Business Integrity Department in addressing the concerns reported.

Significant Related Party Transactions

There were two new related party transactions entered into by your Company in 2011 outside of the approved Shareholder Mandate in the Shareholders' Circular. These were for the Provision of Human Resources Professional Services and other related services and Provision of IT Support and Administrative Services to your Company by Shell Business Service Centre Sdn. Bhd. These transactions values have been included in the Proposed New Shareholders' Mandate List. The Committee will review the status of expenditure on related party transactions on a quarterly basis and ensure the disbursements do not breach the approved Shareholder Mandate thresholds.

Internal Audit Function

The Company outsourced the Internal Audit Function (IAF) to its affiliate company, Shell Malaysia Limited, via a Service Level Agreement. The Company's Internal Audit Manager reports to the Committee.

The IAF assists management to identify, evaluate significant risks and develop risk-based audit plans for approval by the Committee. The IAF also assess and reports on the effectiveness of the internal control systems and the reliability of systems and the reporting of information. The IAF provides overall independent assessment and reasonable assurances on areas of operation reviewed and advice on the best practices that will improve and add value to the Company.

FINANCIAL STATEMENTS





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DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Company for the year ended 31 December 2011.

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 financial year	(125,744)

Dividends

The dividends on ordinary shares paid or declared by the Company since 31 December 2010 were as follows:

	RM'000
In respect of the year ended 31 December 2010 as shown in the Directors' report of that year:	
Final gross dividend of 30 sen per RM1 unit of share, less income tax at 25%, paid on 23 June 2011	67,500

In respect of the year ended 31 December 2011:

Interim gross dividend of 20 sen per RM1 unit of share, less income tax at 25%, paid on 30 September 2011	45,000
---	--------

The Directors have on 17 February 2012 declared the payment of a final gross dividend of 20 sen per RM1 unit of share less income tax of 25%, amounting to RM45,000,000 which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid on 24 May 2012 to shareholders registered on the Record of Depositors at the close of business on 3 May 2012.

Reserves and Provisions

All material transfers to or from reserves and provisions during the financial 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:

Mohd Anuar bin Taib

Rozano bin Saad

Tan Sri Datuk Clifford Francis Herbert

Dato' Seri Talaat bin Husain

Datuk Zainun Aishah binti Ahmad

Dato' Saw Choo Boon

David Lau Nai Pek

Khong Kok Toong

(Appointed on 1 March 2011)

In accordance with Article 81(3) of the Company's Articles of Association, Dato' Seri Talaat bin Husain, Dato' Saw Choo Boon and Mr. Khong Kok Toong, 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, Tan Sri Datuk Clifford Francis Herbert, being seventy years of age, retires at the forthcoming Annual General Meeting and, being eligible, offer himself for 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 the Director is a member, or with a company in which the Director 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 were 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' Benefits (continued)

Long-Term Incentive Plan ("LTIP")

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

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).

The actual number of shares that Directors received in 2011 is based on the TSR performance of Royal Dutch Shell plc over the period from year 2008 to 2010. 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 who held office at the end of 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 Royal Dutch Shell plc

	Interest in options over shares in Royal Dutch Shell plc			
	Balance as at 1.1.2011	Options granted	Options exercised	Options expired 31.12.2011
Mohd Anuar bin Taib	4,020	0	0	(1,600)
Dato' Saw Choo Boon	8,500	0	0	0
David Lau Nai Pek	48,000	0	0	(10,500)
				37,500

Directors' Benefits (continued)

(b) Direct interest in shares of Royal Dutch Shell plc

(i) LTIP Awards

	Class of Shares	Awards as at 1.1.2011	Awards granted in 2011	Awards cancelled/ lapsed in 2011	Awards as at 31.12.2011	Awards vested in 2011*
Mohd Anuar bin Taib	¹ RDSA	16,600	9,775	(4,550)	21,825	7,687
Rozano bin Saad	¹ RDSA	2,000	0	0	2,000	0
Dato' Saw Choo Boon	¹ RDSA	12,750	0	(6,375)	6,375	10,770
David Lau Nai Pek	¹ RDSA	3,500	7,273	(3,500)	7,273	5,913
Khong Kok Toong	² RDSB	300	300	0	600	0

* A face value of 168% of the LTIP awards granted in 2008 was vested during the financial year.

(ii) Direct interest in vested shares of **PSP and ***GESPP

	Class of Shares	Balance as at 1.1.2011	Shares added to vested share account in 2011	Dividend share	Shares sold/ transferred in 2011	Balance as at 31.12.2011
Mohd Anuar bin Taib	¹ RDSA	2,875	7,687	0	(2,851)	7,711
Dato' Saw Choo Boon	¹ RDSA	10,723	10,770	682	(10,000)	12,175
	² RDSB	1,594	0	58	(1,631)	21
David Lau Nai Pek	¹ RDSA	3,463	5,913	0	(5,769)	3,607
Khong Kok Toong	² RDSB	700	0	0	0	700

** PSP is Performance Share Plan

*** GESPP is the Global Employee Share Purchase Plan available to all employees to subscribe for 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

Statutory Information on The Financial Statements

Before the statements of comprehensive income and financial position 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.

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 17 February 2012.



Rozano Bin Saad
Managing Director



Mohd Anuar Bin Taib
Chairman

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Rozano bin Saad and Mohd Anuar bin Taib, two of the Directors of Shell Refining Company (Federation of Malaya) Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 126 to 169 are drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 34 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 February 2012.



Rozano Bin Saad
Managing Director

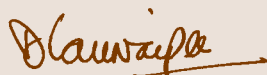


Mohd Anuar Bin Taib
Chairman

STATUTORY DECLARATION

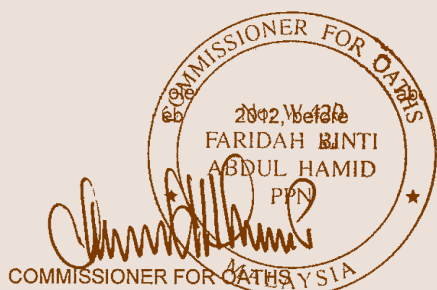
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, David Lau Nai Pek, 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 126 to 169 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.



David Lau Nai Pek
Director

Subscribed and solemnly declared by the above named David Lau Nai Pek at Kuala Lumpur in Malaysia on 17 February 2012, before me.



No.136-1C, 1st Floor
Jln Tun Sambanthan
Brickfields, 50470 Kuala Lumpur

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 on pages 126 to 169 which comprise the statement of financial position as at 31 December 2011 of the Company, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 33.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of the financial statements that give a true and fair view 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 Company'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 2011 and of its financial performance and cash flows for the year then ended.

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 Reporting Responsibilities

The supplementary information set out in Note 34 on page 170 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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


Pauline Ho
 (No. 2684/11/13 (J))
 Chartered Accountant

Kuala Lumpur
 17 February 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Revenue	5	11,212,679	10,376,394
Cost of sales		(11,310,589)	(10,222,602)
Gross (loss)/profit		(97,910)	153,792
Other operating income	6	31,745	26,393
Administrative expenses		(40,734)	(37,603)
Other (expenses)/income	7	(35,996)	34,542
Finance cost	8	(20,918)	(25,991)
(Loss)/Profit before taxation	9	(163,813)	151,133
Taxation	10	38,069	(44,747)
(Loss)/Profit for the year/Total comprehensive (expense)/income for the year		(125,744)	106,386
(Loss)/Earnings per RM1 unit of share (sen) – basic	12	(42)	35

The notes set out on pages 130 to 169 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,474,848	1,153,515
Prepaid lease payments	15	1,927	1,948
Long-term receivables	16	933	2,134
Derivative financial assets	17	16,661	0
		1,494,369	1,157,597
CURRENT ASSETS			
Inventories	18	1,315,114	1,001,195
Trade receivables	19	10,795	6,596
Other receivables and prepayments	20	2,564	1,083
Tax recoverable		36,387	7,567
Amounts receivable from related companies	21		
– Trade		1,160,946	1,115,429
– Non-trade		58,621	105,187
Deposits with licensed banks	22	47,825	83,045
Bank balances	22	77,454	68,466
		2,709,706	2,388,568
TOTAL ASSETS		4,204,075	3,546,165
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	23	300,000	300,000
Revaluation reserve	24	15,738	15,738
Retained earnings	25	1,537,921	1,776,165
		1,853,659	2,091,903
CURRENT LIABILITIES			
Trade and other payables	26	201,165	151,138
Amounts payable to related companies	21		
– Trade		1,131,283	646,964
– Non-trade		53,886	39,471
Borrowings	17	973	645
Derivative financial liabilities	17	3,762	0
		1,391,069	838,218
NON-CURRENT LIABILITIES			
Borrowings	17	830,220	450,000
Deferred tax liabilities	27	129,127	166,044
		959,347	616,044
TOTAL EQUITY AND LIABILITIES		4,204,075	3,546,165

