

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
(Company No: 3926-U)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**in relation to the**

- **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**
- **PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The Notice convening the Fifty-Seventh Annual General Meeting of SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD to be held at Nexus Ballroom 2 & 3, Connexion@Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 26 May 2016 at 10.30 a.m. to consider the abovementioned proposals is enclosed in the 2015 Annual Report of Shell Refining Company (Federation of Malaya) Berhad for the financial year ended 31 December 2015.

If you are unable to attend and vote at the Fifty-Seventh Annual General Meeting in person, you are requested to complete, sign and return the **original** Form of Proxy enclosed in the 2015 Annual Report in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time fixed for convening the Meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

Last day and time for lodging the Form of Proxy : Tuesday, 24 May 2016 at 10.30 a.m.  
Date and time of the Fifty-Seventh Annual General Meeting : Thursday, 26 May 2016 at 10.30 a.m.

**This Circular is dated 29 April 2016**

## **DEFINITIONS**

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**Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-**

Act	- The Companies Act, 1965 including all amendments thereto.
Affiliates	- Royal Dutch Shell plc. and any company which is for the time being directly or indirectly affiliated with Royal Dutch Shell plc. For the purpose of this definition, a particular company is directly affiliated with another company or companies holding shares carrying more than 50% of the votes at the general meeting of the particular company, and a particular company is indirectly affiliated with a company or companies if a series of companies can be specified, beginning with Royal Dutch Shell plc. and ending with the particular company, so related that each company of this series except Royal Dutch Shell plc. is directly affiliated with one or more of the companies earlier in the series.
AGM	- Annual General Meeting of the Company.
Board of Directors or “Board”	- Board of Directors of the Company.
Bursa Securities	- Bursa Malaysia Securities Berhad (Company No: 635998-W).
Director or Directors	- Shall have the meaning given in section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon: (i) a director of the Company, its subsidiary or holding company; or (ii) a chief executive of the Company, its subsidiary or holding company.
Existing Shareholders’ Mandate	- The Shareholders’ Mandate for the Company to enter into recurrent related party transactions with the Related Parties of a Revenue or Trading Nature for which approval from the shareholders was previously obtained during the Fifty-Sixth AGM on 30 June 2015 and such authority shall expire at the conclusion of the Fifty-Seventh AGM.
Listing Requirements	- The Main Market Listing Requirements of Bursa Securities including all amendments thereto.
LPD	- 31 March 2016 being the latest practicable date prior to the printing of this Circular.

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## DEFINITIONS – CONT'D

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- Major Shareholder(s) - A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:
- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or
  - (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.

This includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon a Major Shareholder of the Company.

For the purposes of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act.

- Management - The management of the Company.
- Notice - The Notice convening the Fifty-Seventh AGM of the Company as enclosed in the 2015 Annual Report.
- Proposed Amendments - Proposed Amendments to the Articles of Association of the Company.
- Proposed Shareholders' Mandate - Proposed renewal of the Existing Shareholders' Mandate which approval from the shareholders is being sought at the forthcoming AGM.
- Recurrent Transactions or Recurrent Related Party Transactions or RRPT - Related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations and are in the ordinary course of business of the Company.
- Related Party(ies) - A Director, Major Shareholder or person(s) connected with such Director or Major Shareholder of the Company.
- RM and Sen - Ringgit Malaysia and Sen respectively.
- Shell Group - A company or a group of companies, as the context requires, which is/are for the time being directly or indirectly affiliated, with Royal Dutch Shell plc.
- Significant Related Party Transactions - The Recurrent Transactions which value is 3.75% of the Profit/Loss Before Tax of the Company for the financial year as agreed with Messrs. PricewaterhouseCoopers, as disclosed in the 2015 Annual Report.
- SRC or the Company - Shell Refining Company (Federation of Malaya) Berhad (Company No: 3926-U).
- 2015 Annual Report - Annual Report of the Company for the financial year ended 31 December 2015.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
(Company Number: 3926-U)  
(Incorporated in Malaysia)

**Registered Office:-**

Level 8, Symphony House  
Pusat Dagangan Dana 1,  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan

