



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

In accordance with the approval of the Board of Directors of Hengyuan Refining Company Berhad (“the Company”) dated 28 May 2021 the Board hereby announces its unaudited financial results for the first quarter ended 31 March 2021.

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 2020.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

Condensed Statement of Comprehensive Income

		Unaudited Current and cumulative period ended	Unaudited
	Note	31.03.2021	31.03.2020
		RM'000	RM'000
Revenue	A8	2,197,892	2,549,347
Purchases		(1,830,192)	(2,845,394)
Gross profit/(loss)		367,700	(296,047)
Other income		12,243	1,679
Manufacturing expenses		(54,195)	(56,356)
Administrative expenses		(13,420)	(12,676)
Depreciation and amortisation		(29,428)	(29,263)
Other operating (losses)/gains		(244,686)	277,162
Finance cost		(4,642)	(8,132)
Profit/(loss) before taxation	A10	33,572	(123,633)
Taxation	A11	(17,264)	(490)
Profit/(loss) after taxation		16,308	(124,123)
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Cash flow hedge - net fair value (loss)/gain on derivatives used for hedging (net of tax)		(30,220)	345,746
Cost of hedging reserve (net of tax)		892	(418)
		(29,328)	345,328
Total comprehensive (loss)/income for the financial period		(13,020)	221,205
Basic/Diluted earnings per share (sen)	A9	5.44	(41.37)

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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Condensed Statement of Financial Position

	Note	Unaudited As at <u>31.03.2020</u> RM'000	Audited As at <u>31.12.2020</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,983,046	1,994,188
Intangible assets		11,775	12,444
Right-of-use assets		21,566	23,444
Derivative financial assets	A18	17,473	-
		<u>2,033,860</u>	<u>2,030,076</u>
CURRENT ASSETS			
Inventories		1,210,069	1,051,689
Trade receivables		777,848	513,451
Other receivables and prepayments		25,012	28,311
Tax recoverable		3,017	2,994
Derivative financial assets	A18	116,221	135,180
Bank balances		710,160	737,198
		<u>2,842,327</u>	<u>2,468,823</u>
TOTAL ASSETS		<u>4,876,187</u>	<u>4,498,899</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		1,954,235	1,949,927
Cash flow hedge reserve		19,332	49,552
Cost of hedging reserve		(1,318)	(2,210)
Exchange translation reserve		(128,888)	(128,888)
		<u>2,143,361</u>	<u>2,168,381</u>
CURRENT LIABILITIES			
Trade and other payables		1,415,996	1,308,516
Amount due to related company		7,813	14,317
Lease liabilities		7,822	7,722
Derivative financial liabilities	A18	76,876	53,638
Borrowings	A19	620,245	250,689
		<u>2,128,752</u>	<u>1,634,882</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	15,221	15,886
Lease liabilities		13,768	15,796
Borrowings	A19	452,257	549,118
Deferred tax liabilities		122,828	114,836
		<u>604,074</u>	<u>695,636</u>
TOTAL EQUITY AND LIABILITIES		<u>4,876,187</u>	<u>4,498,899</u>

The above Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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Condensed Statement of Changes in Equity

	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total equity RM'000
	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	
Unaudited							
At 1 January 2021	300,000	300,000	49,552	(2,210)	(128,888)	1,949,927	2,168,381
Net profit for the financial period	-	-	-	-	-	16,308	16,308
Other comprehensive income for the financial period	-	-	(30,220)	892	-	-	(29,328)
Total comprehensive (loss)/ income for the financial period	-	-	(30,220)	892	-	16,308	(13,020)
<u>Transaction with owners</u>							
Dividend payable to owners of the Company	-	-	-	-	-	(12,000)	(12,000)
Total transaction with owners	-	-	-	-	-	(12,000)	(12,000)
At 31 March 2021	<u>300,000</u>	<u>300,000</u>	<u>19,332</u>	<u>(1,318)</u>	<u>(128,888)</u>	<u>1,954,235</u>	<u>2,143,361</u>
Unaudited							
At 1 January 2020	300,000	300,000	175,346	(34,059)	(128,888)	1,698,944	2,011,343
Net loss for the financial period	-	-	-	-	-	(124,123)	(124,123)
Other comprehensive income for the financial period	-	-	345,746	(418)	-	-	345,328
Total comprehensive income/ (loss) for the financial period	-	-	345,746	(418)	-	(124,123)	221,205
At 31 March 2020	<u>300,000</u>	<u>300,000</u>	<u>521,092</u>	<u>(34,477)</u>	<u>(128,888)</u>	<u>1,574,821</u>	<u>2,232,548</u>