The notes set out on pages 130 to 169 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

		Issued and fully paid ordinary shares of RM1 each	Non- distributable	Distributable	
Note	Number of shares '000	Nominal value RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011	300,000	300,000	15,738	1,776,165	2,091,903
Total comprehensive expense for the year	0	0	0	(125,744)	(125,744)
Dividends for the year ended:					
– 31 December 2010	11	0	0	(67,500)	(67,500)
– 31 December 2011	11	0	0	(45,000)	(45,000)
At 31 December 2011	300,000	300,000	15,738	1,537,921	1,853,659
At 1 January 2010	300,000	300,000	15,738	1,782,279	2,098,017
Total comprehensive income for the year	0	0	0	106,386	106,386
Dividends for the year ended:					
– 31 December 2009	11	0	0	(67,500)	(67,500)
– 31 December 2010	11	0	0	(45,000)	(45,000)
At 31 December 2010	300,000	300,000	15,738	1,776,165	2,091,903

The notes set out on pages 130 to 169 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(163,813)	151,133
Adjustments for:			
Property, plant and equipment			
– depreciation		112,803	123,236
– write off		0	1,965
– gain on disposal		(783)	0
Interest expense		15,589	13,358
Interest income		(9,032)	(8,877)
Net foreign exchange loss – unrealised		10,331	12,079
Fair value (gain)/loss on derivative financial instruments		(12,899)	21,805
Allowance for inventories write down		12,453	248
Amortisation of prepaid lease payments		21	21
Write-back of provision for impairment of trade receivables		0	(39)
		(35,330)	314,929
Changes in working capital:			
Inventories		(326,372)	(60,397)
Trade and other receivables		(4,473)	12,462
Trade and other payables		50,635	79,919
Related companies		464,850	(171,445)
Cash generated from operations		149,310	175,468
Interest received		9,032	8,877
Tax paid		(37,668)	(33,759)
Tax refund		10,000	30,000
Net cash flow from operating activities		130,674	180,586
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment			
– Additions		(428,856)	(171,984)
– Proceeds from disposal		1,283	0
Net cash flow from investing activities		(427,573)	(171,984)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		366,180	450,000
Repayment of borrowings		0	(514,010)
Interest paid		(18,630)	(12,804)
Dividends paid		(112,500)	(112,500)
Net cash flow from financing activities		235,050	(189,314)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(61,849)	(180,712)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		234,556	423,569
EFFECTS OF EXCHANGE RATE CHANGES		397	(8,301)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	173,104	234,556

The notes set out on pages 130 to 169 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 Market 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 under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

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 preparation of financial statements in conformity with the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. As at 31 December 2011, there are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements and therefore there are no additional disclosure made as disclosed in Note 3.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

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

The new accounting standards, amendments and improvements to published interpretations that are effective for the Company's financial year beginning on or after 1 January 2011:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business combinations"
- Revised FRS 127 "Consolidated and separate financial statements"
- Amendment to FRS 2 "'Share-based payment – Group cash-settled share-based payment transactions"
- Amendment to FRS 7 "Financial instruments: Disclosures – improving disclosures about financial instruments"
- Amendments to FRS 1 "First-time adoption of financial reporting standards"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 12 "Service concession arrangements"
- IC Interpretation 16 "Hedges of a net investment in a foreign operation"
- IC Interpretation 17 "Distribution of non-cash assets to owners"
- IC Interpretation 18 "Transfers of assets from customers"
- Improvements to FRSs (2010)

There are no significant impact on the financial results and position of the Company upon adoption of the above new standards, amendments to published standards and interpretations.

(b) Standards early adopted by the Company

The Company did not early adopt any new accounting standards, amendments and improvements to published standards and interpretations.

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

In the next financial year, the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Company will be applying MFRS 1 "First-time adoption of MFRS".

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

The Company will apply the new standards, amendments to standards and interpretations in the following period:

- (i) Financial year beginning on/after 1 January 2012

- The revised MFRS 124 “Related party disclosures” (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

- (ii) Financial year beginning on/after 1 January 2013

- MFRS 9 “Financial instruments – classification and measurement of financial assets and financial liabilities” (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (“FVTPL”). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

- MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)
- (ii) Financial year beginning on/after 1 January 2013 (continued)
- Amendment to MFRS 7 “Financial instruments: Disclosures on transfers of financial assets” (effective from 1 July 2012) promotes transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets.
 - Amendment to MFRS 101 “Presentation of items of other comprehensive income” (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
 - Amendment to MFRS 119 “Employee benefits” (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

The adoption of the standards, amendments to published standards and interpretations to existing standards is not anticipated to have a material impact on the financial statements of the Company.

- (d) Standards, amendments to published standards and interpretations to existing standards that are not applicable to the Company and not yet effective
- MFRS 141 “Agriculture” (effective from 1 January 2012) requires biological assets and agricultural produce at the point of harvest to be measured at fair value less costs to sell. The change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.
 - IC Interpretation 15 “Agreements for construction of real estates” (effective from 1 January 2012) supersedes FRS 201 “Property development activities” and clarifies that property development activities are sale of goods, instead of construction contracts.
 - Amendment to MFRS 112 “Income taxes” (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 “Investment property”. As a result of the amendments, IC Interpretation 121 “Income taxes – recovery of revalued non-depreciable assets” will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- (d) Standards, amendments to published standards and interpretations to existing standards that are not applicable to the Company and not yet effective (continued)
- IC Interpretation 19 “Extinguishing financial liabilities with equity instruments” (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.
 - Amendments to IC Interpretation 14 “MFRS 119 – The limit on a defined benefit assets, minimum funding requirements and their interaction” (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.
 - MFRS 10 “Consolidated financial statements” (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 “Consolidated and separate financial statements” and IC Interpretation 112 “Consolidation – special purpose entities”.
 - MFRS 11 “Joint arrangements” (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
 - MFRS 12 “Disclosures of interests in other entities” (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 “Investments in associates”. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
 - The revised MFRS 127 “Separate financial statements” (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
 - The revised MFRS 128 “Investments in associates and joint ventures” (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- (d) Standards, amendments to published standards and interpretations to existing standards that are not applicable to the Company and not yet effective (continued)
- IC Interpretation 20 “Stripping costs in the production phase of a surface mine” (effective from 1 January 2013) sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. There can be two benefits accruing to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. This interpretation considers when and how to account separately for these two benefits, as well as how to measure them both initially and subsequently.
 - Amendment to MFRS 1 “First time adoption on fixed dates and hyperinflation” (effective from 1 July 2011) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with ‘the date of transition to MFRSs’, thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

2.2 Revenue Recognition

(a) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company’s activities.

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 using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Other income

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

2 Summary of Significant Accounting Policies (continued)

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 recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset. In all other cases, a decrease in the carrying value is charged to profit or loss.

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% – 50.0%
Motor vehicles	20%

Plant, machinery and equipment comprise components of the refinery which are subject to different refurbishment cycle.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of reporting date.

At the end of reporting 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 accounting policy Note 2.5 on impairment of non-financial assets.

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

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 profit or loss during the financial period in which they are incurred.

2 Summary of Significant Accounting Policies (continued)

2.5 Impairment of Non-Financial Assets

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 end of the reporting date.

The impairment loss is charged to profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus reserve.

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 lease's commencement 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 finance balance outstanding. The corresponding rental obligations, net of finance charges are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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) Operating leases

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 profit or loss on a straight-line basis over the period of the lease.

2.7 Inventories

Inventories are stated 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 Summary of Significant Accounting Policies (continued)

2.8 Trade Receivables

Trade receivables are amounts due from customers from sale of oil products performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

2.9 Cash and Cash Equivalents

For the purpose of the statement of cash flows, 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 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the fair value (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for construction of any qualifying asset.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale.

2 Summary of Significant Accounting Policies (continued)

2.13 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised, 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. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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 and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Employee Benefits

(a) Short term employee benefits

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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 profit or loss when incurred. Once the contributions have been paid, the Company has no further payment obligations.

(c) Long-term employee benefits

The Company provides death in service and long-term disability benefits to its employees. The benefit is on a lump sum basis based on a multiplier of the last drawn average annual salary of the employee and is not dependent on the employee's length of service. Accordingly, it is charged to profit or loss when incurred.

2 Summary of Significant Accounting Policies (continued)

2.15 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.

2.16 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are deducted in arriving at the carrying amount of the assets. The grants are recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

2 Summary of Significant Accounting Policies (continued)

2.18 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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income/(expenses)'.

