HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

In accordance with the approval of the Board of Directors of Hengyuan Refining Company Berhad ("the Company") dated 30 August 2018, the Board hereby announces its unaudited financial results for the second quarter ended 30 June 2018.

The condensed financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Main Market Listing Requirements and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2017.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Comprehensive Income

	Note	**Unaudited**	Unaudited	**Unaudited**	Unaudited
		Individual quarter ended		**Cumulative period ended**	
		30.06.2018	30.06.2017	**30.06.2018**	30.06.2017
		RM'000	RM'000	**RM'000**	RM'000
Revenue	**A8**	**3,599,952**	2,597,978	**6,660,736**	5,529,538
Purchases		**(3,303,625)**	(2,346,170)	**(6,190,682)**	(4,882,123)
Gross profit		**296,327**	251,808	**470,054**	647,415
Other income		**1,974**	6,513	**6,840**	12,482
Manufacturing expenses		**(58,027)**	(72,123)	**(104,653)**	(124,849)
Administrative expenses		**(13,407)**	(9,841)	**(24,630)**	(16,336)
Depreciation and amortisation		**(46,860)**	(51,210)	**(93,180)**	(103,762)
Other operating losses		**(118,458)**	(24,243)	**(55,708)**	(18,022)
Finance cost		**(9,948)**	(16,497)	**(38,319)**	(33,036)
Profit before taxation	**A10**	**51,601**	84,407	**160,404**	363,892
Taxation	**A11**	**14,997**	-	**(6,998)**	-
Profit after taxation		**66,598**	84,407	**153,406**	363,892
Other comprehensive income/(expense):					
Items that will be reclassified to profit or loss:					
Cash flow hedge-net fair value loss on derivative used for hedging (net of tax)		**(68,283)**	-	**(67,035)**	-
Items that will not be reclassified to profit or loss:					
Foreign currency translation differences		**78,156**	(35,218)	**(6,668)**	(50,378)
		9,873	(35,218)	**(73,703)**	(50,378)
Total comprehensive income for the financial period		**76,471**	49,189	**79,703**	313,514
Earnings per share:					
- basic (sen)	**A9**	**22.20**	28.14	**51.14**	121.30
- diluted (sen)	**A9**	**N/A**	N/A	**N/A**	N/A

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying supplementary notes to these condensed financial statements.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Financial Position

	Note	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		**832,743**	736,834
Prepaid lease payments		**1,614**	1,632
Intangible assets		**30,755**	38,433
Derivative financial assets	**A18**	**2,603**	-
		867,715	776,899
CURRENT ASSETS			
Inventories		**1,655,250**	1,109,945
Trade receivables		**1,256,104**	1,081,278
Other receivables and prepayments		**303,462**	166,296
Tax recoverable		**1,311**	1,230
Derivative financial assets	**A18**	**11,500**	3,498
Deposits with licensed banks	**A20**	**123,148**	310,000
Bank balances	**A20**	**409,415**	202,907
		3,760,190	2,875,154
TOTAL ASSETS		**4,627,905**	3,652,053
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**300,000**	300,000
Retained earnings		**1,787,604**	1,640,198
Cash flow hedges		**(68,762)**	(1,727)
Exchange translation reserve		**(156,445)**	(149,777)
		1,862,397	1,788,694
CURRENT LIABILITIES			
Trade and other payables		**1,295,220**	587,297
Amounts due to immediate holding company		**17,700**	14,200
Derivative financial liabilities	**A18**	**125,913**	14,812
Borrowings	**A19**	**773,618**	79,103
		2,212,451	695,412
NON-CURRENT LIABILITIES			
Derivative financial liabilities	**A18**	**2,719**	-
Borrowings	**A19**	**523,937**	1,125,905
Deferred tax liabilities		**26,401**	42,042
		553,057	1,167,947
TOTAL EQUITY AND LIABILITIES		**4,627,905**	3,652,053

The above Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying supplementary notes to these condensed financial statements.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Changes in Equity