**Date:** 29 April 2016

**Board of Directors:-**

**Y.Bhg. Datuk Iain John Lo, PGDK**

*(Chairman, Non-Independent Non-Executive Director)*

**En Amir Hamzah bin Abu Bakar**

*(Managing Director and Executive Director)*

**Mr. Michael John Carey**

*(Non-Independent Non-Executive Director)*

**Y.Bhg. Dato' Seri Talaat bin Haji Husain,**

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

*(Senior Independent Non-Executive Director)*

**Y.Bhg. Datuk Zainun Aishah binti Ahmad,**

KMN, PMP, DPMP, JSM, PJN

*(Independent Non-Executive Director)*

**Mr. David Lau Nai Pek**

*(Independent Non-Executive Director)*

**Y.Bhg. Datuk Yvonne Chia, DPMW**

*(Independent Non-Executive Director)*

**Mr. Heng Hock Cheng**

*(Independent Non-Executive Director)- Appointed on 1 April 2016*

**Y.Bhg. Datuk Seri Saw Choo Boon, SMW, DSNS**

*(Independent Non-Executive Director) – Resigned on 1 December 2015*

**Mr. Arnel Lamco Santos**

*(Non-Independent Non-Executive Director) – Resigned on 25 February 2016*

**To: The Shareholders of Shell Refining Company (Federation of Malaya) Berhad**

Dear Sir/Madam,

- **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**
- **PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**1. INTRODUCTION**

At the Fifty-Sixth AGM of the Company held on 30 June 2015, the Company had obtained a mandate from its shareholders to enter into RRPT with the Related Parties. The Existing Shareholders' Mandate will expire at the conclusion of the forthcoming Fifty-Seventh AGM scheduled to be held on 26 May 2016.

The Company has on 1 April 2016, announced its intention to seek shareholders' approval for the Proposed renewal of the Existing Shareholders' Mandate for the Recurrent Related Party Transactions with the Related Parties as set out in Section 3.2 of this Circular.

The Company has on 22 April 2016, announced its intention to seek shareholders' approval for the Proposed Amendments to the Articles of Association of the Company.

The purpose of this Circular is to:-

- (a) provide you with details of the
  - (i) Proposed Amendments to the Articles of Association of the Company as set out in the Notice; and
  - (ii) Proposed Shareholders' Mandate to be entered into by the Company and its Related Parties as set out in the Notice (collectively referred to as "the Proposals");
- (b) set out the views of your Board of Directors; and
- (c) seek your approval for the resolutions to be tabled at the forthcoming AGM.

The Notice and the Form of Proxy are enclosed in the 2015 Annual Report, which you are requested to complete and return in accordance with the instructions contained therein.

## **2. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

### **2.1 Details of the Proposed Amendments**

The details of the Proposed Amendments are set out in Appendix I of this Circular.

### **2.2 Rationale of the Proposed Amendments**

The Proposed Amendments, where relevant, are to streamline the Company's Articles of Association to be in line with the requirements of the latest Listing Requirements, prevailing statutory and regulatory requirements as well as render clarity and consistency throughout the Articles of Association.

### **2.3 Conditions of the Proposed Amendments**

The Proposed Amendments are conditional upon the approval being obtained from the shareholders of the Company at the forthcoming AGM.

### **2.4 Directors' and Major Shareholders' Interests**

None of the Directors and Major Shareholders of the Company and/or any persons connected to the Directors and/or Major Shareholders have any interests, direct or indirect, in the Proposed Amendments.

## **3. PROPOSED SHAREHOLDERS' MANDATE**

### **3.1 Provisions under the Listing Requirements**

Under Paragraph 10.09(2) of the Listing Requirements, a listed company may seek shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to, *inter alia*, the following:-

- i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;

- ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the prescribed threshold as follows:-
  - (1) the consideration, value of the assets, capital outlay or costs of the recurrent transaction is equal to or exceeds RM1 million; or
  - (2) the percentage ratio of such recurrent transaction is equal to or exceeds one percent (1%),whichever is the higher;
- iii) in a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with such Director or major shareholder; and where it involves the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder must comply with the requirements set out in paragraph 10.08(7) of Chapter 10 of the Listing Requirements; and
- iv) the listed company immediately announces to Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the listed company, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

The Proposed Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Shareholders' Mandate shall only continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the AGM at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (b) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

### **Business of the Company and Details of the Recurrent Related Party Transactions**

The principal activity of the Company is refining and manufacturing petroleum products. The Company has no subsidiary company.