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

Foreign currency	2011 RM	2010 RM
1 US Dollar ("USD")	3.17	3.08
1 Euro Dollar ("EURO")	4.10	4.11
1 Pound Sterling ("GBP")	4.88	4.77
1 Singapore Dollar ("SGD")	2.44	2.40

2.19 Financial Assets

(a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2 Summary of Significant Accounting Policies (continued)

2.19 Financial Assets (continued)

(a) Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables, amounts due from related companies and cash and cash equivalents in the statement of financial position.

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

(d) Subsequent measurement – impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the customers;
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- It becomes probable that the customers will enter bankruptcy or other financial reorganisation.

2 Summary of Significant Accounting Policies (continued)

2.19 Financial Assets (continued)

(d) Subsequent measurement – impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If loans and receivables have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.20 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.21 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.19.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors believe that there are no critical accounting estimates and judgments being formed for the current financial year.

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.

4 Financial Risk Management Objectives and Policies (continued)

(a) Market risk

(i) 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. Financial instruments affected by foreign currency exchange risk include intercompany balances, receivables and payables, deposit and bank balances, bank borrowings and derivative financial instruments.

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. Swaps are contractual agreements between two parties to exchange exposures in foreign currency. Due to the short term nature of the intercompany balances, receivables and payables, deposits and bank balances, there is minimal exposure to foreign exchange risk. During the financial year, the Company has drawn down a 5-year USD term loan to finance a capital expenditure project as disclosed in Note 17 to the financial statements. At the same time, the Company entered into cross currency interest rate swaps to hedge its foreign currency borrowings in order to minimise its exposures to movements in foreign currency positions. The following analysis illustrates the sensitivity to changes in market variables, being the USD to Ringgit Malaysia exchange rate, on the financial instruments:

	Impact on (loss)/ profit after tax, equity and net assets	
	2011	2010
	RM'000	RM'000
10/5 percent increase in USD	(14,276)	(9,546)
10/5 percent decrease in USD	36,326	9,546

4 Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Company finances its operations through a mixture of retained earnings and bank borrowings. The Company's interest rate risk arises from borrowings and deposits with a related company and licensed banks and is managed in compliance with the treasury policy of the Company.

The Company analyses its cash flow interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for borrowings and deposits that represent the major interest-bearing positions.

	Impact on (loss)/ profit after tax, equity and net assets	
	2011	2010
	RM'000	RM'000
1% (100 basis points) increase in interest rate	(5,517)	(2,134)
1% (100 basis points) decrease in interest rate	5,517	2,134

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, financial institutions and related companies, as well as credit exposures to customers, including outstanding receivables. The Company seeks to invest cash assets safely and profitably. Deposits are placed only with financial institutions with strong long-term credit ratings based on independent rating agencies.

Credit risk on customers arises when sales are made on deferred credit terms. It seeks to control credit risk by setting counterparty limits and ensuring that sales of products are made only to approve 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 maximum credit exposure associated with financial assets is equal to the carrying amount.

4 Financial Risk Management Objectives and Policies (continued)

(b) Credit risk (continued)

The credit quality of financial assets that are neither past due nor impaired as at the end of reporting date can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2011 RM'000	2010 RM'000
Trade receivables		
Counterparties without external credit rating		
– Group A	0	23
– Group B	10,795	6,573
Total unimpaired trade receivables	10,795	6,596
Cash at bank and deposits with licensed banks		
Counterparties with external credit rating		
– A+	77,121	0
– AA-	48,121	68,429
– A-	37	83,045
– BBB+	0	37
	125,279	151,511
Amounts receivable from related companies		
Counterparties without external credit rating		
– Group B	1,219,567	1,220,616

- Group A – new customers (less than 12 months)
- Group B – existing customer including related parties (more than 12 months) with no defaults in the past

None of the financial assets that are fully performing have been renegotiated in the current year.

4 Financial Risk Management Objectives and Policies (continued)

(b) Credit risk (continued)

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

- (i) 80% (2010: 75%) of the Company's total trade receivables at the reporting date were receivable from major customers in Malaysia. The Directors are of the view that such credit risk is minimal in view of the strength of the customers' financial position.
- (ii) deposits amounting to RM47,825,000 (2010: RM83,045,000) 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 3.92% (2010: 6.80%) of the Company's total intercompany receivables at the reporting 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+.
- (iii) 88% (2010: 81%) of the Company's total intercompany receivables at the reporting date was receivable from Shell Malaysia Trading Sdn. Bhd. and Shell International Eastern Trading Company. The Directors are of the view that the exposure to credit risk is minimal in view of the stability of the fellow subsidiaries' financial position. Sales to the above mentioned related companies constitute 93% (2010: 92%) of the Company's revenue.
- (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.

(c) Liquidity and cash flow risks

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.

During the financial year, the Company has drawn down a 5-year term loan to finance a capital expenditure project. See Note 17 to the financial statements for details of the term loan.

4 Financial Risk Management Objectives and Policies (continued)

(c) Liquidity and cash flow risks (continued)

The table below summarises the maturity brackets of undiscounted cash flows contractually payable under financial liabilities as at reporting date are as follows:

	Within 1 year RM'000	Between 2 and 5 years RM'000	Total RM'000
At 31 December 2011			
Trade and other payables excluding statutory liabilities	199,087	0	199,087
Amounts due to related companies	1,185,169	0	1,185,169
Borrowings (net of cross currency interest rate swaps)	25,715	891,815	917,530
At 31 December 2010			
Trade and other payables excluding statutory liabilities	150,962	0	150,962
Amounts due to related companies	686,435	0	686,435
Borrowings	14,715	501,523	516,238

(d) Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to maximise returns for shareholders; and
- to maintain an optimal capital structure which minimises the cost of capital while maintaining sufficient liquidity.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (total borrowings) divided by total capital. The capital structure of the Company consists of borrowings and total equity, comprising issued share capital as follows:

	2011 RM'000	2010 RM'000
Net debt/Total borrowings	831,193	450,645
Total equity	1,853,659	2,091,903
Total capital	2,684,852	2,542,548
Gearing ratio	31%	18%

4 Financial Risk Management Objectives and Policies (continued)

(e) Fair value measurements

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

- (a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table presents the Company's assets and liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2011				
Financial assets at fair value through profit or loss				
– Trading derivatives	0	12,899	0	12,899

5 Revenue

	2011 RM'000	2010 RM'000
Sale of oil products		
– refined	9,690,277	9,188,285
– partially refined	1,370,631	1,176,811
– feedstocks	151,771	11,298
	11,212,679	10,376,394

6 Other Operating Income

	2011 RM'000	2010 RM'000
Other income		
– related parties	22,155	17,414
– other	558	102
Interest income		
– related parties	3,916	4,214
– other	5,116	4,663
	31,745	26,393

7 Other (Expenses)/Income

	2011 RM'000	2010 RM'000
Net trade – foreign exchange (losses)/gains		
– realised	(30,773)	46,899
– unrealised	901	(3,778)
Other expense	(6,124)	(8,579)
	(35,996)	34,542

8 Finance Cost

	2011 RM'000	2010 RM'000
Interest expense		
– term loan	(16,858)	(13,100)
– short term borrowings	(2,100)	(258)
Commitment fees	(2,368)	(1,985)
Foreign exchange (loss)/gain on cash and bank balances		
– realised	(4,628)	(3,600)
– unrealised	397	(8,301)
Foreign exchange (loss)/gain on term loan		
– realised	0	23,058
– unrealised	(14,040)	0
Fair value gain/(loss) on derivative financial instruments	12,899	(21,805)
	(26,698)	(25,991)
Less: Amounts capitalised in property, plant and equipment	5,780	0
	(20,918)	(25,991)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

9 (Loss)/Profit Before Taxation

	2011 RM'000	2010 RM'000
The (loss)/profit before taxation (exclude Notes 6 to 8) is arrived at after charging/(crediting):		
Auditors' remuneration		
– current year	220	210
– others	18	23
Cost of inventories	10,866,602	9,566,850
Staff cost		
– salaries, bonus and allowances	41,319	48,164
– defined contribution plan	6,670	8,003
– other employee benefits	6,841	6,288
Property, plant and equipment		
– depreciation	112,803	123,236
– write off	0	1,965
– gain on disposal	(783)	0
Allowance for inventories write down (included in cost of sales)	12,453	248
Write-back of provision for impairment of trade receivables	0	(39)
Amortisation of prepaid lease payments	21	21

10 Taxation

	2011 RM'000	2010 RM'000
Current tax	1,152	(61,192)
Deferred taxation (Note 27)	36,917	16,445
	38,069	(44,747)
Current tax:		
– current year	0	(59,852)
– over/(under) accruals in prior years	1,152	(1,340)
	1,152	(61,192)
Deferred taxation:		
– origination and reversal of temporary differences	36,917	16,445
	38,069	(44,747)