	Issued and fully paid ordinary shares		Non-distributable		Distributable	
	Number of shares '000	Nominal value RM'000	Cash flow hedges RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000
Unaudited						
At 1 January 2018	**300,000**	**300,000**	**(1,727)**	**(149,777)**	**1,640,198**	**1,788,694**
Net profit for the financial period	**-**	**-**	**-**	**-**	**153,406**	**153,406**
Other comprehensive expense for the financial period	**-**	**-**	**(67,035)**	**(6,668)**	**-**	**(73,703)**
Total comprehensive (expense)/income for the financial period	**-**	**-**	**(67,035)**	**(6,668)**	**153,406**	**79,703**
Transaction with owners						
Dividends paid	**-**	**-**	**-**	**-**	**(6,000)**	**(6,000)**
Total transaction with owners	**-**	**-**	**-**	**-**	**(6,000)**	**(6,000)**
At 30 June 2018	**300,000**	**300,000**	**(68,762)**	**(156,445)**	**1,787,604**	**1,862,397**
Unaudited						
At 1 January 2017	300,000	300,000	-	-	710,439	1,010,439
Net profit for the financial period	-	-	-	-	363,892	363,892
Other comprehensive expense for the financial period	-	-	-	(50,378)	-	(50,378)
Total comprehensive (expense)/income for the financial period	-	-	-	(50,378)	363,892	313,514
At 30 June 2017	300,000	300,000	-	(50,378)	1,074,331	1,323,953

The above Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying supplementary notes to these condensed financial statements.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Cash Flows

	Note	Cumulative period ended Unaudited 30.06.2018 RM'000	Unaudited 30.06.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**160,404**	363,892
Adjustments for:			
Depreciation of property, plant and equipment		**85,072**	94,782
Amortisation of intangible assets		**8,100**	8,967
Amortisation of prepaid lease payments		**8**	13
Amortisation of term loan and commitment fees		**14,409**	2,304
Interest expense		**23,910**	30,732
Interest income		**(6,816)**	(5,512)
Net fair value gain on derivative financial instruments		**(5,471)**	-
Net foreign exchange losses-unrealised		**9,698**	298
Allowance for doubtful debt		**-**	430
Operating profit before changes in working capital		**289,314**	495,906
Changes in working capital:			
Inventories		**(523,207)**	(328,636)
Trade and other receivables		**(317,568)**	(70,394)
Trade and other payables		**609,520**	421,712
Cash generated from operating activities		**58,059**	518,588
Interest received		**6,816**	5,512
Tax paid		**(976)**	-
Net cash flows generated from operating activities		**63,899**	524,100
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(95,369)**	(37,253)
Purchase of intangible assets		**(823)**	-
Net cash flows used in investing activities		**(96,192)**	(37,253)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loans		**(1,181,211)**	(43,889)
Proceeds from borrowings		**1,259,459**	-
Interest paid		**(20,816)**	(31,214)
Dividends paid		**(6,000)**	-
Prepaid term loan instalments		**(34,620)**	61
Refund/(placement) of security deposit placements with a licensed bank		**10,000**	(10,000)
Net cash flows generated from/(used in) financing activities		**26,812**	(85,042)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,481)**	401,805
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**492,886**	344,516
EFFECTS OF EXCHANGE RATE CHANGES		**(297)**	(23,292)
CASH AND CASH EQUVALENTS AT THE END OF THE PERIOD	**A20**	**487,108**	723,029

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying supplementary notes to these condensed financial statements.

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

A1 Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Main Market Listing Requirements. These condensed financial statements also comply with IAS 34 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 financial year ended 31 December 2017.

The explanatory notes to this report 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 2017.

The functional currency of the Company is United States Dollar ("USD"). The Company present its condensed financial statements in Ringgit Malaysia, consistent with the requirements of Companies Act, 2016 which requires financial statements and reports to be quoted in Ringgit Malaysia.

The financial information presented herein have been prepared in accordance with the accounting policies used in preparing the audited financial statements for the financial year ended 31 December 2017, and for the following standards and interpretation which became effective on 1 January 2018:

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

The main effects of the adoption of MFRSs and IC Interpretation above is summarised below:

- MFRS 9 "Financial Instruments"

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as fair value through profit or loss ("FVTPL"), the fair value changes due to own credit risk should be recognised directly to other comprehensive income. There is no subsequent recycling to profit or loss.

- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

- MFRS 9 "Financial Instruments" (continued)

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminated the need for a trigger event to have occurred before credit losses are recognised.

The new hedge accounting rules aligns the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Hedging relationships established as of 31 December 2017 continue to be treated as cash flow hedges upon adoption of MFRS 9.

The Company does not expect the requirements of the new standard to affect the classification and measurement of both its financial assets and financial liabilities. The expanded disclosure requirements and changes in presentation as required by the standard will be incorporated in the Company's financial statements for the financial year ending 31 December 2018.

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

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

- MFRS 15 "Revenue from Contracts with Customers"

MFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018 replaces MFRS 118 "Revenue" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

- MFRS 15 "Revenue from Contracts with Customers" (continued)

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies, minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees and consignment arrangement, to name a few.
  - As with any new standard, there are also increased disclosures.

  The adoption of MFRS 15 did not result in any material changes to the timing and measurement of revenue recognition as the Company's recognition principles remain consistent with the previous accounting policies.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

  The IC Interpretation clarifies the determination of transaction date, which in turn will determine the exchange rate to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation did not have any material impact on the Company as the exchange rates applied are consistent with the clarification in IC Interpretation 22.

A1 Basis of preparation (continued)

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

- MFRS 16 "Leases" (effective from 1 January 2019)
- Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle) (effective from 1 January 2019)
- Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle) (effective from 1 January 2019)

The Company is currently assessing the financial impact that may arise from the adoption of the above new standards.

A2 Audit report of preceding annual financial statements

The audit report of the Company's financial statements for the financial year ended 31 December 2017 was not subjected to any audit qualification.

A3 Comments about seasonal or cyclical factors

The Company's financial performance is affected by market driven refinery margins and hydrocarbon prices, which are influenced by international supply and demand for crude and petroleum products and geopolitical factors.

A4 Significant events and transactions

There were no significant events or transactions affecting assets, liabilities, equity, net income, or cash flows for the financial period that were unusual due to their nature, size, or incidence.

A5 Critical accounting estimates and judgments

There were no changes in estimates of amounts reported in prior periods that had a material effect in the current quarter and period-to-date ended 30 June 2018.

A6 Debt and equity securities

There were no issuances of new debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current quarter and period-to-date ended 30 June 2018.

A7 Segmental reporting

The Company is principally engaged in the business of refining and manufacturing of petroleum products in Malaysia, which is a single business segment. The Company's primary operations are also concentrated within Malaysia, hence operating within a single geographical segment. Accordingly, no segmental information is considered necessary for analysis by business or by geographical segments.

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

A8 Revenue

	Quarter ended		Cumulative period ended	
	30.06.2018	30.06.2017	**30.06.2018**	30.06.2017
	RM'000	RM'000	**RM'000**	RM'000
Sale of oil products				
- Refined	**3,599,536**	2,597,643	**6,659,508**	5,528,154
- Crude oil	**416**	335	**1,228**	1,384
	3,599,952	2,597,978	**6,660,736**	5,529,538

A9 Earnings per share

	Quarter ended		Cumulative period ended	
	30.06.2018	30.06.2017	**30.06.2018**	30.06.2017
(a) Basic earnings per share				
Net profit for the period (RM'000)	**66,598**	84,407	**153,406**	363,892
Weighted average number of ordinary shares in issue (`000)	**300,000**	300,000	**300,000**	300,000
Basic earnings per share (sen)	**22.20**	28.14	**51.14**	121.30
(b) Diluted earnings per share (sen)	**N/A**	N/A	**N/A**	N/A