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 2020 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD
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Condensed Statement of Cash Flows

	Note	Quarter and cumulative period ended	
		Unaudited <u>31.03.2021</u> RM'000	Unaudited <u>31.03.2020</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		33,572	(123,633)
Adjustments for:			
Depreciation of property, plant and equipment		26,881	26,793
Depreciation of right-of-use assets		1,878	1,884
Amortisation of intangible assets		669	586
Amortisation of term loan commitment fees		44	34
Property, plant and equipment written off		-	80
Inventories written down		3,761	-
Provision for impairment of receivables		318	-
Interest expense		4,598	8,098
Interest income		(1,467)	(1,679)
Net fair value gain on derivative financial instruments - unrealised		(14,280)	(111,567)
Net foreign exchange loss - unrealised		48,505	72,772
Operating profit/(loss) before changes in working capital		<u>104,479</u>	<u>(126,632)</u>
Changes in working capital:			
Inventories		(162,141)	528,385
Trade and other receivables		(256,227)	(27,515)
Trade, other payables and amount due to related companies		109,712	(1,068,272)
Cash generated from operating activities		<u>(204,177)</u>	<u>(694,034)</u>
Interest received		1,467	1,679
Tax paid		(23)	(241)
Net cash used in operating activities		<u>(202,733)</u>	<u>(692,596)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(65,739)	(21,532)
Purchase of intangible assets		-	(821)
Net cash used in investing activities		<u>(65,739)</u>	<u>(22,353)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(376,846)	(639,288)
Proceeds from borrowings		618,360	541,769
Repayment of principal portion of lease liabilities		(2,098)	(2,107)
Interest paid		(7,198)	(13,963)
Restricted cash for term loan facilities		39,750	67,819
Net cash from/(used in) financing activities		<u>271,968</u>	<u>(45,770)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,496	(760,719)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		683,843	1,036,788
EFFECTS OF EXCHANGE RATE CHANGES		9,216	7,692
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	A21	<u>696,555</u>	<u>283,761</u>

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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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 2020.

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 2020.

The interim financial report is presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

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 2020, and for the following standards and interpretation that are applicable to the Company but not yet effective:

- Amendments to MFRS 116 – Proceeds before Intended Use (effective on or after 1 January 2022)
- Amendments to MFRS 137 – Onerous Contracts: Cost of Fulfilling a Contract (effective on or after 1 January 2022)
- Annual improvements to MFRS 9 – Fees in the 10% test for Derecognition of Financial Liabilities (effective on or after 1 January 2022)
- Amendments to MFRS 101 – Classification of Liabilities as Current or Non-current (effective on or after 1 January 2023)
- Amendments to MFRS 101 – Disclosure of Accounting Policies (effective on or after 1 January 2023)
- Amendments to MFRS Practice Statement 2 “Making Material Judgements” – Disclosure of Accounting Policies (effective on or after 1 January 2023)
- Amendments to MFRS 108 – Definition of Accounting Estimates (effective on or after 1 January 2023)

The financial impact that may arise from the adoption of the above new standard is being assessed by the Company.



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

A2 Audit report of preceding annual financial statements

The audit report of the Company's financial statements for the financial year ended 31 December 2020 was not subjected to any audit qualifications.

