



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

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

In accordance with the approval of the Board of Directors' of Shell Refining Company (Federation of Malaya) Berhad ("the Company") dated 9 May 2016, the Board hereby announces its financial results for the three months ended 31 March 2016.

This interim report is prepared in accordance with the requirements of Malaysia Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2015.



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

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

Condensed Statement of Comprehensive Income
Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	A8	1,869,951	2,480,823	1,869,951	2,480,823
Purchases		(1,654,405)	(2,283,881)	(1,654,405)	(2,283,881)
Gross profit		215,546	196,942	215,546	196,942
Other income		4,866	6,819	4,866	6,819
Manufacturing expenses		(41,235)	(44,645)	(41,235)	(44,645)
Administrative expenses		(12,346)	(14,772)	(12,346)	(14,772)
Depreciation and amortisation		(45,638)	(41,869)	(45,638)	(41,869)
Other income/(expenses)		(7,127)	(2,285)	(7,127)	(2,285)
Finance cost		(12,094)	(15,959)	(12,094)	(15,959)
Profit/(loss) before taxation	A10	101,972	84,231	101,972	84,231
Taxation	A11	(322)	-	(322)	-
Profit/(loss) for the year / total comprehensive expense for the year		101,650	84,231	101,650	84,231
Estimated average effective tax rate		0.32%	0.00%	0.32%	0.00%
Earnings per share:					
- basic (sen)	A9	33.88	28.08	33.88	28.08
- diluted (sen)	A9	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 15 form an integral part of, and should be read in conjunction with this interim financial report.



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

Condensed Statement of Financial Position

Unaudited

	Note	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		994,314	1,029,335
Prepaid lease payments		1,839	1,843
		<u>996,153</u>	<u>1,031,178</u>
CURRENT ASSETS			
Inventories	A21	615,953	695,704
Trade receivables		21,059	24,513
Other receivables and prepayments		40,050	30,264
Tax recoverable		3,945	3,803
Amounts receivable from related companies	A28	659,324	684,043
Derivative financial asset	A22	214,135	305,188
Deposit with licensed banks		185,510	171,820
Bank balances		955	3,703
		<u>1,740,931</u>	<u>1,919,038</u>
TOTAL ASSETS		<u>2,737,084</u>	<u>2,950,216</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		300,000	300,000
Performance Share Plan from RDS		1,924	1,924
Retained earnings		476,816	375,166
		<u>778,740</u>	<u>677,090</u>
CURRENT LIABILITIES			
Trade and other payables		54,105	87,027
Amounts payable to related companies	A28	513,064	705,045
Borrowings	A23	941,175	1,031,054
		<u>1,508,344</u>	<u>1,823,126</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>232,587</u>	<u>95,912</u>
NON-CURRENT LIABILITIES			
Borrowings	A23	450,000	450,000
		<u>450,000</u>	<u>450,000</u>
TOTAL EQUITY AND LIABILITIES		<u>2,737,084</u>	<u>2,950,216</u>

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Condensed Statement of Changes in Equity
Unaudited

	<u>Numbers of Shares</u> '000	<u>Nominal Value</u> RM'000	<u>PSP reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	300,000	300,000	1,924	375,166	677,090
Profit for the period ended 31 March 2016	-	-	-	101,650	101,650
Performance Share Plan from RDS - recharge by the parent - charge during the year	-	-	-	-	-
At 31 March 2016	300,000	300,000	1,924	476,816	778,740
At 1 January 2015	300,000	300,000	1,306	23,378	324,684
Profit for the year ended 31 December 2015	-	-	-	351,788	351,788
Performance Share Plan from RDS - recharge by the parent - charge during the year	-	-	(1,729) 2,347	-	(1,729) 2,347
At 31 December 2015	300,000	300,000	1,924	375,166	677,090

The notes set out on pages 6 to 15 form an integral part of, and should be read in conjunction with this interim financial report.