A10 Profit before taxation

	Quarter ended		Cumulative period ended	
	30.06.2018	30.06.2017	**30.06.2018**	30.06.2017
	RM'000	RM'000	**RM'000**	RM'000
The profit before taxation is arrived at after (crediting)/charging:				
Interest income	**(1,974)**	(3,005)	**(6,816)**	(5,512)
Operating and transport fees	**-**	(3,469)	**(24)**	(6,921)
Amortisation of term loan and commitment fees	**149**	1,303	**14,409**	2,304
Interest expense	**9,799**	15,194	**23,910**	30,732
Depreciation of property, plant and equipment	**42,633**	46,780	**85,072**	94,782
Amortisation of intangible assets	**4,223**	4,423	**8,100**	8,967
Amortisation of prepaid lease payments	**4**	7	**8**	13
Allowance for doubtful debt	**-**	430	**-**	430
Foreign exchange loss- realised	**77,890**	20,139	**45,030**	18,679
Foreign exchange loss/(gain)- unrealised	**45,101**	4,104	**16,149**	(657)
Fair value gain on derivative financial instruments	**(4,533)**	-	**(5,471)**	-

Save as disclosed above and in the Condensed Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Company.

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

A11 Taxation

Details of the Company's taxation are as follows:

	Quarter ended		Cumulative period ended	
	30.06.2018	30.06.2017	**30.06.2018**	30.06.2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysian Tax				
Current tax	**556**	-	**988**	-
Deferred tax	**(15,553)**	-	**6,010**	-
	(14,997)	-	**6,998**	-

The effective tax rate of the Company varies from the statutory tax rate due to the following:

	Quarter ended		Cumulative period ended	
	30.06.2018	30.06.2017	**30.06.2018**	30.06.2017
	%	%	**%**	%
Applicable tax rate	**24**	24	**24**	24
Tax effects in respect of:				
- Expenses not deductible for tax purpose	**1**	1	**5**	1
- Expenses not deductible/(income not taxable) due to difference between functional and tax reporting currency	**16**	-	**-3**	-
- Income not subject to tax	**-6**	-	**-1**	
- Utilisation of tax losses/deductible temporary differences previously not recognised	**-**	-25	**-**	-25
- Over provision in prior years arising from difference in tax treatment on functional currency change	**-64**	-	**-21**	-
	-29	-	**4**	-

A12 Dividends

On 27 February 2018, the Directors declared a single-tier interim dividend of RM0.02 per share, amounting to RM6,000,000 in respect of the financial year ended 31 December 2017. The dividend was paid on 17 April 2018 to shareholders registered on the Record of Depositors at the close of business on 20 March 2018.

The Company did not declare any dividend for the current period and corresponding preceding quarter.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and period-to date ended 30 June 2018.

A14 Changes in contingent assets/liabilities

There were no significant changes in contingent liabilities or assets since the last audited annual financial statements as at 31 December 2017.

A15 Corporate proposal

There are no corporate proposals announced and not completed as at 30 June 2018.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2017.

A17 Commodity prices, interest rates and foreign currency exchange exposures

The Company's margins and financial performance are exposed to the risk of crude and refined product price fluctuations, driven by geopolitical forces and global economic changes. The Company aims to match the average price of its crude oil intake to the planned production of refined oil products, to manage the risks of margin erosion to an acceptable level. The Company may enter into futures, swaps, options and option derivatives to mitigate margin risks, but only whilst achieving an adequate balance between paper and physical positions.

The Company finances its operations through a mixture of internally generated profits and borrowings. The Company's interest rate risk arises from its external borrowings. The Company may enter into swaps in managing its exposure.

The Company is also exposed to foreign currency exchange risks as a result of transactions entered into currencies other than its functional currency. Following the change of its functional currency from Ringgit Malaysia to the US Dollar, the Company's exposure to foreign currencies is now limited to financial assets and liabilities that are denominated in currencies other than the US Dollar. The USD denominated term loans are no longer exposed to foreign currency fluctuations. The Company may enter into foreign currency hedge transactions to manage this exposure.

The Company's financial risk management objectives and policies remain similar to that disclosed in the audited financial statements for the financial year ended 31 December 2017.

Derivatives outstanding as at 30 June 2018 will mature within the next twelve months, except for interest rate swaps and certain refining margin swaps which will mature beyond 12 months (31 December 2017: within 12 months).

A18 Fair value disclosures

(a) Financial instruments carried at amortised cost:

The carrying amounts of financial assets and liabilities of the Company approximated their fair values as at 30 June 2018.