In view of the time-sensitive, confidential and frequent nature of such RRPT, your Board of Directors is seeking its shareholders' approval for the Proposed Shareholders' Mandate.

The details of the Significant Related Party Transactions concluded during the last financial year ended 31 December 2015 had been disclosed in the 2015 Annual Report that is sent together with this Circular. Please refer to "Significant Related Party Transactions" in the 2015 Annual Report for further information.

The transactions within the class of Related Parties are set out in section 3.2 below and such transactions are entered into on terms which are not more favourable to the Related Parties than those generally available to the public and which will not be to the detriment of the Company's minority shareholders. The RRPT will also be subjected to the review procedures set out in section 3.4 below.



## 3.2 CLASS AND NATURE OF RRPT

### 3.2.1 Class of Related Parties

The general transactions entered into by the Company with the Shell Group of companies relates to the provision of or the obtaining of products and services to or from the Related Parties which are necessary for its day to day operations.

No.	Related Party	Principal Activities	Relationship
1.	Shell Malaysia Trading Sendirian Berhad	Marketing and Distribution of Petroleum Products	All these companies are Affiliates of the Company where the common ultimate holding company is Royal Dutch Shell plc.
2.	Shell Timur Sdn Bhd	Marketing and distribution of Petroleum Products and blending of Lubricating Oil in East Malaysia.	
3.	Shell International Eastern Trading Company	Trading in Crude Oil and Petroleum Products and Marine activities.	
4.	Shell Eastern Trading Chemicals (Singapore) Pte. Ltd.	Trading in Chemicals products.	
5.	Shell International Petroleum Company Limited	Provision of management advisory and business support services to the Shell Group.	
6.	Shell Global Solutions International B.V.	Engaging in research and development activities and the provision of related technical advice and services.	
7.	Shell Global Solutions (Malaysia) Sdn. Bhd.	Engaging in research and development activities and the provision of related technical advice and services.	
8.	Shell Lubricants Supply Company	Trading in Lubricants Raw Materials.	
9.	Shell Eastern Trading (Pte) Ltd	Trading in Lubricants Products and Raw Materials.	
10.	Shell Business Service Centre Sdn. Bhd.	Provides management, financial, accounting, information technology and human resource services and administration services to the Shell Group in the Asia-Pacific Region.	
11.	Shell People Services Asia Sdn Bhd	Provides Human Resources Professional Services, including Compensation Benchmarking, Employee Services, Learning and Recruitment to the Shell Businesses across Asia Pacific and globally.	
12.	Shell Malaysia Limited	Provision of corporate services and Shell Group arrangements for Shell Malaysia companies.	
13.	Shell Deutschland Oil GMBH	Marketing of petroleum products and petrochemicals.	
14.	Infineum Singapore Pte. Ltd	Manufacturing of lubricants products and chemicals.	

### 3.2.2 Nature of RRPT

The nature of the Recurrent Transactions between the Company and the following Related Parties with whom the RRPT are carried out for the Proposed Shareholders' Mandate are tabulated as follows:

Related Party		Nature of Transaction	Estimated value under the Existing Shareholders' Mandate (RM)	Actual value from 30/06/2015 (the date of last AGM) to LPD (RM)	Estimated value* from 26/05/2016 (the date of this AGM) to the date of the Fifty-Eighth AGM (RM)
1.	Shell Malaysia Trading Sendirian Berhad.	Sale of Petroleum Products	14,611,900,000	4,401,968,308	14,611,900,000
		Operation of Multi Product Pipeline Feeder Facilities			
		Use of SRC's Lubricant Oil Blending Plant and Marshalling Yard			
		Provision of Throughput Fees Services			
		Palm Oil Methyl Ester (POME) Tank Rentals			
		Provision of central management and administrative services	17,000,000	10,483,331	17,000,000
		Purchase of lubricants			
2.	Shell Timur Sdn Bhd	Sale of Petroleum Products	2,000,000,000	525,220,794	2,000,000,000
		Purchase of Petroleum Products by SRC	1,000,000,000	2,659,000	1,000,000,000