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 ended 31 March 2021.

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 ended 31 March 2021.

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.



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

A8 Revenue

	Quarter and cumulative period ended	
	<u>31.03.2021</u>	<u>31.03.2020</u>
	RM'000	RM'000
Sale of oil products		
- Refined	2,197,488	2,548,798
- Crude oil	404	549
	<u>2,197,892</u>	<u>2,549,347</u>

A9 Earnings per share

	Quarter and cumulative period ended	
	<u>31.03.2021</u>	<u>31.03.2020</u>
Net profit/(loss) for the period (RM'000)	16,308	(124,123)
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic/Diluted earnings per share (sen)	5.44	(41.37)



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

A10 Profit/(loss) before taxation

	Quarter and cumulative period ended	
	<u>31.03.2021</u>	<u>31.03.2020</u>
	RM'000	RM'000
<i>Profit/(loss) before taxation is arrived at after (crediting)/ charging:</i>		
Interest income	(1,467)	(1,679)
Liquidated damages	(10,776)	-
Amortisation of term loan commitment fees	44	34
Interest expense	4,598	8,098
Depreciation of property, plant and equipment	26,881	26,793
Depreciation of right-of-use assets	1,878	1,884
Amortisation of intangible assets	669	586
Write off of property, plant and equipment	-	80
Inventories written down	3,761	-
Provision for impairment of receivables	381	-
Foreign exchange (gain)/ loss		
- realised	(7,179)	8,962
- unrealised	48,505	72,772
Fair value loss/(gain) on derivative financial instruments	<u>128,533</u>	<u>(472,651)</u>

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.



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

A11 Taxation

Details of the Company's taxation are as follows:

	Quarter and cumulative period ended	
	<u>31.03.2021</u> RM'000	<u>31.03.2020</u> RM'000
<u>Malaysian Tax</u>		
Current tax	195	-
Deferred tax	17,069	490
	<u>17,264</u>	<u>490</u>

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

	Quarter and cumulative period ended	
	<u>31.03.2021</u> %	<u>31.03.2020</u> %
Applicable tax rate	(24)	(24)
Tax effects in respect of:		
- Expenses not deductible for tax purpose	(27)	8
- Effects arising due to difference between functional and tax reporting currency	-	3
- Deferred tax asset not recognised on unutilised tax losses	-	13
	<u>(51)</u>	<u>-</u>



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

A12 Dividends

On 26 February 2021, the Board of Directors declared a single-tier interim dividend of RM0.04 per share, amounting to RM12,000,000 in respect of the financial year ended 31 December 2020. The dividend was paid on 15 April 2021 to shareholders registered on the Record of Depositors at the close of business on 23 March 2021.

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 ended 31 March 2021.

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 2020.

A15 Corporate proposal

There were no corporate proposals announced and not completed as at 31 March 2021.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2020.



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

A17 Commodity prices 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 in order to mitigate the risks of margin erosion to an acceptable level. The Company may enter into futures, swaps and option derivatives to mitigate margin risks, but only whilst achieving an adequate balance between paper and physical positions.

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

The Company is also exposed to foreign currency exchange risks as a result of transactions entered into currencies other than its functional currency. 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 2020.

Derivatives classified within current assets and current liabilities as at 31 March 2021 will mature within the next twelve months. Derivatives classified within non-current assets and liabilities will mature beyond 12 months.



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

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 31 March 2021.

(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).



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

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
<u>Financial assets/(liabilities)</u>			
<u>Level 2</u>			
<u>31.03.2021</u>			
Forward priced commodity contracts	21,126	3,997	-
Commodity swap contracts	361,648	67,623	(51,078)
Refining margin swap contracts	194,016	62,074	(27,405)
Interest rate swap contracts	77,500	-	(13,614)
	<hr/>	<hr/>	<hr/>
<u>31.12.2020</u>			
Forward foreign currency contracts	18,000	57	-
Forward priced commodity contracts	47,414	-	(2,526)
Commodity swap contracts	96,496	59,185	(46,920)
Refining margin swap contracts	59,436	78,938	(4,192)
Interest rate swap contracts	88,750	-	(15,886)
	<hr/>	<hr/>	<hr/>

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 financial year ended 31 December 2020. The fair values were obtained from published rates of counterparties.