10 Taxation (continued)

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

	2011 %	2010 %
Applicable tax rate	25	25
Tax effects in respect of:		
– expenses not deductible for tax purposes	(3)	4
– over accruals in prior year's deferred tax	0	0
– under accruals in prior year's current tax	1	1
Effective tax rate	23	30

11 Dividends

	Gross dividends per share Sen	2011 Amount of dividends, net of tax at 25% RM'000	Gross dividends per share Sen	2010 Amount of dividends, net of tax at 25% RM'000
Interim dividends paid in respect of the year ended				
– 31 December 2011	20	45,000	0	0
– 31 December 2010	0	0	20	45,000
Final dividends paid in respect of the year ended				
– 31 December 2010	30	67,500	0	0
– 31 December 2009	0	0	30	67,500
Dividends recognised as distribution to owners of the Company	50	112,500	50	112,500

	2011	2010
Gross dividend per RM1 unit of share (sen) in respect of year ended		
– 31 December	20	50

The Directors have on 17 February 2012 declared the payment of a final gross dividend of 20 sen per RM1 unit of share less income tax of 25%, amounting to RM45,000,000 which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid on 24 May 2012 to shareholders registered on the Record of Depositors at the close of business on 3 May 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

12 (Loss)/Earnings Per Unit of Share

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

	2011	2010
(Loss)/Profit for the year (RM'000)	(125,744)	106,386
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic (loss)/earnings per RM1 unit of share (sen)	(42)	35

13 Directors' Remuneration

	2011 RM'000	2010 RM'000
Fees	358	264
Salaries, bonus and allowances	1,251	1,093
Defined contribution plan	193	168
Gratuity payment to a retiring Director	0	63
	1,802	1,588

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 nil (2010: nil).

14 Property, Plant and Equipment

2011	Freehold land RM'000	Land improvements 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	15,155	15,296	94,068	2,381,769	222,552	2,728,840
– Valuation	35,443	0	12,149	0	0	47,592
	50,598	15,296	106,217	2,381,769	222,552	2,776,432
Additions	0	0	0	500	434,136	434,636
Capitalisation	0	0	1,842	119,063	(120,905)	0
Disposal	0	0	0	(8,134)	0	(8,134)
Write off	0	0	0	(100,961)	0	(100,961)
At 31 December	50,598	15,296	108,059	2,392,237	535,783	3,101,973
Accumulated depreciation						
At 1 January	0	12,217	46,897	1,563,803	0	1,622,917
Charge for the year	0	324	2,408	110,071	0	112,803
Disposal	0	0	0	(7,634)	0	(7,634)
Write off	0	0	0	(100,961)	0	(100,961)
At 31 December	0	12,541	49,305	1,565,279	0	1,627,125
Net book value						
At 31 December	50,598	2,755	58,754	826,958	535,783	1,474,848
Cost or valuation at 31 December						
Cost	15,155	2,755	54,619	826,958	535,783	1,435,270
Valuation	35,443	0	4,135	0	0	39,578
Net book value	50,598	2,755	58,754	826,958	535,783	1,474,848
Net book value at 31 December						
had revalued assets been carried at cost less accumulated depreciation	14,391	0	2,691	0	0	17,082

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

14 Property, Plant and Equipment (continued)

2010	Freehold land improvements RM'000	Land improvements 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	15,155	15,296	94,068	2,363,984	74,698	2,563,201
– Valuation	35,443	0	12,149	0	0	47,592
	50,598	15,296	106,217	2,363,984	74,698	2,610,793
Additions	0	0	0	0	171,984	171,984
Capitalisation	0	0	0	23,517	(23,517)	0
Write off	0	0	0	(5,732)	0	(5,732)
Government grants received	0	0	0	0	(613)	(613)
At 31 December	50,598	15,296	106,217	2,381,769	222,552	2,776,432
Accumulated depreciation						
At 1 January	0	11,890	44,568	1,446,990	0	1,503,448
Charge for the year	0	327	2,329	120,580	0	123,236
Write off	0	0	0	(3,767)	0	(3,767)
At 31 December	0	12,217	46,897	1,563,803	0	1,622,917
Net book value						
At 31 December	50,598	3,079	59,320	817,966	222,552	1,153,515
Cost or valuation at 31 December						
Cost	15,155	3,079	54,898	817,966	222,552	1,113,650
Valuation	35,443	0	4,422	0	0	39,865
Net book value	50,598	3,079	59,320	817,966	222,552	1,153,515
Net book value at 31 December						
had revalued assets been carried at cost less accumulated depreciation	14,391	0	2,897	0	0	17,288

14 Property, Plant and Equipment (continued)

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

- (a) Freehold land – open market value
- (b) Buildings – depreciated replacement cost

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

Government grants received in the previous year relates to assistance by the Government to upgrade certain critical equipment in the refinery to ensure continued compliance with the change in local oil product regulations.

15 Prepaid Lease Payments

	2011 RM'000	2010 RM'000
As at 1 January	1,948	1,969
Amortisation of prepaid lease payments	(21)	(21)
As at 31 December	1,927	1,948

16 Long-Term Receivables

	2011 RM'000	2010 RM'000
Staff car loan	1,520	3,041
Less: Current portion (Note 20)	(587)	(907)
Staff car loan (Non-current portion)	933	2,134

Staff car loan are interest free and are repayable within 1 to 5 years (2010: 1 to 6 years). The fair value of the staff car loan is RM878,598 (2010: RM1,950,203). Fair value of the staff car loan is computed by discounting the future cash flows using discount rate of 3.6% per annum.

The staff car loan does not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

17 Borrowings/Derivative Financial Assets

17.1 Borrowings

	2011 RM'000	2010 RM'000
Term loan (unsecured)		
– current	973	645
– non-current	830,220	450,000
	831,193	450,645
Analysed into repayable		
At amortised cost		
– within 1 year	973	645
– between 2 to 5 years	830,220	450,000
	831,193	450,645

The Company obtained a RM450 million loan for working capital financing in 2010. The term loan carries interest at rates which varies according to prevailing KLIBOR + 0.30% (Kuala Lumpur Interbank Offer Rate) starting from 15 June 2010. The repayment of the term loan is through twenty quarterly interest repayments and one final repayment of RM450 million which is due on 15 June 2015.

In 2011, the Company has obtained a USD240 million 5-year term loan facility primarily to finance a capital expenditure project. The new term loan carries interest based on LIBOR 3M + 0.75% (London Interbank Offered Rate). On 14 September 2011, the Company has drawdown USD120 million. The loan will be maturing on 14 September 2016. The repayment of the term loan is through twenty quarterly interest repayments and one final repayment of all outstanding advances on 14 September 2016.

The fair value of the non-current borrowing approximates the carrying value. The fair values are based on cash flows discounted using a rate based on the weighted average borrowing rate of 2.03% per annum.

17.2 Derivative financial instrument – Cross currency interest rate swap ('CCIRS')

	2011 RM'000	2010 RM'000
Derivative financial assets/(liabilities)		
– current	(3,762)	0
– non-current	16,661	0
	12,899	0
Analysed into:		
– within 1 year	(3,762)	0
– between 2 to 5 years	16,661	0
	12,899	0

17 Borrowings/Derivative Financial Assets (continued)

17.2 Derivative financial instrument – Cross currency interest rate swap ('CCIRS') (continued)

The Company entered into a CCIRS to hedge against the fluctuations in USD/RM exchange rate on its USD120 million loan drawdown in September 2011. The CCIRS was entered into on 14 September 2011 with an expiry on 14 September 2016. Based on the terms of the CCIRS, the Company will pay RM in exchange for receiving USD at a pre-determined exchange rate of RM3.046 to USD 1.00 as at the CCIRS execution date and will pay KLIBOR-0.56% in exchange of LIBOR 3 M + 0.75% on the outstanding principal amounts. The interest exchange occurs quarterly in accordance with the scheduled repayment of interest on the USD120 million term loan.

The effective interest rates of the Company's term loans at the end of the reporting period ranged from 1.30% to 3.53% (2010: 3.27%) per annum. After executing the swap, the Company's effective interest rate at the end of the reporting period was 2.67% per annum.

Financial instruments	Functional currency/ currency exposure	Applicable interest rate	Total carrying amount RM'000	Effective interest rate at end of reporting date %
2011				
Term loan	RM/RM	KLIBOR+0.30%	450,740	3.53
	RM/USD	LIBOR 3M+0.75%	380,453	1.30
CCIRS	RM/USD	KLIBOR-0.56%	12,899	2.67
2010				
Term loan	RM/RM	KLIBOR+0.30%	450,645	3.27

18 Inventories

	2011 RM'000	2010 RM'000
Crude oil	801,578	547,763
Partially refined oil	269,958	279,491
Finished products	217,485	148,855
Materials	26,093	25,086
	1,315,114	1,001,195

The carrying value of inventories as at 31 December 2011 includes an allowance for inventories write down of RM12,452,677 (2010: RM248,058).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

19 Trade Receivables

	2011 RM'000	2010 RM'000
Trade receivables	11,093	7,238
Less: Provision for impairment of trade receivables	(298)	(642)
	10,795	6,596

The credit terms range between 15 to 30 days (2010: 15 to 30 days).