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Related Party		Nature of Transaction	Estimated value under the Existing Shareholders' Mandate (RM)	Actual value from 30/06/2015 (the date of last AGM) to LPD (RM)	Estimated value* from 26/05/2016 (the date of this AGM) to the date of the Fifty-Eighth AGM (RM)
3.	Shell International Eastern Trading Company	Sale of Petroleum Products	2,007,000,000	135,431,475	2,007,000,000
		Purchase of Crude Oil  Purchase of Petroleum Products  Provision of oil and oil products price risk management services	21,000,000,000	4,916,989,293	21,000,000,000
4.	Shell International Petroleum Company Limited	Provision of central management and administrative services	25,000,000	23,566,638	65,000,000
		Provision of research & development and technical support services <sup>(a)</sup>			
		Provision of IT services <sup>(b)</sup>	0	0	25,000,000
5.	Shell Eastern Trading Chemicals (Singapore) Pte. Ltd.	Sale of Petroleum Products	1,000,000,000	156,771,503	1,000,000,000
6.	Shell Global Solutions International B.V.	Provision of general business and technical support services	30,000,000	9,479,488	30,000,000
7.	Shell Global Solutions (Malaysia) Sdn. Bhd.	Provision of general business and technical support services	13,000,000	2,556,194	13,000,000
8.	Shell Lubricants Supply Company	Purchase of Lubricants Raw Materials	75,000,000	39,491,426	75,000,000

Related Party		Nature of Transaction	Estimated value under the Existing Shareholders' Mandate  (RM)	Actual value from 30/06/2015 (the date of last AGM) to LPD  (RM)	Estimated value* from 26/05/2016 (the date of this AGM) to the date of the Fifty-Eighth AGM  (RM)
9.	Shell Eastern Trading (Pte) Ltd	Purchase of Lubricants Products and Raw Materials	355,000,000	139,074,632	355,000,000
10.	Shell Business Service Centre Sdn. Bhd.	Provision of management, financial, accounting and administration services  Provision of IT support and administrative services  Provision of Human Resources Professional Services, including Compensation Benchmarking, Employee Services, Learning and Recruitment	13,000,000	6,135,564	13,000,000
11.	Shell People Services Asia Sdn. Bhd.	Provision of Human Resources Professional Services, including Compensation Benchmarking, Employee Services, Learning and Recruitment	3,000,000	208,641	3,000,000
12.	Shell Malaysia Limited <sup>(d)</sup>	Provision of central management and administrative services	3,000,000	2,472,719	5,400,000
13.	Shell Deutschland Oil GMBH	Purchase of Base Oil	1,000,000	0	1,000,000
14.	Infineum Singapore Pte. Ltd.	Purchase of Chemical Products by SRC	4,500,000	1,975,282	4,500,000
<b>TOTAL</b>			<b>42,158,400,000</b>	<b>10,374,484,288</b>	<b>42,225,800,000</b>

## Notes:

- (a) The provision of research & development and technical support services received by the Company referred to in item 4 of paragraph 3.2.2 of this circular refers to existing and ongoing recurrent related party transactions which have been previously aggregated as part of the provision of central management and administrative services in past mandates. As such, the introduction of this item does not reflect a new recurrent related party transaction but serves the purpose of providing further clarity and transparency on the nature of such transactions to our shareholders.
  - (b) These relate to receipt of IT services and activities to be carried out in respect of the transition of the Company pursuant to the potential separation from the Shell group of companies, as a result of the conditional sale of the shares held by the Major Shareholder in the Company as announced on 2 February 2016 (“IT Transition Costs”).
  - (c) This refers to a transaction that forms part of the agreement for the provision of research & development and technical support services as referred to in note (a) above, and the disclosure relates to a buy-out payment to be received by the Company from Shell International Petroleum Company in respect of rights to use any intangible property developed.
  - (d) The estimated value of the mandate is increased due to the IT Transition costs, and other activities and services necessary for such transition.
- \* The estimated values of the RRPT are based on information available at the point of estimation based on the Company’s business forecast for 2016-2017. Due to the nature of the RRPT and factors that may not be within the Company’s control, the actual value of RRPT may vary from the estimated values disclosed above.

### 3.2.3 *Amount Due and Owing to the Company by Related Parties*

There is no outstanding amount due under the RRPT which exceeded the credit term.