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

A19 Borrowings

Details of the Company's borrowings as at the reporting date are as follows:

	As at 31.03.2021	As at 31.12.2020
	RM'000	RM'000
<u>Secured</u>		
Term loans and revolving credits and overdrafts	1,072,502	799,807
Less: Amount repayable within 12 months	(620,245)	(250,689)
Amount repayable after 12 months	452,257	549,118
Currency profile of borrowings:		
- USD	1,072,502	799,807

Terms and conditions of the term loans and revolving credits are as disclosed in the audited financial statements for the financial year ended 31 December 2020.



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

A20 Changes in liabilities arising from financing activities

(a) Detailed below are changes in liabilities arising from borrowings:

	RM'000	RM'000
As at		
- 1 January 2021	799,807	-
- 1 January 2020	-	1,381,913
Proceeds from borrowings	618,360	566,932
Repayment of borrowings (includes interest paid)	(381,128)	(646,524)
Non-cash changes:		
- Interest accrued	4,286	11,249
- Amortisation of term loan commitment fees	44	34
- Unrealised foreign exchange loss	31,133	60,835
As at		
- 31 March 2021	1,072,502	-
- 31 March 2020	-	1,374,439

(b) Detailed below are changes in liabilities arising from leasing activities:

	RM'000	RM'000
As at		
- 1 January 2021	23,518	-
- 1 January 2020	-	30,757
Repayment of principal portion of lease liabilities	(2,098)	(2,107)
Non-cash changes:		
- New lease liabilities recognised	-	119
- Interest accrued	170	258
As at		
- 31 March 2021	21,590	-
- 31 March 2020	-	29,027



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

A21 Cash and cash equivalents

	As at <u>31.03.2021</u> RM'000	As at <u>31.03.2020</u> RM'000
Cash and cash equivalents comprise of:		
Bank balances	710,160	341,512
Less: Restricted cash	(13,605)	(32,588)
Less: Overdrafts	-	(25,163)
	<u>696,555</u>	<u>283,761</u>

Restricted cash comprise of amounts held in a debt service accrual account associated with the term loan facilities.

A22 Capital commitments

Capital commitments as at 31 March 2021 are as follows:

	As at <u>31.03.2021</u> RM'000	As at <u>31.12.2020</u> RM'000
Property, plant and equipment		
Approved and contracted for	182,418	185,135
Approved but not contracted for	<u>111,554</u>	<u>97,076</u>

A23 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.

A24 Current year prospects

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



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

A25 Related party disclosures

Below are significant related party transactions that are entered into in the normal course of business and have been established under negotiated terms:

	Quarter and cumulative period ended	
	<u>31.03.2021</u> RM'000	<u>31.03.2020</u> RM'000
Transactions with immediate holding company		
- Sale of refined products	<u>-</u>	<u>89,259</u>
- Purchase of refined products	<u>(2,397)</u>	<u>(14,788)</u>
- Central management and administrative charges	<u>(4)</u>	<u>(2,650)</u>
- Technical advisory support	<u>-</u>	<u>(6,027)</u>
Transactions with an affiliated company		
- Purchase of refined products	<u>-</u>	<u>(646)</u>
- Central management and administrative charges	<u>(2,362)</u>	<u>-</u>
- Technical advisory support	<u>(5,314)</u>	<u>-</u>



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Part B: Additional Information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period