As at 31 December 2011, trade receivables amounting to RM6,054,216 were past due but not impaired as management is of the view that these amount will be recoverable.

Ageing of trade receivable balances as at 31 December 2011 that are past due but not impaired and impaired receivables are as follows:

	Less than 30 days RM'000	Between 30 to 180 days RM'000	Over 180 days RM'000	Total RM'000
31 December 2011				
Past due but not impaired	1,012	3,503	1,539	6,054
Impaired	0	0	298	298
31 December 2010				
Past due but not impaired	1,438	131	1,652	3,221
Impaired	0	0	642	642

The carrying amounts of trade receivables at the end of reporting date approximated their fair values due to the short-term maturities of the instruments.

19 Trade Receivables (continued)

There are no new provisions made for impairment of receivables for the year 2011 and as of 31 December 2011 trade receivables of RM298,000 (2010: RM642,000) remain as impaired. Receivables of RM344,000 have been written-off during the year. The individually impaired receivables mainly relate to contentious balances and customer facing financial distress. The impaired receivables are overdue for more than a year.

Movement on the provision for impairment of trade receivables is as follows:

	2011 RM'000	2010 RM'000
As at 1 January	642	681
Receivables written-off during the year	(344)	0
Receivables recovered during the year	0	(39)
As at 31 December	298	642

The creation and release of provision for impairment of trade receivables have been included in other (expenses)/ income in the profit or loss (Note 7). Amounts charged to allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

20 Other Receivables and Prepayments

	2011 RM'000	2010 RM'000
Other receivables	1,573	64
Staff car loan (Note 16)	587	907
Prepayments	404	112
	2,564	1,083

The carrying amounts of financial assets (excluding prepayments) at the end of reporting date approximated their fair values. The other receivables and staff car loan do not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

21 Amounts Receivable from/(Payable to) Related Companies

As at 31 December 2011, the non-trade amounts receivable from related companies include deposits placed with a related company, Shell Malaysia Limited amounting to RM47,825,000 (2010: RM83,045,000), where funds are centrally managed by the central Treasury function of Royal Dutch Shell plc. The interest rate that was effective as at end of reporting date was 2.85% (2010: 2.31%) per annum.

The other non-trade amounts receivable from/(payable to) related companies are unsecured, interest free and carry credit terms of 30 days.

As at 31 December 2011, the amounts receivable from the related companies of RM26,135,000 (2010: RM48,398,000) were past due but not impaired. The Directors are of the view that such credit risk is minimal in view of the stability of the fellow subsidiaries' financial position. The ageing analysis of these amounts receivable from related companies is as follows:

	Less than 30 days RM'000	Between 30 to 180 days RM'000	Over 180 days RM'000	Total RM'000
Past due but not impaired				
– 31 December 2011	13,119	11,258	1,758	26,135
– 31 December 2010	633	47,765	0	48,398

The fair values of related party balances approximate the carrying value as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the weighted average borrowing rate of 2.03% per annum. The discount rate equals to KLIBOR plus appropriate credit rating.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

22 Cash and Cash Equivalents

	2011 RM'000	2010 RM'000
Deposits with licensed banks	47,825	83,045
Bank balances	77,454	68,466
Total deposits, cash and bank balances	125,279	151,511
Add: Deposits with a related company (Note 21)	47,825	83,045
Cash and cash equivalents	173,104	234,556

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

The average maturity period of the deposits with licensed banks is 1 day (2010: 2 days).

The weighted average interest rate per annum that was effective as at the end of reporting date was:

	2011 %	2010 %
Deposits with a related company	2.85	2.31
Deposits with licensed banks	2.93	2.42

23 Share Capital

	2011 RM'000	2010 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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

24 Revaluation Reserve

The revaluation reserve represents the surplus on revaluation of freehold land and buildings carried out in 1990 (Note 14) and are 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 2011, subject to agreement with the tax authorities, the Company has Section 108 credits of RM231,539,228 (2010: RM269,039,228) and an Exempt Income Account of RM918,370,701 (2010: RM918,370,701). The Company is able to frank RM619,550,299 of its retained earnings as at 31 December 2011 (2010: RM807,117,685) as franked and another sum of RM918,370,701 (2010: RM918,370,701) as tax exempt dividends without incurring additional tax expenses.

26 Trade and Other Payables

	2011 RM'000	2010 RM'000
Other payables and accruals	124,029	109,120
Accruals for materials and contract payments	77,136	42,018
	201,165	151,138

The Company's trade payables are unsecured. The credit terms for trade payables range from 30 to 45 days (2010: 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 statement of financial position.

	2011 RM'000	2010 RM'000
Deferred tax liabilities		
– To be recovered within 12 months	17,443	(19,708)
– To be recovered after more than 12 months	(146,570)	(146,336)
	(129,127)	(166,044)
As at 1 January	(166,044)	(182,489)
Credited/(charged) to profit or loss (Note 10):		
– property, plant and equipment	11,538	19,214
– provision for impairment of trade receivables	(86)	(10)
– allowance for inventories write down	3,101	(3,568)
– accruals	(2,447)	809
– unused tax losses	24,811	0
	36,917	16,445
As at 31 December	(129,127)	(166,044)
Deferred tax liabilities (before offsetting)		
– property, plant and equipment	(157,126)	(168,664)
Offsetting	27,999	2,620
As at 31 December (after offsetting)	(129,127)	(166,044)
Deferred tax assets (before offsetting)		
– provision for impairment of trade receivables	75	161
– allowance for inventories write down	3,113	12
– accruals	0	2,447
– unused tax losses	24,811	0
	27,999	2,620
Offsetting	(27,999)	(2,620)
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 related companies. Related party transactions also include transactions with entities that are controlled, significantly influenced directly or indirectly by the Directors, key management personnel of the Company or their close family members.

In the normal course of business, the Company undertakes a variety of transactions with fellow subsidiaries whose common ultimate holding company is Royal Dutch Shell plc. The Directors regard Shell Overseas Holdings Limited as the Company's immediate holding company.

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

	2011 RM'000	2010 RM'000
(a) Income:		
(i) Sale of refined products to:		
– Shell Malaysia Trading Sendirian Berhad	8,480,391	7,858,635
– Shell International Eastern Trading Company	1,894,414	1,712,967
– Shell Timur Sendirian Berhad	497,197	310,560
– Shell Eastern Chemicals Pte. Limited	337,542	412,152
(ii) Tariff revenue on the use of properties/facilities:		
– Shell Malaysia Trading Sendirian Berhad	22,155	17,414
(b) Expenses:		
(i) Purchase of crude and products from:		
– Shell International Eastern Trading Company	(7,505,583)	(6,578,466)
– Sarawak Shell Berhad	(2,570,481)	(2,074,048)
– Sabah Shell Petroleum Company Limited	(1,112,034)	(1,226,170)
– Shell Eastern Trading Pte Limited	(267,498)	(174,811)
– Shell Lubricants Supply Company	(66,616)	(60,762)
(ii) Central management and administrative expenses:		
– Shell Global Solutions International B.V.	(11,953)	(26,915)
– Shell Global Solutions (Malaysia) Sendirian Berhad	(17,473)	0
– Shell International Petroleum Company Limited	(21,632)	(17,938)
(c) Movement in deposits:		
– Shell Malaysia Limited		
Deposits	34,528,910	45,741,066
Withdrawals	(34,564,130)	(45,809,616)

28 Significant Related Parties Transactions (continued)

	2011		2010	
	RM'000		RM'000	
(d) Dividends paid:				
– Shell Overseas Holdings Limited		57,375		57,375
(e) Outstanding balances:				
	Receivable	2011	Receivable	2010
	RM'000	(Payable)	RM'000	(Payable)
		RM'000		RM'000
– Shell Malaysia Trading Sendirian Berhad	927,912	(14,338)	803,366	(8,597)
– Shell International Eastern Trading Company	144,162	(784,112)	191,314	(355,607)
– Shell Malaysia Limited	47,830	(1,081)	83,485	(939)
– Shell Timur Sendirian Berhad	72,551	(183)	50,421	(127)
– Shell Eastern Chemicals Pte Limited	24,570	(2,829)	41,857	(7,229)
– Sabah Shell Petroleum Company Limited	0	(114,330)	0	(7,797)
– Shell Eastern Trading Pte Limited	0	(23,544)	0	(15,645)
– Shell International Petroleum Company Limited	5	(27,665)	0	(16,973)
– Sarawak Shell Berhad	0	(201,420)	0	(202,864)
– Shell Global Solutions International B.V.	0	(2,475)	0	(12,088)

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 Board of Directors and senior management personnel of the Company.