(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 financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the financial asset or liability that are not based on observable market data (i.e. unobservable inputs).

A18 Fair value disclosures (continued)

(b) Financial instruments carried at fair value (continued):

Fair value of financial instruments that were outstanding as at the reporting date are detailed below:

	Contract/ Notional amount USD'000	Assets RM'000	(Liabilities) RM'000
Financial assets/(liabilities)			
Level 2			
30.06.2018			
Forward foreign currency contracts	**62,550**	**1,663**	**(210)**
Forward priced commodity contracts	**179,753**	**-**	**(23,020)**
Refining margin swap contracts	**204,429**	**12,440**	**(102,828)**
Interest rate swap contracts	**120,000**	**-**	**(2,574)**
31.12.2017			
Forward foreign currency contracts	55,000	-	(1,462)
Forward priced commodity contracts	51,030	-	(7,731)
Refining margin swap contracts	40,826	3,498	(5,619)

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement in the current quarter and period-to-date ended 30 June 2018. The fair values were obtained from counterparties.

A19 Borrowings

On 23 January 2018, the Company accepted banking facilities consisting of a mix of term loans and revolving credits of up to USD430,000,000 (approximately RM1,671,200,000). The facilities are utilised towards refinancing the Company's existing borrowings, partial financing of planned capital expenditure and meeting working capital requirements.

In the previous quarter, term loans amounting to USD160,000,000 (equivalent to RM621,840,000) and revolving credit facilities amounting to USD110,000,000 (equivalent to RM427,515,000) were drawndown to fully refinance existing term loans. The new term loans are repayable in instalments over a 5-year period whilst the revolving credits are repayable within 12 months.

In the current quarter, revolving credit facilities amounting to USD50,000,000 (equivalent to RM196,750,000) were drawdown for working capital requirements. Revolving credits are repayable within 12 months.

Borrowings as at 30 June 2018 and 31 December 2017 are denominated in US Dollar. Details of the Company's borrowings as at the reporting date are as follows:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Term loans (secured)	**648,727**	1,205,008
Revolving credits (secured)	**648,828**	-
	1,297,555	1,205,008
Less: Amount repayable within 12 months	**(773,618)**	(79,103)
Amount repayable after 12 months	**523,937**	1,125,905

Terms and conditions of the previous term loans are as disclosed in the audited financial statements for the financial year ended 31 December 2017.

A19 Borrowings (continued)

Detailed below are changes in liabilities arising from financing activities:

	RM'000	RM'000
As at		
- 1 January 2018	**1,205,008**	-
- 1 January 2017	**-**	1,416,913
Proceeds from borrowings	**1,259,459**	-
Repayment of borrowings (including accrued interest)	**(1,202,027)**	(144,978)
Non-cash changes:		
- Interest accrued	**23,910**	58,905
- Amortisation of term loan and commitment fees	**14,409**	3,870
- Foreign exchange difference upon translation to presentation currency	**(3,204)**	(129,702)
As at		
- 30 June 2018	**1,297,555**	-
- 31 December 2017	**-**	1,205,008

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

A20 Cash and cash equivalents

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Cash and cash equivalents comprise of:		
Deposits with licensed banks	**123,148**	310,000
Bank balances	**409,415**	202,907
Less: Restricted cash	**(45,455)**	(20,021)
	487,108	492,886

Restricted cash comprise of RM45.5 million (31.12.2017: RM10.0 million) held in a debt service accrual account associated with a term loan. Balance as at 31 December 2017 includes RM10.0 million security deposit placed with a local licensed bank for trade facilities.

A21 Capital commitments

Capital commitments as at 30 June 2018 are as follows:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Property, plant and equipment		
Approved and contracted for	**308,149**	542,382
Approved but not contracted for	**467,018**	204,579

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

A22 Company's performance

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

A23 Current year prospects

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

A24 Related party disclosure

There were no trade/non-trade payments to/from Malaysia Hengyuan International Limited or with its affiliated companies in the current quarter and period to-date ended 30 June 2018. Included within accruals as at 30 June 2018 is an amount of RM3.5 million relating to functional services from holding company.

Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period

	Quarter ended				Cumulative period ended			
	30.6.2018	30.6.2017	Variance		30.6.2018	30.6.2017	Variance	
	RM 'mil	RM 'mil	RM 'mil	%	RM 'mil	RM 'mil	RM 'mil	%
Revenue	3,600	2,598	1,002	39%	6,661	5,530	1,131	20%
Gross profit	296	252	44	17%	470	647	(177)	-27%
Profit after taxation	67	84	(17)	-20%	153	364	(211)	-58%

The Company recorded higher revenue in the current quarter and cumulative period ended 30 June 2018, against corresponding periods last year. Market quoted product prices in the current quarter and 6-months period averaged at USD84 per barrel and USD80 per barrel respectively, higher than the average prices of USD62 per barrel and USD 61 per barrel in the respective comparative periods. The refinery recorded sales volumes of 10.8 million barrels and 21.0 million barrels for the current quarter and cumulative periods. Last year's sales volumes for both periods were lower by approximately 1 million barrels as the refinery underwent a planned minor turnaround for its smaller crude distiller in May 2017.

Gross profit for the current quarter reflected a FIFO margin of USD7.64 per barrel (including a stockholding gain of USD4.28 per barrel), compared to FIFO margin of USD5.98 per barrel (including a stockholding loss of USD1.71 per barrel) for the same period last year. Lower average margins (excluding stockholding gains/losses) for the current and cumulative periods are due to lower market mogas and middle distillate cracks amidst increasing crude prices and high inventories in the region.

Manufacturing expenses for the current quarter and cumulative periods were lower as the comparative performance included expenditure on a planned minor turnaround maintenance. Administrative expenses for the current periods include accruals for functional services from holding company. The Company also recorded a loss on foreign currency exchange as the RM weakened against the US Dollar in the current quarter. Finance costs for the current quarter reflects the lower interest rates applicable on the new term loans and revolving credit facilities.

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

B2 Financial review for current quarter compared with immediately preceding quarter

	Quarter ended			
	30.6.2018	31.3.2018	Variance	
	RM 'mil	RM 'mil	RM 'mil	%
Revenue	3,600	3,061	539	18%
Gross profit	296	174	122	70%
Profit after taxation	67	87	(20)	-23%

Revenue for the current quarter is higher by 18% against the immediately preceding quarter as average market product prices increased from USD76 per barrel in Q1 2018 to USD84 per barrel in Q2 2018. The Company also recorded additional sales of 0.6 million barrels against the previous quarter.

Though market average margins (excluding stockholding effects) for both quarters under review were relatively unchanged, gross profit for the current quarter improved on stockholding gains as crude prices closed at USD79 per barrel as of 30 June 2018.

Higher operational expenditure in the current quarter reflects higher spend on planned maintenance in anticipation of the major turnaround. Current quarter's finance costs reflect lower interest rates on the new term loans and revolving credit facilities following the refinancing exercise in February 2018.

B3 Current year prospects

Refining margins are expected to remain volatile in the near term based on published forward market prices and refining margins. Operational efficiency, safety performance, product quality, hydrocarbon hedging and financial risk management continue to remain as key areas of focus in optimising the Company's performance.

The Company is currently undergoing a planned major statutory turnaround which commenced on 6 August 2018 and is expected to complete late October 2018. Accordingly, revenues for the current financial year will reflect the anticipated reduction in sales and production volumes.

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

B4 Status of Project Euro4M Mogas

On 16 of June 2017, the Company had announced the Final Investment Decision on the Euro4M Mogas project with planned completion in the 2nd half of 2018.

We continue to anticipate a delay in the planned completion of the Euro4M Mogas project due to the longer than expected duration to fabricate the main equipment. We are currently evaluating options to minimise the impact and will provide further information in due course.

We do not anticipate any interruptions in meeting our product delivery commitments to our customers as a result of this delay.

B5 Profit forecast

The Company does not issue any profit forecast.

BY ORDER OF THE BOARD
Lim Hooi Mooi (MAICSA 0799764)
Ong Wai Leng (MAICSA 7065544)
Company Secretaries

Kuala Lumpur
30 August 2018