## 3.3 RATIONALE AND BENEFITS OF TRANSACTING WITH THE RELATED PARTIES

The RRPT entered, or to be entered into by the Company are all in the ordinary course of business of the Company. They are recurring transactions of a revenue or trading nature that are likely to occur with some degree of frequency and arise at any time, as well as from time to time. As part of an international group of companies where similar businesses are conducted, transactions in respect of goods and/or services are likely to occur to take advantage of quality assured products and services, lower operating costs and improved efficiency such as through economies of scale, better utilisation of resources and standardisation of processes and technology.

The benefits of these RRPT to the Company can be categorised generally as follows:

### (i) **Trading Transactions for Crude Oil and Petroleum Products**

The principal activity of the Company is refining and manufacturing petroleum products. The Related Parties under this category are involved in activities of a complementary nature, which consist primarily of the trading, supply and distribution of crude oil and petroleum products on a large scale for the Shell Group of companies in the region. It is therefore in the interests of the Company to transact with these Related Parties in order to enjoy synergistic benefits.

### (ii) **Operating Services**

The RRPT under this category comprise transactions, which if not with a Related Party would not have been entered into by the Company due to industry sensitivities regarding confidentiality and trade secrets. These industry constraints prevent the Company from contracting with parties other than Related Parties in respect of the activities covered by this category of RRPT. Hence, this category of RRPT represents business opportunities that the Company is in a position to profit from specifically by reason of the Company being a Related Party.

These RRPT may be constrained by the time-sensitive nature and confidentiality of such transactions and it will be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPT. As such the Board of Directors is seeking approval from the shareholders for the Proposed Shareholders' Mandate, pursuant to the Listing Requirements for the RRPTs described above, to allow and facilitate the Company in entering the same on terms which are not more favourable to the Related Parties than those generally available to the public and which are not to the detriment of the Company's minority shareholders.

The obtaining of the Proposed Shareholders' Mandate and the renewal of the same on an annual basis would also eliminate the need to announce and/or convene separate general meetings from time to time to seek shareholders' approval as and when potential RRPT arise, thereby reducing substantially the expenses and administrative time in convening such meetings without compromising the Company's business objectives, and would enable the Company and the Shell Group to carry out recurrent routine transactions necessary for day-to-day operations in a timely manner, and allow resources to be channelled towards attaining other corporate objectives.

### **3.4 REVIEW METHODS OR PROCEDURES FOR RECURRENT RELATED PARTY TRANSACTIONS**

To ensure that such RRPT are undertaken on terms which are not more favourable to the Related Parties than those generally available to the public and which are not to the detriment of the Company's minority shareholders, Management will ensure that the RRPT with the Related Parties will only be entered into taking into account the following procedures:-

- Ongoing awareness sessions with employees, stakeholders, and Related Parties to notify that all RRPT entered are subject to the Listing Requirements. All heads of departments in the Company are advised to report on all transactions with Related Parties.
- A register is maintained to record all transactions with Related Parties which are entered into pursuant to the Proposed Shareholders' Mandate.
- All transactions with Related Parties are to be negotiated and benchmarked with non-Related Party pricing and subsequently presented, reviewed and approved by a sub-committee (Contracts Board) set up by the Management.
- The Contract Board would review the appropriate benchmarking (against at least 2 other contemporaneous transactions with non-Related Parties for similar products/services and/or quantities) during the commercial evaluation of the proposals for all contracts with Related Parties to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of produces/services and /or quantities. In the event that such comparison cannot be obtained from non-Related Parties, the Contract Board would review the market information available, sourcing strategy applied and expected unquantifiable benefits to determine whether an arms-length approach has been used to select the Related Party vendor to ensure that the Recurrent Related Party Transaction is not detrimental to the Company.
- The threshold for the approval of Recurrent Related Party Transaction is set out in the Company's detailed business and corporate Manual of Authorities as approved by the Board of Directors. The threshold for RRPT that requires the Company's Contract Board approval is RM200,000 and above, and these RRPT will be tracked regularly. In addition to this, post this Circular, any non-mandated transaction with a Related Party that equals or exceeds 1% of the Company's net assets will be reviewed and approved by the Board of Directors.
- The annual internal audit plan shall incorporate a review of the records of all RRPT to ensure that relevant approvals have been obtained and that the review procedures in respect of such transactions are adhered to. Any divergence will be reported to the Audit Committee.
- The Board and the Audit Committee shall review the internal audit reports and any other reports required from time to time to ascertain that the guidelines and procedures established to monitor RRPT have been complied with.