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

Condensed Cash Flow Statement
Unaudited

	3 months ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	101,972	84,231
Adjustments for:		
Property, plant and equipment		
- depreciation	45,638	41,869
- write off	-	(26)
Interest expense	10,890	15,349
Interest income	(1,341)	(81)
Net foreign exchange (gain)/loss - unrealised	(113,008)	50,030
Fair value loss/(gain) on derivative financial instruments	91,053	(49,387)
Write back for inventories write-down to net realisable value	(2,827)	(79,094)
Amortisation of prepaid lease payments	4	5
Reversal for doubtful debts	-	(279)
	<u>132,381</u>	<u>62,617</u>
Changes in working capital		
Inventories	82,578	67,935
Trade and other receivables	(6,332)	(5,224)
Trade and other payables	(32,922)	(4,077)
Related companies	(143,656)	(232,119)
Cash generated from/(used in) operations	32,049	(110,868)
Interest received	1,341	81
Tax paid	(463)	-
Net cash flow generated from/(used in) operating activities	<u>32,927</u>	<u>(110,787)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(10,617)</u>	<u>(11,997)</u>
Net cash flow used in investing activities	<u>(10,617)</u>	<u>(11,997)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term borrowings		
Interest paid	(10,886)	(15,409)
Proceeds from borrowings	-	149,823
Net cash used in financing activities	<u>(10,886)</u>	<u>134,414</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,424	11,630
CURRENCY TRANSLATION DIFFERENCES		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	175,523	8,737
EFFECTS OF EXCHANGE RATE CHANGES	(482)	(0)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>186,465</u>	<u>20,367</u>

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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

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

A1 Basis of preparation

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

The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2015.

The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2015 under the MFRS framework.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial year beginning on or after 1 January 2015 are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

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

A2 Audit report

The audit report of the Company's preceding annual financial statement was not subjected to any qualification.

A3 Comments about Seasonal or Cyclical Factors

Refinery margins remain uncertain and future profitability will be influenced by international supply and demand for crude and petroleum products.



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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

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

A4 Individually significant items

The Company has nothing to disclose as regards to significant items in the quarterly financial statements under review.

A5 Critical Accounting Estimates and Judgments

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

A6 Debt and equity securities

The Company has nothing to disclose with respect to issuance of new debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to date.

On 13 April 2016, the Company entered into supplemental agreement to the existing facility agreement of USD240 million for which the Company plans to repay USD60 million by 30 June 2016 and extend the maturity date of remaining term loan of USD180 million from 14 September 2016 to 14 March 2017.

A7 Segmental Reporting

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

A8 Revenue

	Individual Quarter		Cumulative Quarters	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	1,869,102	2,480,246	1,869,102	2,480,246
- Crude oil	849	577	849	577
	1,869,951	2,480,823	1,869,951	2,480,823



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

A9 Earnings per share

		3 months ended		3 months ended	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	101,650	84,231	101,650	84,231
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	32.88	28.08	32.88	28.08
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

A10 Profit/ (Loss) Before Taxation

The company recorded a profit before tax of RM 102.0 million for the three months ended 31 March 2016 compared to a profit before tax of RM 84.2 million in the same period of 2015 (also see accompanying Management Commentary in Part B).

	Individual Quarter		Cumulative Quarters	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<i>The profit before taxation is arrived at after charging/(crediting):</i>				
Interest income	(1,341)	(81)	(1,341)	(81)
Other income	(3,525)	(6,737)	(3,525)	(6,737)
Interest expense	10,890	15,349	10,890	15,349
Property, plant and equipment				
- Depreciation and amortization	45,638	41,869	45,638	41,869
- Write off	0	(26)	0	(26)
Amortisation on prepaid lease payments	4	5	4	5
Allowance for inventories write down/(back) to net realisable value (included in purchases)	(2,827)	(79,094)	(2,827)	(79,094)
Provision for impairment write (back)/off of receivables	0	(279)	0	(279)
Foreign exchange (gain)/loss on net trade - realised	(21,049)	31,094	(21,049)	31,094
Foreign exchange (gain)/loss on net trade – unrealised	(23,605)	110	(23,605)	110
Foreign exchange loss on cash and bank balances - realised	6,651	635	6,651	635
Foreign exchange loss/(gain) on cash and bank balances - unrealised	482	0	482	0
Foreign exchange (gain)/loss on term loan – unrealised	(89,884)	49,920	(89,884)	49,920
Fair value loss/(gain) on derivative financial instruments – unrealised	91,053	(49,387)	91,053	(49,387)