	Quarter and cumulative period ended			
	<u>31.03.2021</u>	<u>31.03.2020</u>	Variance	%
	RM'mil	RM'mil	RM'mil	
Revenue	2,198	2,549	(351)	-14
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	164	60	104	>100
Profit/(loss) after taxation	16	(124)	140	>-100

The sales volume for the current quarter stood at 8.1 million barrels, compared to 10 million barrels in the comparative quarter. However the Company's margins improved (after incorporating stock-holding gains and the effects of both crack and commodity hedges) compared to the comparative quarter during which the Company had suffered higher crude premiums and stock-holding losses. In the current quarter, global refining margins improved compared with comparative quarter as global market confidence returned mainly attributed to the economy reopening from Covid-19 lockdowns and OPEC's continued effort to control crude supplies.

Operating expenses were reduced in the current quarter mainly due to the lower maintenance services spend as a result of the reduction in sitewide activities brought about by the Covid-19 Movement Control Order (MCO).

The Company recorded unrealised foreign currency exchange losses of RM48.5 million (net of fair value losses on the outstanding forward foreign currency contracts) in the current quarter, as Ringgit Malaysia weakened from RM4.01 to RM4.15 against the US Dollar. The losses were largely attributed to the US Dollar denominated borrowings and trade payables.

The disproportionate tax charge in the current quarter was mainly due to certain expenses being disallowed for tax purposes. The comparative quarter arose from the effects of deferred tax assets resulted from recognition of unabsorbed tax losses which previously not recognised.



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

B2 Financial review for current quarter compared with immediately preceding quarter

	<u>31.03.2021</u>	<u>Quarter ended</u> <u>31.12.2020</u>	<u>Variance</u>	
	RM'mil	RM'mil	RM'mil	%
Revenue	2,198	1,825	373	20
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	164	288	(124)	-43
Profit after taxation	16	172	(156)	-91

The average market prices of oil products for the current quarter have improved against the immediate preceding quarter due to increased confidence of the global market. Lower gross profit and net profit resulted from the loss on commodity hedges and unrealised foreign currency exchange loss revaluation caused by weakening in RM attributed by the bank borrowing and trade payables denominated in USD respectively.

B3 Current year prospects

Despite the latest overwhelming outbreak of mutated Covid-19 in India, the global oil consumption is on the mend led by a vigorous recovery in China and the United States. According to The Organisation of Petroleum Exporting Countries (OPEC), the oil demand in China has achieved above the pre-pandemic levels and the U.S. is almost back to where it was, which could eclipse the recent lower oil demand in India for the time being. At the same time, OPEC and its allies will proceed with the plans to ramp up oil production by restoring about a quarter of their halted supplies last year over the next few months due to the anticipated global oil demand recovery.

While the oil industry remains challenging, the Company will continue to focus on the operational efficiency, product quality, hydrocarbon hedging, and financial risk management in optimising the Company's performance. Apart from that, various safety management measures have been rigorously implemented by the Company to curb Covid-19 risks in order to safeguard the health and well-being of all our employees and stakeholders.



HENGYUAN REFINING COMPANY BERHAD

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B4 Status of Project Euro 4 Mogas

Due to the Covid-19 outbreak and consequent international lockdowns, the Euro 4 Mogas project is expected to be completed in the fourth quarter of 2021. The delay is not expected to have any significant adverse effects to the Company's operations and its ability to supply to the market.

The Malaysian government mandated the switch to Euro 4 standard for Mogas effective 1 January 2020. The Company has been able to produce some volumes of Euro 4 Mogas based on the plant's existing configuration in fulfilling its supply obligations to customers. Should additional volumes be required by our customers, the Company may choose to meet these orders with internally produced volumes or by purchasing additional volumes from the open market, depending on the commercial viability at the time.

B5 Profit forecast

The Company does not issue any profit forecasts.

BY ORDER OF THE BOARD

Lim Hooi Mooi (MAICSA 0799764)
Ong Wai Leng (MAICSA 7065544)
Company Secretaries

Kuala Lumpur
28 May 2021