- The method and procedures to determine transaction prices, terms and conditions are based on the prevailing market rates/agreed commercially competitive pricing calculation and where appropriate preferential rates and discounts (the same as are accorded to non- Related Parties in large transactions) relative to industry norm.

Further, where any Director has an interest (direct or indirect) in any RRPT, such Director (or his alternate, where applicable) shall abstain from voting on the matter. Where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

The Company will provide a breakdown of the aggregate value of the RRPT made during the financial year, amongst others, based on the following information:-

- (a) the type of the Recurrent Transactions made; and
- (b) the names of the Related Parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

The above was prepared based on the approved audited financial statements of the Company for the financial year ended 31 December 2015 which was approved by the Board of Directors on 18 April 2016.

### 3.5 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors or Major Shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Shareholders' Mandate pertaining to the Recurrent Related Party Transactions, save and except for the following:-

- (i) Shell Overseas Holdings Limited, a Major Shareholder holding 51% equity interest in the Company as at 31 March 2016, is an indirect wholly-owned Affiliate of Royal Dutch Shell plc, is deemed interested in the Proposed Shareholders' Mandate.
- (ii) En Amir Hamzah bin Abu Bakar, Datuk Iain John Lo and Mr Michael John Carey are the nominee directors of Shell Overseas Holdings Limited in the Company. As such, they are deemed interested in the Proposed Shareholders' Mandate in respect of Recurrent Related Party Transactions to be entered with the Shell Group as these Directors are acting representatives of Shell Overseas Holdings Limited which is the Major Shareholder of the Company.

As at 31 March 2016, none of the Directors have any direct or indirect shareholdings in the Company. The direct and indirect shareholdings of the Major Shareholders and persons connected in the Company as at 31 March 2016 are as follows:-

<b><u>Interested Major Shareholders</u></b>	<b><u>Direct Interest</u></b>	<b><u>%</u></b>	<b><u>Indirect Interest</u></b>	<b><u>%</u></b>
Shell Overseas Holdings Limited	153,000,000	51.00	-	-
Royal Dutch Shell plc	-	-	153,000,000	51.00

The interested Major Shareholder, namely Shell Overseas Holdings Limited will abstain from voting in respect of its direct interests in the Company on the Ordinary Resolution to approve the Proposed Shareholders' Mandate at the forthcoming AGM. The interested Major Shareholder has also undertaken that they shall ensure that persons connected with them shall abstain from voting on the said Ordinary Resolution approving the Proposed Shareholders' Mandate at the forthcoming AGM.

En Amir Hamzah bin Abu Bakar, Datuk Iain John Lo and Mr Michael John Carey as interested Directors have abstained and shall continue to abstain from deliberations of and voting at the Board in respect of all Recurrent Related Party Transactions in which they are deemed interested.

These Directors have also undertaken that they will ensure that Persons Connected with them will abstain from voting on the ordinary resolution approving the Proposed Shareholders' Mandate at the forthcoming AGM.

### **3.6 STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee who is responsible to determine whether the procedures for reviewing transactions that involve Related Parties are sufficient to ensure compliance with the relevant requirements, has seen and reviewed the procedures mentioned in Section 3.4 above and is of the view that the said procedures are sufficient to ensure that the RRPT are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the Company's minority shareholders. Further, the Audit Committee is of the view that adequate procedures and processes are in place to monitor, track and identify RRPT in a timely and orderly manner, and is satisfied with the frequency of review of these procedures and processes. The procedures and processes are reviewed on an ad-hoc basis based on recommendations from the internal audit committee or the Management of the Company.

The Audit Committee has reviewed this Circular, and any member of the Audit Committee may as he deems fit, request for additional information pertaining to the transaction including independent sources or advisers.

### **3.7 CONDITION OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate is subject to the approval from the shareholders of the Company at the forthcoming AGM to be convened.

## **4. DIRECTORS' RECOMMENDATION**

### **4.1 Proposed Amendments**

Your Board of Directors is of the opinion that the Proposed Amendments are in the best interest of the Company and its shareholders. Accordingly, the Board recommends that you vote in favour of the special resolution to be tabled at the forthcoming AGM.