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

A11 Taxation

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

	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	322	-	322	-
Movement in deferred tax	-	-	-	-
	<u>322</u>	<u>0</u>	<u>322</u>	<u>0</u>
Prior Period				
Income tax	-	-	-	-
Movement in deferred tax	-	-	-	-
	<u>322</u>	<u>-</u>	<u>322</u>	<u>-</u>

The effective tax rate for the year ending 31 March 2016 is 0.32%, lower than the statutory tax rate of 25%, mainly due to tax losses and deductible temporary differences for which no deferred tax asset was recognised. The income tax of RM 321,901 for the current quarter is on the interest income.

A12 Dividend

The Company did not declare any dividend for the 3 months period ended 31 March 2016.

A13 Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the period under review. As at 31 March 2016, all property, plant and equipment were stated at cost less accumulated depreciation and impairment loss.

A14 Significant post balance sheet event

On 13 April 2016, the Company entered into supplemental agreement to the existing facility agreement of USD240 million for which the Company plans to repay USD60 million by 30 June 2016 and extend the maturity date of remaining term loan of USD180 million from 14 September 2016 to 14 March 2017.



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

A15 Changes in Composition of the Company

There were no changes in the composition of the Company during the current quarter.

A16 Changes in Contingent Assets / Liabilities

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

A17 Unquoted investments and/or properties

The Company has nothing to disclose with respect to sale of investments and/or properties (other than fixed assets in the normal course of business) in the quarterly financial statements under review.

A18 Quoted Securities

There were no purchases or disposal of quoted securities during the current quarter.

A19 Corporate proposal

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

The Proposed Acquisition is expected to complete in 2016, and is conditional upon the fulfilment of several conditions precedent, which include but is not limited to, regulatory approval.



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

A20 Material Litigation

There were no significant changes to material litigation since 31 December 2015.

A21 Inventories

	31.03.2016	31.12.2015
	RM'000	RM'000
Crude Oil	354,463	430,810
Petroleum products	242,050	248,300
	<u>596,513</u>	<u>679,110</u>
Less: Allowance for inventories write-down	(1,623)	(4,450)
Materials	21,063	21,993
Less: Allowance for slow moving inventories	-	(949)
	<u>615,953</u>	<u>695,704</u>

A22 Fair value measurement

(a) Financial instruments carried at amortised cost:

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

(b) Financial Instruments carried at fair value:

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

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



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

A22 Fair value measurement (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>At 31 March 2016</u>				
Derivatives – Cross currency interest rate swaps	0	214,135	0	214,135
<u>At 31 December 2015</u>				
Derivatives – Cross currency interest rate swaps	0	305,188	0	305,188

During the year, there were no transfers between Level 1 & Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

A23 Borrowings

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

	31.03.2016 RM'000	31.12.2015 RM'000
Long term borrowings		
Term loan (unsecured)		
- Local currency loan	450,000	450,000
	450,000	450,000
Short term borrowings		
Short term loan (less than 3 months)	-	-
Short term portion of long-term borrowings		
- Foreign currency loan	941,175	1,031,054
	941,175	1,031,054
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	240,000	240,000



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A23 Borrowings (continued)

As disclosed in Note A6, the Company plans to repay USD60 million by 30 June 2016 through cash flow from operations. The maturity date of remaining term loan of USD180 million has been extended to 14 March 2017. The loan agreement requires repayment of the outstanding balance in the event that the existing shareholding of SOHL falls below 51% of the issued and paid up share capital of the Company. As disclosed in Note A19, SOHL is in the process of divesting its equity interest in the Company. In view that the completion of the said divestment is anticipated to occur before year end, the Company intends to put a funding plan in place to refinance the said outstanding borrowings.