	2011	2010
	RM'000	RM'000
Compensation for key management personnel:		
– Salaries, bonus and allowances	5,681	5,282
– Benefits in kind	754	996
– Defined contribution plan	1,077	1,009
– Fees	358	264
– Gratuity	0	63

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

29 Contingent Liabilities

The Company is a member of an oil spill fund, namely the International Oil Pollution Compensation (IOPC) 1992 Fund. The purposes 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:

	2011 RM'000	2010 RM'000
Approved and contracted for	182,430	186,939
Approved but not contracted for	376,246	646,512

31 Segmental Information

Segmental reporting is not separately presented as the Company is principally engaged in the oil and gas industry namely refining and manufacturing of petroleum products in Malaysia, which are substantially within a single business segment. The Company operates primarily in Malaysia. Accordingly, no segmental information is considered necessary for analysis by industry segments or by geographical segment.

Additionally, the chief operating decision-maker also reviews the EBITDA margin of the Company. EBITDA margin is defined as earnings before interest, tax, depreciation and amortisation which amounted to a loss of RM44.4 million (2010: earnings of RM278.9 million).

32 Financial Instruments by Category

	2011 RM'000	2010 RM'000
Financial assets as per statement of financial position		
Loans and receivables		
Long-term receivables	933	2,134
Trade and other receivables excluding prepayments	12,955	7,567
Amounts receivable from related companies	1,219,567	1,220,616
Cash and cash equivalents (excludes deposits with a related company)	125,279	151,511
	1,358,734	1,381,828
Assets at fair value through profit or loss		
Derivative financial assets	12,899	0
Financial liabilities as per statement of financial position		
Other financial liabilities at amortised cost		
Trade and other payables excluding statutory liabilities	199,087	150,962
Amounts payable to related companies	1,185,169	686,435
Borrowings	831,193	450,645
	2,215,449	1,288,042

33 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 February 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

Total retained earnings of Shell Refining Company (Federation of Malaya) Berhad:

	2011 RM'000	2010 RM'000
Realised	1,669,817	1,954,288
Unrealised	(131,896)	(178,123)
Retained earnings as at 31 December	1,537,921	1,776,165

The unrealised losses disclosed above are charges relating to the recognition of deferred tax liabilities, fair value gain on derivative financial instruments and unrealised foreign exchange losses.

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

COMPANY PROPERTIES

AS AT 31 DECEMBER 2011

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 GRN 62766 – 62768 87 Jln Resthouse, Port Dickson	76,964	A club house and training centre	47 years	01.01.1991	1,077		1,804	2,881
2	Freehold	Lot 3 HS(D) 1310, Jln Pantai, Port Dickson	6,284,183	Refinery	48 years	01.01.1991	22,194	2,755	47,355	72,304
3	Freehold	Lot 138, GRN 51925, Port Dickson	39,116	Oil Spill Response Centre	47 years	01.01.1991	262		449	711
4	Freehold	Lot 798 GM 1458, Kg Arab, Port Dickson	49,959	Refinery	23 years	01.01.1991	140			140
5	Freehold	Lot 196 GM 1522, Kg Gelam, Port Dickson	242,847	Refinery	24 years	01.01.1991	687			687
6	Freehold	Lot 195 GM 1521, Kg Gelam, Port Dickson	247,072	Refinery	24 years	01.01.1991	694			694
7	Freehold	Lot 765 GM 1293, Port Dickson	98,010	Refinery	25 years	01.01.1991	314			314
8	Freehold	Lot 598 GM 1297, Kg Arang-arang, Port Dickson	112,490	Refinery	25 years	01.01.1991	360			360
9	Freehold	Lot 12284 & 12290, GM 1961 – 1962 Port Dickson	112,019	Refinery	16 years	31.08.2000	480			480
10	Freehold	PT 317 HS 16676, Port Dickson	100,729	Crude Tank Farm	16 years	31.08.2000	593			593
11	Freehold	Lot 703 GM 1304, Port Dickson	132,030	Crude Tank Farm	24 years	01.01.1991	423			423
12	Freehold	Lot 3984 GRN 17001, Port Dickson	212,590	Crude Tank Farm	24 years	01.01.1991	681			681
13	Freehold	Lot 595 GM 1296, Kg Arang-arang, Port Dickson	118,439	Crude Tank Farm	25 years	01.01.1991	379			379
14	Freehold	Lot 599 GM 1298, Kg Arang-arang, Port Dickson	141,570	Crude Tank Farm	25 years	01.01.1991	454			454
15	Freehold	Lot 600 GM 1299, Kg Arang-arang, Port Dickson	124,146	Crude Tank Farm	25 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 GM 1300, Kg Arang-arang, Port Dickson	141,047	Crude Tank Farm	25 years	01.01.1991	451			451
17	Freehold	Lot 602 GM 1301, Kg Arang-arang, Port Dickson	103,455	Crude Tank Farm	25 years	01.01.1991	331			331
18	Freehold	Lot 594 GM 1295, Kg Arang-arang, Port Dickson	123,884	Crude Tank Farm	25 years	01.01.1991	397			397
19	Freehold	Lot 5471 – 5494 GM 994 – 1017 Lot 5496 – 5540 GM 1019 – 1063 Port Dickson	188,799	Crude Tank Farm	14 years	31.08.2000	1,259			1,259
20	Freehold	Lot 950 GM 2721, Port Dickson	104,819	Crude Tank Farm	15 years	31.08.2000	727			727
21	Freehold	Lot 12425 – 12456 GRN 146936 – 146967, Lot 5441 H.S.D 4418, Lot 12458 – 12486 GRN 146968 – 146996, Port Dickson	212,544	Crude Tank Farm	15 years	31.08.2000	1,216			1,216
22	Freehold	Lot 834 GRN 70791, Port Dickson	348,481	Crude Tank Farm	16 years	31.08.2000	1,705			1,705
23	Freehold	Lot 888 GM 1166, Port Dickson	115,173	For Pipeline to Jetty	22 years	01.01.1991	585			585
24	Freehold	Lot 1323 GM 1167, Port Dickson	178,596	For Pipeline to Jetty	22 years	01.01.1991	907			907
25	Freehold	Lot 2254 GM 1262, Port Dickson	91,737	For Pipeline to Jetty	22 years	01.01.1991	466			466
26	Freehold	Lot 6672 GM 868, Kg Gelam, Port Dickson	59,383	For Pipeline to Jetty	22 years	01.01.1991	359			359
27	Freehold	Lot 192 GM 1398, Kg Gelam, Port Dickson	148,104	For Pipeline to Jetty	23 years	01.01.1991	443			443
28	Freehold	Lot 247 GM 1241, Port Dickson	120,334	For Pipeline to Jetty	23 years	01.01.1991	332			332

No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last valuation	Land NBV RM'000	Land Improvement		Building NBV RM'000	Net book value RM'000
								NBV RM'000	NBV RM'000		
29	Freehold	Lot 191 GM 1505, Kg Gelam, Port Dickson	134,491	For Pipeline to Jetty	24 years	01.01.1991	620				620
30	Freehold	Lot 190 GM 1289, Kg Gelam, Port Dickson	131,769	For Pipeline to Jetty	24 years	01.01.1991	577				577
31	Freehold	Lot 909 GRN 69309, Port Dickson	86,766	For Pipeline to Jetty	20 years	01.01.1991	431				431
32	Freehold	Lot s 178 – 180 Grant 1087–1089, Port Dickson	448,668	For Pipeline to Jetty	20 years	01.01.1991	2,172				2,172
33	Freehold	Lot 1300 GM 867, Kg Gelam, Port Dickson	88,481	For Pipeline to Jetty	21 years	01.01.1991	403				403
34	Freehold	Lot 651 GM 1438, Kg Arang-arang, Port Dickson	153,810	LPG Vessel	25 years	01.01.1991	492				492
35	Freehold	Lot 3948 GM 2619, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
36	Freehold	Lot 3949 GM 2620, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
37	Freehold	Lot 3950 GM 2621, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
38	Freehold	Lot 3951 GM 2622, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
39	Freehold	Lot 3974 GM 2632, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
40	Freehold	Lot 3975 GM 2633, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
41	Freehold	Lot 3976 GM 2634, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
42	Freehold	Lot 3977 GM 2635, Port Dickson	1,259	Refinery Buffer Zone	15 years	30.04.2001	86				86
43	Freehold	Lot 4961 GM 475, Port Dickson	5,769	Refinery Buffer Zone	15 years	30.04.2001	210				210
44	Freehold	Lot 4962 GM 476, Port Dickson	4,058	Refinery Buffer Zone	15 years	30.04.2001	148				148
45	Freehold	Lot 4963 GM 477, Port Dickson	6,060	Refinery Buffer Zone	15 years	30.04.2001	221				221