### **4.2 Proposed Shareholders' Mandate**

Your Board of Directors excluding En Amir Hamzah bin Abu Bakar, Datuk Iain John Lo and Mr Michael John Carey, being the interested directors, having considered the rationale and benefits of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and its shareholders.

Accordingly, your Board of Directors excluding En Amir Hamzah bin Abu Bakar, Datuk Iain John Lo and Mr Michael John Carey, being the interested directors, recommend that shareholders vote in favour of the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.



**5. AGM**

The ordinary resolution to vote on the Proposed Shareholders' Mandate is set out in the Notice of AGM contained in the Company's 2015 Annual Report. The Fifty-Seventh AGM, will be held at Nexus Ballroom 2 & 3, Connexion@Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 26 May 2016 at 10.30 a.m.

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and deposit the original Form of Proxy enclosed in the 2015 Annual Report in accordance with the instructions contained therein as soon as possible and, in any event, so as to arrive at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time fixed for convening the Fifty-Seventh AGM. The completion and lodgement of the Form of Proxy does not preclude you from attending and voting in person at the Fifty-Seventh AGM should you subsequently wish to do so.

**6. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I and II of this Circular for further information.

Yours faithfully

For and on behalf of the Board of Directors

**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

**DATUK YVONNE CHIA**

Independent Non-Executive Director

## FURTHER INFORMATION

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

THAT the following existing articles in the Articles of Association of the Company are deleted in its entirety and the following proposed articles are substituted in lieu thereof:-

Article No.	Existing Article	Proposed Article
89	<p><b><u>Powers of Directors</u></b></p> <p>(2) A Director shall be liberty to vote in respect of any contract or proposed contract with the Company in which he is directly or indirectly interested and may be counted in the quorum present at any meeting at which such contract or proposed contract is considered.</p>	<p><b><u>Powers of Directors</u></b></p> <p>(2) A Director shall <b>not</b> be at liberty to vote in respect of any contract or proposed contract with the Company in which he is directly or indirectly interested and may be counted in the quorum present at any meeting at which such contract or proposed contract is considered.</p>
124	<p><b><u>Audited Financial Statements laid before Company in general meeting and to whom copies of annual report may be sent</u></b></p> <p>The Board shall from time to time, in accordance with Section 169 of the Act, cause to be prepared and to be laid before the Company in general meeting such statement of comprehensive income, statement of financial positions (or its equivalent) and reports. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the Directors' and auditors' reports shall not exceed four (4) months. A copy of the annual report including such document shall not less than twenty-one (21) days before the date of the meeting, provided always that it shall not exceeding six (6) months from the close of a financial year of the Company be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each of such document as may be required by the Exchange or other stock exchange, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and other stock exchange, if any, provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.</p>	<p><b><u>Audited Financial Statements laid before Company in general meeting and to whom copies of annual report may be sent</u></b></p> <p>The Board shall from time to time, in accordance with Section 169 of the Act, cause to be prepared and to be laid before the Company in general meeting such statement of comprehensive income, statement of financial positions (or its equivalent) and reports. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the Directors' and auditors' reports shall not exceed four (4) months. A copy of the annual report including such document shall not less than twenty-one (21) days before the date of the meeting, <del>provided always that it shall not exceeding six (6) months from the close of a financial year of the Company</del> be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each of such document as may be required by the Exchange or other stock exchange, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and other stock exchange, if any, provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.</p>

**FURTHER INFORMATION**

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**1. Directors' Responsibility Statement**

This Circular has been reviewed and approved by the Board of Directors of the Company who collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein misleading.

**2. Material Contracts**

There are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company during the two (2) years immediately preceding the date of this Circular.

**3. Material Litigation**

The Company is not engaged in any material litigation, claims or arbitration either as a plaintiff or defendant, and the Board of Directors are not aware of any proceedings, pending or threatened, against the Company or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company.

**4. Documents Available for Inspection**

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company at Level 8, Symphony House, Pusat Dagangan Dana 1 Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan from the date of this Circular up to and including the date of the AGM:-

- (i) the Memorandum and Articles of Association of the Company; and
- (ii) the audited financial statements of the Company for the financial years ended 31 December 2014; and 31 December 2015 and the latest unaudited results since the last audited financial statements.