Derivative Financial Instrument – Cross currency interest rate swap ('CCIRS')

	31.03.2016	31.12.2015
	RM'000	RM'000
Derivative financial assets/(liabilities):		
Term loan (unsecured)		
- current (less than 1 year)	214,135	305,188
- non-current (between 1 to 3 years)	-	-
	214,135	305,188

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates. The Company uses cross currency interest rate swaps to hedge its long term borrowings in order to minimize its exposure to movements on foreign currency positions and interest rate volatility.

There is no change with respect to the following from the financial year ended 31 December 2015.

- The credit risk, market risk and liquidity risk associated with CCIRS.
- The cash requirements of the CCIRS;
- The policies in place for mitigating or controlling the risks associated with CCIRS and
- The related accounting policies.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A24 Capital commitments

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

	RM'000
Property, plant and equipment	
Authorised by Directors and contracted for	-
Authorised by Directors and not contracted for	12,137
	<u>12,137</u>

A25 Financial Instruments

As of 1 July 2012, the Company has complied with MFRS 7 and MFRS 139; following the transition from the previous FRSs to the new MFRS framework. There is no significant impact on the accounts upon adoption of the new MFRS 7 and MFRS 139 as compared to the previous FRS 7 and FRS 139.

A26 Company Performance

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

A27 Current Year Prospects

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



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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2016

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

A28 Related Party Disclosure

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

	For the quarter ended 31.03.2016 RM'000
a) Income:	
i) Sale of refined products to:	<u>1,781,410</u>
ii) Tariff revenue on the use of properties/ facilities:	<u>4,324</u>
b) Expenses:	
i) Purchase of crude and products:	<u>1,651,182</u>
ii) Central Management and administrative expenses:	<u>13,486</u>

As at 31 March 2016, there are no capital commitments with related parties.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.



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

A29 Retained Earnings

The following analysis of realised and unrealised retained earnings 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:

	2016
	RM'000
Realised	567,869
Unrealised	<u>(91,053)</u>
	<u>476,816</u>

The unrealised losses disclosed above are charges relating to the recognition of fair value gain on derivative financial instruments and 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.



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Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Review of Performance – YTD/Q1 2016 vs. YTD/Q1 2015

The Company posted revenue of RM1.9 billion in YTD Q1 2016 as compared to RM2.5 billion in YTD Q1 2015. Revenue is lower by 25% in 2016 attributable to lower product prices and also due to lower products sales volumes.

Year on year basis, the Company posted higher after-tax profit in 2016 of RM101.7 million compared to RM84.2 million in 2015. The profit in current year was assisted by higher margins and lower operating expenses.

The refinery processed 10.2 million barrels of crude oil higher by 7% in YTD Q1 2016 compared to YTD Q1 2015. The Company's sales were 1% lower in YTD Q1 2016 of 10.4 million barrels as compared to YTD Q1 2015 of 10.5 million barrels.

B2 Variation of results against previous quarter – Q1 2016 vs. Q4 2015

The Company registered revenue of RM1.9 billion in Q1 2016, compared to RM2.4 billion in Q4 2015. Revenue is lower by 21% in Q1 2016 mainly due to lower product prices and the drop is slightly offset by 3% increase in volumes sold.

The Company closed the current quarter with an after-tax profit of RM101.7 million as compared to a lower after-tax profit of RM96.5 million in previous quarter. This was mainly due to lower operating expenses.

Crude oil processed in the current quarter was higher by 11% compared to the previous quarter.



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

B3 Current Year Prospects

The outlook for refining margins remains uncertain for 2016 as margins will be influenced by international supply and demand for petroleum products, as well as seasonal and cyclical factors.

B4 Profit Forecast

We do not issue any profit forecast.

BY ORDER OF THE BOARD

Shahniza Anom Binti Elias (LS 0006472)
Tia Hwei Ping (MAICSA 7057636)
Company Secretaries

Kuala Lumpur
9 May 2016