COMPANY PROPERTIES (continued)
AS AT 31 DECEMBER 2011

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
46	Freehold	Lot 4964 GM 478, Port Dickson	463	Refinery Buffer Zone	15 years	30.04.2001	181			181
47	Freehold	Lot 4965 GM 479, Port Dickson	4,736	Refinery Buffer Zone	15 years	30.04.2001	173			173
48	Freehold	Lot 4966 GM 480, Port Dickson	5,726	Refinery Buffer Zone	15 years	30.04.2001	209			209
49	Freehold	Lot 4967 GM 481, Port Dickson	3,326	Refinery Buffer Zone	15 years	30.04.2001	121			121
51	Freehold	Lot 4968 GM 482, Port Dickson	151	Refinery Buffer Zone	15 years	30.04.2001	5			5
50	Freehold	Lot 5402 GM 345, Port Dickson	1,066	Refinery Buffer Zone	15 years	30.04.2001	44			44
52	Freehold	Lot 5403 GM 346, Port Dickson	4,026	Refinery Buffer Zone	15 years	30.04.2001	166			166
53	Freehold	Lot 5404 GM 347, Port Dickson	4,176	Refinery Buffer Zone	15 years	30.04.2001	172			172
54	Freehold	Lot 5405 GM 348, Port Dickson	4,176	Refinery Buffer Zone	15 years	30.04.2001	172			172
55	Freehold	Lot 5406 GM 349, Port Dickson	4,176	Refinery Buffer Zone	15 years	30.04.2001	172			172
56	Freehold	Lot 5407 GM 350, Port Dickson	4,176	Refinery Buffer Zone	15 years	30.04.2001	172			172
57	Freehold	Lot 10533 GM 1653, Kg Gelam, Port Dickson	2,002	Refinery Buffer Zone	18 years	31.08.2000	20			20
58	Freehold	Lot 9196 – 9214 GM 1770 – 1788 & PT4540 HSM 1655, Kg Gelam, Port Dickson	40,236	Refinery Buffer Zone	18 years	31.08.2000	398			398
59	Freehold	PT4543 HSM 1658, Kg Gelam, Port Dickson	6,135	Refinery Buffer Zone	18 years	31.08.2000	61			61
60	Freehold	Lot 1126 GRN 71961, Port Dickson	97,738	Reserved Land	23 years	01.01.1991	313			313
61	Freehold	Lot 2314 GM 203, Kg Arang-arang, Port Dickson	86,858	Reserved Land	24 years	01.01.1991	278			278
62	Freehold	Lot 643 GM 1302, Kg Arang-arang, Port Dickson	78,952	Reserved Land	24 years	01.01.1991	253			253

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
63	Freehold	Lot 652 GM 1439, Kg Arang-arang, Port Dickson	148,626	Reserved Land	25 years	01.01.1991	475			475
64	Freehold	Lot 774 GM 1164, Kg Paya, Port Dickson	99,360	Reserved Land	25 years	01.01.1991	318			318
65	Freehold	Lot 1553 GM 1182, Kg Paya, Port Dickson	216,449	Reserved Land	25 years	01.01.1991	688			688
66	Freehold	Lot 775 GRN 71907, Port Dickson	104,805	Reserved Land	25 years	01.01.1991	336			336
67	Freehold	Lot 580 GM 1274, Port Dickson	107,539	Reserved Land	19 years	03.09.1991	311			311
68	Freehold	Lot 581 GM 1275, Port Dickson	98,010	Reserved Land	19 years	03.09.1991	283			283
69	Freehold	Lot 1312 – 1314 GM 1600 – 1602, Lot 1317 – 1318 GM 1605 – 1606, Lot 764 GRN 65945 Port Dickson	47,866	Reserved Land	47 years	01.01.1991	397			397
70	Freehold	Lot 256 GM 1276, Port Dickson	62,614	Reserved Land	4 years	28.03.2008	600			600
71	Freehold	Lot 9060 GM 2720 Port Dickson	17,739	Reserved Land	48 years	01.01.1991	4			4
72	Leasehold	PT 9451 HM 29075 Mukim Port Dickson	2,822,688	Jetty Land	19 years	10.04.2004	1,927		9,146	11,073
							52,525	2,755	58,754	114,034

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2012

Size of Holdings	No. of Holders		No. of Shares		%	
	Malaysia	Foreign	Malaysia	Foreign	Malaysia	Foreign
1 – 99	482	4	4,755	9	0.00	0.00
100 – 1,000	2,718	156	2,039,738	133,650	0.68	0.04
1,001 – 10,000	2,698	568	9,911,804	2,451,528	3.30	0.82
10,001 – 100,000	371	140	10,433,828	3,411,847	3.48	1.14
100,001 – 14,999,999(*)	35	24	46,686,300	6,468,041	15.56	2.16
15,000,000 and above(**)	2	1	65,458,300	153,000,000	21.82	51.00
Total	6,306	893	134,534,725	165,465,075	44.84	55.16

	No. of Holders	No. of Shares	%
Grand Total	7,199	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 30 Shareholders

Total no. of shareholders	: 30
Total shareholdings	: 266,972,741
Total percentage	: 88.99%

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.	207-001-051417319	Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board	267011M	49,600,100	16.53
3.	262-001-050187954	Amanahraya Trustees Berhad for Skim Amanah Saham Bumiputra	766894T	15,858,400	5.29
4.	262-001-050188010	Amanahraya Trustees Berhad for Amanah Saham Wawasan 2020	766894T	12,046,100	4.02
5.	257-001-037151271	Valuecap Sdn Bhd	595989V	10,734,200	3.58
6.	260-001-043765304	Kumpulan Wang Persaraan (DiPerbadankan)	KWAPACT 6622007	4,681,700	1.56
7.	262-001-050188127	Amanahraya Trustees Berhad for Amanah Saham Malaysia	766894T	4,338,600	1.45
8.	262-001-050187418	Amanahraya Trustees Berhad as 1Malaysia	766894T	3,470,200	1.16
9.	262-001-050188150	Amanahraya Trustees Berhad for Amanah Saham Didik	766894T	1,935,100	0.65
10.	087-001-002671394	Employees Provident Fund Board	EPFACT1991	1,500,000	0.50
11.	073-007-034742809	Tham Tatt Yow @ Tham Ah Chye	420411-10-5271 (0487773)	1,200,000	0.40
12.	262-001-050188085	Amanahraya Trustees Berhad for Skim Amanah Saham Nasional	766894T	1,066,400	0.36
13.	205-001-024068207	Malaysia Nominees (Tempatan) Sendirian Berhad for Lee Foundation, States of Malaya (00-00197-000)	6193K	790,000	0.26
14.	207-001-047749916	Citigroup Nominees (Asing) Sdn Bhd – Exempt an for OCBC Securities Private Limited (Client A/C-NR)	263875D	675,391	0.23
15.	065-001-047680632	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Goh Sin Hong (MP0081)	265449P	675,200	0.23
16.	209-001-021330287	Cartaban Nominees (Asing) Sdn. Bhd. – Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	263367W	588,800	0.20

ANALYSIS OF SHAREHOLDINGS (continued)

No.	Account No.	Name	Investor ID	Shareholdings	%
17.	065-001-043565290	CIMSEC Nominees (Asing) Sdn Bhd – Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	265422M	570,250	0.19
18.	098-001 052187085	Maybank Securities Nominees (Asing) Sdn Bhd – Kim Eng Securities Pte Ltd for Chow Cho Poon Pte Ltd	284592K	530,000	0.18
19.	065-003-044224251	Heng Lee and Company Sdn Berhad	750W	450,000	0.15
20.	206-001-024008484	HSBC Nominees (Asing) Sdn Bhd, HSBC SG for Singapore Investments Pte Ltd	4381U	425,000	0.14
21.	098-001 052177391	Maybank Securities Nominees (Asing) Sdn Bhd – Kim Eng Securities Pte Ltd for Lee Tung Co Pte Ltd	284592K	410,000	0.14
22.	066-001-044630473	HLG Nominee (Asing) Sdn Bhd – Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	250883D	360,200	0.12
23.	068-001-035466291	Heng Lee and Company Sdn Berhad	750W	350,000	0.12
24.	206-001-050915404	HSBC Nominees (Asing) Sdn Bhd – Caceis Bank Paris for HMG Globetrotter	4381U	320,000	0.11
25.	056-002-003278223	New Tong Fong Plywood Sdn Bhd	016628V	260,000	0.09
26.	068-001-042066514	Ban Hin Lee Realty Sdn Bhd	76445P	250,000	0.08
27.	262-001-050190727	Amanahraya Trustees Berhad for ASM Premier Fund	766894T	230,000	0.08
28.	206-001-024008518	HSBC Nominees (Asing) Sdn Bhd, HSBC SG for Lee Latex (Pte) Limited	4381U	225,000	0.08
29.	207-001-034438135	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	263875D	217,100	0.07
30.	207-001-042795344	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Markets Core Equity Portfolio DFA Invetsment Dimensions Group Inc	263875D	215,000	0.07
Total				266,972,741	88.99

Substantial Shareholders Holdings (5% and above)

No.	Account No.	Name	Investor ID	Shareholdings	%
1.	207-001-024831513	Citigroup Nominees (Asing) Sdn Bhd [#]	263875D	154,920,800	51.64
2.	053-001-006699672	Citigroup Nominees (Tempatan) Sdn Bhd ^{##}	267011M	49,782,300	16.59
3.	262-001-050187418	Amanahraya Trustees Berhad ^{###}	766894T	39,114,100	13.04
Total				243,817,200	81.27

[#] Citigroup Nominees (Asing) Sdn Bhd for Shell Overseas Holdings Limited:

^{##} Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board:

^{###} Amanahraya Trustees Berhad for Skim Amanah Saham Bumiputra:

Account No.	Investor ID	Shareholdings	%
207-001-024831513 [#]	263875D	153,000,000	51.00
207-001-051417319 ^{##}	267011M	49,600,100	16.53
262-001-050187954 ^{###}	766894T	15,858,400	5.29
Total		218,458,500	72.82

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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:

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 Fifty Third (53rd) Annual General Meeting of the Company to be held at Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Wednesday, 28 March 2012 at 10.00 am** and at any adjournment thereof.

Signature of Member or Common Seal _____ Signature of Witness _____

Name of Witness in Full _____

Address of Witness _____

Date _____ day of _____ 2012.

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 1

- | |
|--|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon. |
|--|

My/our proxy is to vote on the following Resolutions under Agenda 2 – 6 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 – 6

Resolution	For	Against
2. To approve the declaration of a final dividend of Twenty sen (RM0.20) less Malaysian Income Tax at 25% per unit of ordinary share of RM1.00 each for the year ended 31 December 2011 as recommended by the Directors. Resolution 1		
3. 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' Seri Talaat bin Husain b. Y. Bhg. Dato' Saw Choo Boon c. Mr. Khong Kok Tong Resolution 2 Resolution 3 Resolution 4		

Please be advised that a lunch voucher will be issued to attending shareholders and proxy holders (on first registration basis).

AGENDA 2 – 6

Resolution	For	Against
4. To consider and if thought fit, pass the following ordinary resolution pursuant to Section 129(6) of the Companies Act 1965: “That Y. Bhg. Tan Sri Datuk Clifford Francis Herbert, a Director who retires in accordance with Section 129 of the Companies Act, 1965, be and is hereby elected as a Director of the Company to hold office until the conclusion of the next Annual General Meeting.” Resolution 5		
5. To appoint Messrs. PricewaterhouseCoopers as auditors and to authorise the Directors to fix the auditors’ remuneration. Resolution 6		
6. 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 7		

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

- 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 **5 March 2012**; and
 - 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 **5 March 2012**, provided that such transactions are:
 - recurrent transactions of a revenue or trading nature;
 - necessary for the Company’s day-to-day operations;
 - 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
 - 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:

- 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 the authority is renewed by a resolution passed at the meeting;
 - the expiration of the period within which the next Annual General Meeting 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
 - revoked or varied by resolution passed by the shareholders in a 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 Relating to Proxy:

- A member of the Company who is entitled to attend and vote at the meeting may appoint a maximum of two (2) proxies to attend and, on a poll, vote on the member’s behalf.
- A proxy need not be a member of the Company.
- 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.
- The signature to the instrument appointing a proxy or proxies executed outside Malaysia must be attested by a solicitor, notary public, consul or magistrate.
- 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.
- 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.
- 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.
- 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:

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 Tiga (53) di Pusat Konvensyen Sime Darby, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur pada hari **Rabu, 28 Mac 2012 jam 10.00 pagi** dan pada sebarang penangguhannya.

Tandatangan Ahli atau Cop Syarikat _____ Tandatangan Saksi _____

Nama Penuh Saksi _____

Alamat Saksi _____

Tarikh _____ haribulan _____ 2012

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 1

1. Untuk menerima pakai Penyata Kewangan Diaudit Syarikat bagi tahun kewangan berakhir 31 Disember 2011 serta Laporan Pengarah dan Juruaudit penyata tersebut.

Proksi saya/kami akan mengundi ke atas Resolusi berikut di bawah Agenda 2 – 6 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 – 6

Resolusi	Menyokong	Menentang
2. Untuk meluluskan perisytiharan dividen akhir Dua Puluh Sen (RM0.20) ditolak Cukai Pendapatan Malaysia 25% seunit saham biasa RM1.00 sesaham bagi tahun berakhir 31 Disember 2011 seperti yang disyorkan oleh para Pengarah. Resolusi 1		
3. 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' Seri Talaat bin Husain b. Y. Bhg. Dato' Saw Choo Boon c. Mr. Khong Kok Toong Resolusi 2 Resolusi 3 Resolusi 4		

Harap maklum bahawa baucar makan tengah hari akan diedarkan kepada pemegang saham dan pemegang proksi yang hadir (berdasarkan pendaftaran pertama).

AGENDA 2 – 6

Resolusi	Menyokong	Menentang
4. Untuk mempertimbangkan dan jika dianggap wajar, meluluskan resolusi biasa berikut menurut Seksyen 129(6) Akta Syarikat 1965: "Bahawa Y.Bhg. Tan Sri Datuk Clifford Francis Herbert, seorang Pengarah yang bersara menurut Seksyen 129 Akta Syarikat, 1965, adalah dengan ini dilantik semula sebagai Pengarah Syarikat untuk memegang jawatan sehingga tamatnya Mesyuarat Agung Tahunan yang akan datang." Resolusi 5		
5. Untuk melantik Tetuan PricewaterhouseCoopers sebagai juruaudit dan membenarkan para Pengarah menetapkan yuran juruaudit. Resolusi 6		
6. 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 Baru bagi Urusniaga Berulang dengan Pihak Berkaitan yang berbentuk Hasil atau Dagangan. Resolusi 7		

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

- 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 dagangan dari masa ke semasa dengan Pihak Berkaitan, seperti yang dinyatakan dalam Seksyen 2.2 Pekeliling kepada Pemegang Saham bertarikh **5 Mac 2012**; dan
- Mandat Pemegang Saham Baru adalah dengan ini diberikan agar Syarikat dapat melaksanakan urusniaga berulang tambahan dengan pihak berkaitan yang berbentuk hasil atau dagangan dari masa ke semasa dengan Pihak Berkaitan, iaitu seperti yang dinyatakan dalam Seksyen 2.2 Pekeliling kepada Pemegang Saham bertarikh **5 Mac 2012**, dengan syarat urusniaga tersebut adalah:
 - urusniaga berulang berbentuk hasil atau dagangan;
 - perlu bagi operasi harian Kumpulan Shell;
 - dijalankan dalam perjalanan lazim perniagaan berasaskan terma komersial lazim yang bukan lebih memihak kepada Pihak Berkaitan berbanding yang ditawarkan kepada umum; dan
 - tidak menjejaskan kepentingan pemegang saham minoriti;

("Mandat");

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

- berakhirnya Mesyuarat Agung Tahunan Syarikat yang akan datang berikutan 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;
- 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
- 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:

- Seorang ahli Syarikat yang layak untuk hadir dan mengundi di mesyuarat boleh melantik tidak lebih daripada dua proksi (2) untuk hadir dan mengundi bagi pihak ahli tersebut menerusi undian.
- Seorang proksi tidak semestinya seorang ahli Syarikat.
- 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.
- Tandatangan bagi instrumen untuk melantik proksi yang dibuat di luar Malaysia harus diperakui oleh peguam, saksi awam, konsul atau majistret.
- 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.
- 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.
- Sekiranya ahli melantik dua (2) proksi, perantaraan tersebut tidak sah melainkan ahli tersebut menyatakan peratus pegangannya yang diwakili oleh setiap proksi.
- Sebarang pencalonan Pengarah harus dibuat menurut Tataurus Pertubuhan Syarikat.

The image features two overlapping horizontal rectangles in shades of orange. The top rectangle is a lighter shade and is slightly offset to the right. The bottom rectangle is a darker shade and is slightly offset to the left. The text is centered within the intersection of these two rectangles.

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